

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
(A Component Unit of the Township of Montclair)

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2023 AND 2022

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

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TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COUNTY OF ESSEX
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Township of Montclair Free Public Library
Montclair, New Jersey

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying balance sheets - regulatory basis of the various funds of the Township of Montclair Free Public Library, as of December 31, 2023 and 2022, and the related statements of revenues, expenditures and changes in fund balance - regulatory basis for the years then ended and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds of the Township of Montclair Free Public Library as of December 31, 2023 and 2022, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Montclair Free Public Library as of December 31, 2023 and 2022, or changes in financial position for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township of Montclair Free Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Montclair Free Public Library on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Montclair Free Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Montclair Free Public Library's ability to continue as a going concern for a reasonable period of time.


We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Montclair Free Public Library as a whole. The supplementary schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Montclair Free Public Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2024 on our consideration of the Township of Montclair Free Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Montclair Free Public Library's internal control over financial reporting and compliance.


LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
June 21, 2024

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2023 AND 2022**

	Balance, December 31, <u>2023</u>	Balance, December 31, <u>2022</u>
ASSETS		
Cash	\$ 2,091,694	\$ 1,588,435
Prepaid Expense	<u>-</u>	<u>695</u>
 Total Assets	 <u>\$ 2,091,694</u>	 <u>\$ 1,589,130</u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts Payable	\$ 92,361	\$ 71,925
Payroll Deductions Payable	8,729	21,315
Reserve for Unrestricted State Aid	22,781	21,071
Reserve for Unemployment	<u>2,500</u>	<u>2,500</u>
 Total Current Liabilities	 <u>126,371</u>	 <u>116,811</u>
 Fund Balance		
Restricted		
Grant	32,463	42,997
Endowment	669,293	701,912
Capital Improvement	76,593	76,593
Unrestricted	<u>1,186,974</u>	<u>650,817</u>
 Total Fund Balance	 <u>1,965,323</u>	 <u>1,472,319</u>
 Total Liabilities and Fund Balance	 <u>\$ 2,091,694</u>	 <u>\$ 1,589,130</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
AS OF DECEMBER 31, 2023 AND 2022
OPERATING FUND**

	<u>Year 2023</u>	<u>Year 2022</u>
REVENUES		
Township Appropriation	\$ 3,792,995	\$ 3,382,267
State Aid	21,071	20,672
Fines, Fees and Miscellaneous	49,592	18,800
Adult School Tuition	126,748	93,826
Interest	<u>14,039</u>	<u>1,657</u>
Total Revenues	<u>4,004,445</u>	<u>3,517,222</u>
EXPENDITURES		
Salary & Wages	2,008,317	1,806,131
Pension/Benefits	681,570	666,144
Other Expenses	<u>778,401</u>	<u>762,038</u>
Total Expenditures	<u>3,468,288</u>	<u>3,234,313</u>
Excess of Revenues Over Expenditures	536,157	282,909
Fund Balance, January 1	<u>727,410</u>	<u>444,501</u>
Fund Balance, December 31	<u>\$ 1,263,567</u>	<u>\$ 727,410</u>
Analysis of Fund Balance		
Restricted	\$ 76,593	\$ 76,593
Unrestricted	<u>1,186,974</u>	<u>650,817</u>
	<u>\$ 1,263,567</u>	<u>\$ 727,410</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
AS OF DECEMBER 31, 2023 AND 2022
GRANT FUND**

	<u>Year 2023</u>	<u>Year 2022</u>
REVENUES		
Donations	\$ 30,818	\$ 40,137
Interest	<u>555</u>	<u>-</u>
Total Revenues	<u>31,373</u>	<u>40,137</u>
EXPENDITURES		
Other - Non-Budgetary	<u>41,907</u>	<u>57,597</u>
Total Expenditures	<u>41,907</u>	<u>57,597</u>
Deficiency of Revenues Under Expenditures	(10,534)	(17,460)
Restricted Fund Balance, January 1	<u>42,997</u>	<u>60,457</u>
Restricted Fund Balance, December 31	<u>\$ 32,463</u>	<u>\$ 42,997</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
AS OF DECEMBER 31, 2023 AND 2022
ENDOWMENT FUND**

	<u>Year 2023</u>	<u>Year 2022</u>
REVENUES		
Donations	\$ 199,008	\$ 634,883
Interest	<u>16,668</u>	<u>2,186</u>
Total Revenues	<u>215,676</u>	<u>637,069</u>
EXPENDITURES		
Other - Non-Budgetary	<u>248,295</u>	<u>343,901</u>
Total Expenditures	<u>248,295</u>	<u>343,901</u>
Excess of Revenues over Expenditures	(32,619)	293,168
Restricted Fund Balance, January 1	<u>701,912</u>	<u>408,744</u>
Restricted Fund Balance, December 31	<u>\$ 669,293</u>	<u>\$ 701,912</u>

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Montclair Free Public Library was incorporated under R.S. 40:54-1 and operates under a Board of Trustees appointed by the Mayor and Council of the Township of Montclair. The financial statements of the Township of Montclair Free Public Library include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Montclair Free Public Library.

GASB requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Library is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Library is financially accountable to the Township of Montclair (the "Township") since the Township appoints a voting majority of the Library's board, and (1) the Township is able to significantly influence the programs and services performed or provided by the Library; or (2) the Township is legally entitled to or can otherwise access the Library's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Township; or the Township is obligated for the debt of the Library. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Library is a component unit of the Township.

B. Description of Regulatory Basis of Accounting

The financial statements of the Township of Montclair Free Public Library (the "Library") have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Library accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The regulatory basis of accounting is the standard method of accounting practiced by public libraries throughout the State of New Jersey.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The Library does not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

C. Basis of Presentation – Financial Statements

The Library uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Library functions or activities.

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The Library has the following funds and account group:

Unrestricted Funds:

Operating Fund – Resources and expenditures for library operations of a general nature, including Federal and State grants for operation. This fund also includes the Adult School, which is an expansion of the Library’s lifelong learning program and is maintained in a separate account to record the revenues (Tuition) and expenditures for the various run programs.

Restricted Funds:

Grant Fund – is to be used for various grantor restricted purposes to aid and benefit the Library.

Endowment Fund – is to be used for donor restricted purposes for the acquisition of books, periodicals and other media.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Library's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications - Certain reclassifications may have been made to the December 31, 2022 balances to conform to the December 31, 2023 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Library presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Township of Montclair Free Public Library follows a modified accrual basis of accounting. Under this method of accounting, revenues, except for the Library Contribution and State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for libraries by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the library. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Prepaid Items – Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories of Supplies and Books - The costs of inventories of supplies and books are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the balance sheet at year end.

General Fixed Assets – Property and equipment purchased by the Library are recorded as expenditures at the time of purchase and are not capitalized. A general fixed assets account group has not been established to account for property and equipment purchased by the Library.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated sick and vacation leave and salary related payments are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Fund Balance – Restricted fund balances are created to identify the portion of fund balance that is available for future or restricted expenditures.

Restricted for Capital Improvements (Operating Fund) – This restriction was created to fund future capital expenditures.

Grant Fund – The revenue generated from local grants would be used annually for expenditures related to the learning objectives of the Library. The income generated from the fund would be additional funding to the Library.

Endowment Fund – The revenue primarily generated from contributions from the Montclair Public Library Foundation would be used annually for library materials and programs. The income generated would be additional funding to the Library.

Revenues – Revenues, except for the Township contribution, State/Federal Aid and certain quasi-governmental revenues, are recognized on a cash basis. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

State Library Revenue Aid – Decisions on the use and expenditure of per capita State Library Aid rests with the Board of Trustees of the Library. The aid is received on an annual basis, usually in November. It is the Board's policy to hold the current year's State Aid as a reserve in the liability section of the balance sheet until the succeeding year where it is included as part of the support for that year's operation. The only restriction placed on the use of State Library Aid is that it must be expended within two years of receipt.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order. Outstanding encumbrances at December 31, are reported as a cash liability (accounts payable) in the financial statements. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable.

Pensions – The Library appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the Library is only required to disclose in the Notes to the Financial Statements its share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the government-wide financial statements.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Other Post-Employment Benefits (OPEB) – The Library funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the Library is only required to disclose in the Notes to the Financial Statements it’s actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the government-wide financial statements.

Contributed Services - At various times during the year, volunteers perform services for the Library without remuneration. The fair value of these costs is not reported on the financial statements. GAAP requires the fair value of these costs to be reported as a revenue and expenditure on the financial statements.

Use of Estimates - The preparation of financial statements requires management of the Library to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

The Library considers petty cash, change funds and cash in banks as cash.

A. Cash Deposits

The Library’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Library is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect withholdings from an employee’s salary or funds which may pass to the Library upon the happening of a future condition.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2023 and 2022, the book value of the Library's deposits were \$2,091,694 and \$1,588,435 and bank and brokerage firm balances of the Library's deposits amounted to \$2,108,963 and \$1,613,501, respectively. The Library's deposits which are displayed on the balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2023</u>	<u>2022</u>
Insured	\$ 2,100,234	\$ 1,592,186
Uninsured and Collateralized	<u>8,729</u>	<u>21,315</u>
	<u>\$ 2,108,963</u>	<u>\$ 1,613,501</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Library does not have a formal policy for custodial credit risk. As of December 31, 2023 and 2022, the Library’s bank balances of \$8,729 and \$21,315 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2023</u>	<u>2022</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Library's name	\$ 8,729	\$ 21,315
	<u>\$ 8,729</u>	<u>\$ 21,315</u>

B. Investments

The Library is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Library or bonds or other obligations of the school districts which are a part of the Library or school districts located within the Library, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2023 and 2022 the Library had no outstanding investments.

NOTE 3 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

The Library permits employees to accrue a limited amount of unused sick pay, which may be paid upon retirement or death (within certain limitations).

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$67,281 and \$67,281 at December 31, 2023 and 2022. This amount, which is considered material to the financial statements, is not reported either as an expenditure or liability.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Library's changes in other long-term liabilities for the years ended December 31, 2023 and 2022 were as follows:

	Balance, December 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2023</u>	<u>Due Within One Year</u>
<u>2023</u>					
Compensated Absences	\$ 67,281			\$ 67,281	
Net Pension Liability - PERS (1)	<u>2,909,318</u>	\$ -	\$ -	<u>2,909,318</u>	\$ -
Total Other Long-Term Liabilities	<u>\$ 2,976,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,976,599</u>	<u>\$ -</u>

(1) GASB Statement Numbers 68 Pension financial information was not provided by the State's Division of Pensions and Benefits as of the date of audit.

	Balance, December 31, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2022</u>	<u>Due Within One Year</u>
<u>2022</u>					
Compensated Absences	\$ 72,664		\$ 5,383	\$ 67,281	
Net Pension Liability - PERS	<u>2,655,709</u>	<u>\$ 516,146</u>	<u>262,537</u>	<u>2,909,318</u>	\$ -
Total Other Long-Term Liabilities	<u>\$ 2,728,373</u>	<u>\$ 516,146</u>	<u>\$ 267,920</u>	<u>\$ 2,976,599</u>	<u>\$ -</u>

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Library employees who are eligible for pension coverage.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Library employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees who would otherwise be eligible to participate in PERS on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement system is prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj.us/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2023 was not available and for June 30, 2022 is \$13.5 billion, and the plan fiduciary net position as a percentage of the total pension liability is 68.33% at June 30, 2022. The collective net pension liability of the participating employers for local PFRS at June 30, 2023 was not available and for June 30, 2022 is 15.2 billion and the plan fiduciary net position as a percentage of total pension liability is 62.91% at June 30, 2022.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2021 which were rolled forward to June 30, 2022.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2021 PERS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2023 and 2022 based on 7.50% for PERS and 5.50% for DCRP of employee’s annual compensation.

For PFRS, which is a cost sharing multi-employer defined benefit pension plans, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Library for 2023, 2022 and 2021 were equal to the required contributions.

Employer and Employee Pension Contributions

During the years ended December 31, 2023, 2022 and 2021, the Library, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>DCRP</u>
2023	\$ 243,105	\$ 553
2022	262,537	488
2021	226,031	482

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The regulatory basis of accounting requires participating employers in PERS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No. 68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer’s prior fiscal year. The GASB No. 68 financial information from the State’s Division of Pensions and Benefits to be reported for the year ended December 31, 2023 for the measurement date of June 30, 2023 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2023 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer to the total contributions to the plan during the fiscal years ended June 30, 2022 and 2021. Employer allocation percentages have been rounded for presentation purposes.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS)

At December 31, 2022, the Library reported a liability of \$2,909,318, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Library's proportionate share of the net pension liability was based on the ratio of the Library's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2022, the Library's proportionate share was .01928 percent, which was a decrease of .00314 percent from its proportionate share measured as of June 30, 2021 of .02242 percent.

For the year ended December 31, 2022, the pension system has determined the Library's pension expense/(benefit) to be \$(214,470), for PERS based on the actuarial valuations which is less than the actual contribution reported in the Library's financial statements of \$262,537. At December 31, 2022, the Library's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Library's financial statements are from the following sources:

	<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 20,998	\$ 18,517
Changes of Assumptions	9,014	435,640
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	120,414	
Changes in Proportion and Differences Between Library Contributions and Proportionate Share of Contributions	<u>332,643</u>	<u>511,762</u>
Total	<u>\$ 483,069</u>	<u>\$ 965,919</u>

At December 31, 2022 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2023	\$ (307,488)
2024	(187,803)
2025	(69,331)
2026	85,221
2027	(3,449)
Thereafter	<u>-</u>
	<u>\$ (482,850)</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Library’s total pension liability reported for the year ended December 31, 2022 was based on the June 30, 2022 measurement date as determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2022</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Rate for All Future Years	2.75%-6.55%
	Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2022, as reported for the year ended December 31, 2022, are summarized in the following table:

<u>Asset Class</u>	2022	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.91%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	3.38%
US Equity	27.00%	8.12%
Non-US Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
High Yield	4.00%	4.95%
Real Assets	3.00%	7.60%
Private Credit	8.00%	8.10%
Real Estate	8.00%	11.19%
Private Equity	13.00%	11.80%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Library’s proportionate share of the PERS net pension liability as of December 31, 2022 calculated using the discount rate of 7.00%, as well as what the Library’s proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

<u>2022</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Library's Proportionate Share of the PERS Net Pension Liability	\$ <u>3,737,621</u>	\$ <u>2,909,318</u>	\$ <u>2,204,398</u>

The sensitivity analysis was based on the proportionate share of the Library’s net pension liability at December 31, 2022. A sensitivity analysis specific to the Library’s net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 5 RISK MANAGEMENT

The Township of Montclair maintains insurance policies which cover the Library as well. The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

NOTE 6 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also declared a public health emergency on March 9, 2020 and instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey’s economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor’s pandemic-related executive orders on July 4, 2021. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) terminated on January 1, 2022. On January 11, 2022, the Governor reinstated, via Executive Order No. 280, the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron variant. Such public health emergency was set to expire 30 days from January 11, 2022, but was later extended, via Executive Order No. 288, for an additional 30 days on February 10, 2022. On March 4, 2022, the Governor declared, via Executive Order No. 292, an end to the reinstated public health emergency, effective March 7, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place.

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)

The Township of Montclair Free Public Library’s finances and operations may be materially and adversely affected as a result of the continued spread of COVID-19 through reduced or delayed revenue streams, which include the collection of property taxes, which are the Township of Montclair’s primary revenue source for supporting its budget. The Township of Montclair Free Public Library cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain its facilities, or costs to operate remotely and support Library functions and critical government actions during an outbreak or any resulting impact such costs could have on the operations of the Library. However, as of the date of audit, even though the Library finances and operations had certain reduced revenue streams due to the COVID-19 outbreak, the overall finances and operations of the Library have not been materially and adversely affected due to the COVID-19 outbreak.

The degree of any such impact on the operations and finances of the Library cannot be predicted due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Library and its economy. The Library is monitoring the situation and will take such proactive measures as may be required to maintain its functionality and meet its obligations.

The American Rescue Plan Act of 2021, H.R. 1319 (the “Plan”), signed into law by President Biden on March 11, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to a \$1,400 increase in direct stimulus payment to individuals and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Library.

SUPPLEMENTARY SCHEDULES

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Balance, January 1, 2023		\$ 1,588,435
Increased by Receipts:		
Municipal Appropriation	\$ 3,792,995	
State Aid - Reserve for Unrestricted State Aid	22,781	
Fines, Fees and Miscellaneous	23,473	
Other Income	26,119	
Donations		
Grant Fund	30,818	
Endowment Fund	199,008	
Adult School - Tuition	124,601	
Interest		
Operating Fund	16,186	
Grant Fund	555	
Endowment Fund	<u>16,668</u>	
		<u>4,253,204</u>
		5,841,639
Decreased by Disbursements:		
2023 Operating Budget	685,345	
Payroll Deductions Payable	2,702,473	
Other - Non-Budgetary		
Grant Fund	41,907	
Endowment Fund	248,295	
Accounts Payable	<u>71,925</u>	
		<u>3,749,945</u>
Balance, December 31, 2023		<u>\$ 2,091,694</u>

Analysis of Balance, December 31, 2023

Operating Account, TD Bank		\$ 1,261,126
Payroll Agency Account, TD Bank		8,729
Grant Fund Account, TD Bank		31,813
Unemployment Account, TD Bank		2,420
Endowments, Memorials and Gifts Account, TD Bank		667,871
Adult School Bank Account, TD Bank		119,435
Petty Cash		<u>300</u>
Balance, December 31, 2023		<u>\$ 2,091,694</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
STATEMENT OF 2023 BUDGET REVENUES - OPERATING**

	<u>Budget (Memo)</u>	<u>Realized</u>	<u>Excess or (Unrealized)</u>
REVENUES			
Municipal Appropriation	\$ 3,792,995	\$ 3,792,995	
State Aid	22,000	21,071	\$ (929)
Fees and Miscellaneous	10,000	23,473	13,473
Other Income	12,000	26,119	14,119
Adult School - Tuition	65,000	124,601	59,601
Interest	-	16,186	16,186
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 3,901,995</u>	<u>\$ 4,004,445</u>	<u>\$ 102,450</u>
		Municipal Appropriation \$ 3,792,995	
		Cash Receipts 190,379	
		Reserve for State Aid <u>21,071</u>	
		<u>\$ 4,004,445</u>	

STATEMENT OF 2023 BUDGET EXPENDITURES - OPERATING

	<u>Budget (Memo)</u>	<u>Paid or Charged</u>	<u>(Deficit) or Unexpended Balance</u>
EXPENDITURES			
Salary & Wages	\$ 2,298,174	\$ 2,008,317	\$ 289,857
Pension & Benefits	827,469	681,570	145,899
Library Materials			
Books/Electronic Materials	23,095	12,512	10,583
Audiovisual		2,663	(2,663)
Subscriptions	7,500	333	7,167
Databases		2,718	(2,718)
Programs			
Youth Programs	8,208	7,345	863
Adult Programs	22,000	21,445	555
Adult School	100,000	90,140	9,860
Professional Contracted Services	52,658	34,174	18,484
Library Services/Technology	120,524	187,685	(67,161)
Administration			
Other Operating Expenses	42,629	25,947	16,682
Professional Development	12,212	1,444	10,768
Facilities			
Maintenance	132,526	144,888	(12,362)
Furnishings and Equipment		31,046	(31,046)
Insurance	20,000	19,642	358
Utilities	215,000	178,466	36,534
Telecommunications	20,000	17,953	2,047
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 3,901,995</u>	<u>\$ 3,468,288</u>	<u>\$ 433,707</u>
		Cash Disbursements \$ 685,345	
		Payroll Deductions Payable 2,689,887	
		Accounts Payable 92,361	
		Prepaid Expenses <u>695</u>	
		<u>\$ 3,468,288</u>	

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
DUE FROM THE TOWNSHIP**

SCHEDULE D

Increased by:	
2023 Municipal Appropriations	<u>\$ 3,792,995</u>
Decreased by:	
Cash Receipts	<u>\$ 3,792,995</u>

STATEMENT OF PREPAID EXPENSES

SCHEDULE E

Balance, January 1, 2023	\$ 695
Decreased by:	
Charged to 2023 Budget	<u>\$ 695</u>

STATEMENT OF ACCOUNTS PAYABLE

SCHEDULE F

Balance, January 1, 2023	\$ 71,925
Increased by:	
Charges to 2023 Appropriations	<u>92,361</u>
	164,286
Decreased by:	
Cash Disbursements	<u>71,925</u>
Balance, December 31, 2023	<u>\$ 92,361</u>

**TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY
STATEMENT OF PAYROLL DEDUCTIONS PAYABLE**

SCHEDULE G

Balance, January 1, 2023	\$ 21,315
Increased by:	
Charges to 2023 Appropriations	<u>2,689,887</u>
	2,711,202
Decreased by:	
Cash Disbursements	<u>2,702,473</u>
Balance, December 31, 2023	<u>\$ 8,729</u>

STATEMENT OF RESERVE FOR UNRESTRICTED STATE AID

SCHEDULE H

Balance, January 1, 2023	\$ 21,071
Increased by:	
Cash Receipts	<u>22,781</u>
	43,852
Decreased by:	
2023 Anticipated Revenue	<u>21,071</u>
Balance, December 31, 2023	<u>\$ 22,781</u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT

SCHEDULE I

Balance, January 1, 2023	\$ 2,500
Balance, December 31, 2023	<u>\$ 2,500</u>



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Township of Montclair Free Public Library
Montclair, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Township of Montclair Free Public Library as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2024. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Montclair Free Public Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Montclair Free Public Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

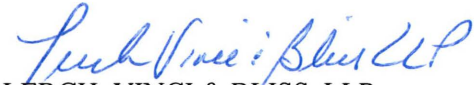
Report on Compliance and Other Matters

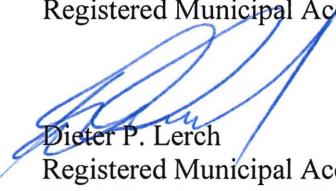
As part of obtaining reasonable assurance about whether the Township of Montclair Free Public Library’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Township of Montclair in the Part III of this report of audit entitled, “General Comments and Recommendations”.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Montclair Free Public Library’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Montclair Free Public Library’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
June 21, 2024

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

**GOVERNMENT AUDITING STANDARDS AND
COMMENTS AND RECOMMENDATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

GENERAL COMMENTS

Finding – Our audit revealed several instances in which deposits were not made in a timely manner.

Recommendation – The collection of cash receipts be deposited within forty-eight (48) hours of receipt.

Finding – The approved annual budget does not separate line item appropriations between operating, grant and endowment funds.

Recommendation – The approved annual budget be analyzed and item appropriations between operating, grant and endowment funds.

TOWNSHIP OF MONTCLAIR FREE PUBLIC LIBRARY

Suggestions to Management

Separate fiscal year budget plans be prepared for the Operating, Grant and Endowment Funds.

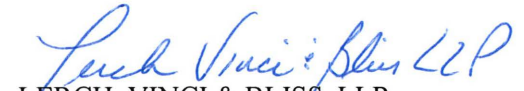
RECOMMENDATIONS

1. The collection of cash receipts be deposited within forty-eight (48) hours of receipt.

A review was performed on all prior year's recommendations. The Library has taken corrective action on all prior year recommendations except those denoted by an asterisk (*).

This report is intended solely for the use of the Board of Trustees and should not be used for any other purpose.

Should any question arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


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Registered Municipal Accountants


Dieter P. Lerch
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