

TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)

Financial Statements
with Additional Financial Information

December 31, 2020

(With Independent Auditors' Report Thereon)

TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)

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Unmodified Opinions on Basic Financial Statements Accompanied by Additional Financial Information

Independent Auditor's Report

Mayor and Members of the Board of Trustees
Pequannock Township Free Public Library
Township of Pequannock, New Jersey

Report on the Financial Statements

We have audited the accompanying regulatory basis balance sheet as of December 31, 2020 of the Pequannock Township Free Public Library (a component unit of the Township of Pequannock, New Jersey), and the related regulatory basis statement of operations and changes in fund balances for the year then ended and the related regulatory basis statement of revenues and statement of expenditures for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Pequannock Township Free Public Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey - regulatory basis; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, these financial statements were prepared in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey- regulatory basis, which is a basis of accounting other accounting principles than generally accepted in the United States of America to meet the requirements of the State of New Jersey.

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.

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" paragraph, 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 the Pequannock Township Free Public Library, (a component unit of the Township of Pequannock, New Jersey), as of December 31, 2020 and the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pequannock Township Free Public Library, (a component unit of the Township of Pequannock, New Jersey), as of December 31, 20120 and the related statement of operations and changes in fund balances for the year then ended and the related statement of revenues and statement of expenditures for the year ended December 31, 2019 on the regulatory basis of accounting described in note 1.

Other Matters

Additional Financial Information

Our audit was conducted for the purpose of forming an opinion on the regulatory financial

statements that collectively comprise the Library's basic financial statements. The additional financial information included in the accompanying table of contents, is presented for the purpose of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information and schedules is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional financial information included in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021 on our consideration of the 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 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 Township of Pequannock Free Public Library's, (a component unit of the Township of Pequannock, New Jersey), internal control over financial reporting and compliance.

Louis C. Mai CPA & Associates
Louis C. Mai

November 17, 2021

Louis C. Mai, Registered Municipal Accountant
No. CR00217

LOUIS C. MAI CPA & ASSOCIATES

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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

Mayor and Members of the Board of Trustees
Pequannock Township Free Public Library
Township of Pequannock, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis balance sheet as of December 31, 2020 of the Pequannock Township Free Public Library (a component unit of the Township of Pequannock, New Jersey), and the related regulatory basis statement of operations and changes in fund balances for the year then ended and the related regulatory basis statement of revenues and statement of expenditures for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Pequannock Township Free Public Library's, (a component unit of the Township of Pequannock, New Jersey), basic financial statements, regulatory basis, and have issued our report thereon dated November 17, 2021 which report expressed an adverse opinion in accordance with accounting principles generally accepted in the United States of America and an unmodified opinion on the regulatory basis of accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the 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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Louis C. Mai CPA & Associates
Louis C. Mai

Louis C. Mai, Registered Municipal Accountant
No. CR00217

November 17, 2021

TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)

Balance Sheet

December 31, 2020
(with comparative information for December 31, 2019)

Assets	Ref.	2020	2019
Regular Fund:			
Cash	Schedule 5	\$ 696,897	576,537
Building and Endowment Fund			
Cash	Schedule 5	56,600	56,275
		\$ 753,497	632,812
Liabilities and Fund Balances			
Regular Fund:			
Accounts payable	Schedule 6	\$ 5,855	14,378
Due to Township	Schedule 7	80,012	52,089
		85,867	66,467
Fund balance	Schedule 2	611,030	510,070
Total Regular Fund		696,897	576,537
Building and Endowment Fund			
Fund balance			
Restricted	Note 1	10,890	10,890
Unassigned		45,710	45,385
Total Building Fund	Schedule 2	56,600	56,275
		\$ 753,497	632,812

See accompanying notes to financial statements.

TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)

Statement of Operations and Changes in Fund Balance

Year ended December 31, 2020

	2020	
	Regular Fund	Building & Endowment Fund
Revenue and other income realized:		
Township appropriations	\$ 955,328	—
State aid	6,734	—
Fines	2,109	—
Contributions	9,854	48
Copier revenue	280	—
Interest on savings	3,401	277
Video program	291	—
Miscellaneous	1,935	—
	<u>979,932</u>	<u>325</u>
Total revenue and other income		
Expenditures:		
Salaries and benefits	641,606 ✓	—
Library materials	53,223 ✓	—
Stationery and supplies	9,186 ✓	—
Administration	43,511 ✓	—
Exhibits and programs	9,143 ✓	—
Building maintenance	15,676 ✓	—
Furniture and equipment	9,372	—
Telephone	7,728	—
Pension	41,600 ✓	—
General insurance	16,306	—
Utilities	31,621 ✓	—
	<u>878,972</u>	<u>—</u>
Total expenditures		
Excess (Deficit) in revenue over expenditures	100,960	325
Fund balance, January 1	<u>510,070</u>	<u>56,275</u>
	611,030	56,600
Decreased by utilized as anticipated revenue	<u>—</u>	<u>—</u>
Fund balance, December 31,	<u>\$ 611,030</u>	<u>56,600</u>

See accompanying notes to financial statements.

TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)

Statement of Revenues - Regular Fund

Year ended December 31, 2020

Description	2020		
	Budget revenue	Realized	Excess (deficit)
Township budget appropriation	\$ 955,328	955,328	—
State aid	6,500	6,734	234
Fines	10,000	2,109	(7,891)
Contributions	5,000	9,854	4,854
Copier revenue	1,000	280	(720)
Interest on savings	1,000	3,401	2,401
Video program	1,500	291	(1,209)
Miscellaneous	5,000	1,935	(3,065)
	<u>\$ 985,328</u>	<u>979,932</u>	<u>(5,396)</u>

See accompanying notes to financial statements.

TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)

Statement of Expenditures - Regular Fund

Year ended December 31, 2020

	2020				
	<u>Actual budget</u>	<u>Paid or charged</u>	<u>Accounts payable</u>	<u>Total expenditures</u>	<u>Excess (deficit)</u>
Salaries and benefits	\$ 699,500	641,606	—	641,606	57,894
Library materials	77,690	50,360	2,863	53,223	24,467
Stationery and supplies	15,000	7,245	1,941	9,186	5,814
Administration	51,000	43,242	269	43,511	7,489
Exhibits and programs	18,000	9,013	130	9,143	8,857
Building maintenance	10,828	15,676	—	15,676	(4,848)
Furniture and equipment	5,000	9,372	—	9,372	(4,372)
Telephone	10,000	7,076	652	7,728	2,272
Pension	57,000	41,600	—	41,600	15,400
General insurance	16,310	16,306	—	16,306	4
Utilities	25,000	31,621	—	31,621	(6,621)
	<u>\$ 985,328</u>	<u>873,117</u>	<u>5,855</u>	<u>878,972</u>	<u>106,356</u>
Cash Disbursed		141,984			
Due to Township		<u>731,133</u>			
Total		<u>\$ 873,117</u>			

See accompanying notes to financial statements.

Pequannock Township Public Library
(A Component Unit of the Township of Pequannock)

Notes to the Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies

The accounting policies of the Pequannock Township Public Library, State of New Jersey (the Library) conform to the accounting principles applicable to municipalities prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. The following is a summary of the significant policies.

Reporting Entity

The financial statements of the Library include all of the operations of the Library. The Library has no component units that are required to be included in the financial statements.

Component Unit

The Governmental Accounting Standards Board Statement 14 requires that disclosure be made in the financial statements regarding the financial reporting entity of governmental units.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is a legally separate organization for which the elected officials or the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The Pequannock Township Public Library is a component unit of the primary government of the Township of Pequannock. The members of the Pequannock Township Public Library are appointed by Township Council of the Township of Pequannock and the Township would be obligated to guarantee debt of the Library to the extent not met by other sources.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts of the Library are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities reserves, fund balance, revenues and expenditures, as appropriate.

Pequannock Township Public Library
(A Component Unit of the Township of Pequannock)

Notes to the Financial Statements

December 31, 2020

Fund Types

Regular Fund: is used to account for the resources and expenditures for operations of a general nature, including Federal, State and Local grants for operations, if any,

Building and Endowment Fund: is used to account for the receipts, custodianship and disbursements of monies in accordance with the purpose for which the fund was created.

Budgets and budgetary accounting

An annual budget is adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements are those adopted by the Library Board of Trustees.

Basis of Accounting

The accounting principles and practices prescribed for libraries by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Revenues

Revenues are recognized on a cash basis. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Expenditures

Expenditures are recognized when the obligation is incurred. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Assets and Liabilities

Compensated Absences

Expenditures relating to obligations for unused vested accumulated vacation and sick pay 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 be recorded as a long-term obligation.

As of December 31, 2020 the estimated accrued liability as determined by Library officials for vacation, sick and compensatory time is approximately \$33,680. In accordance with state regulations this accrued liability has not been expensed or recorded as a liability.

Pequannock Township Public Library
(A Component Unit of the Township of Pequannock)

Notes to the Financial Statements

December 31, 2020

Inventories of Supplies

The costs of inventories of supplies and the library collection for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories and the library collection are not capitalized on the balance sheet as required by GAAP.

Capital Assets

The library building and equipment is owned by the Township of Pequannock and is not recorded on the books of the Library. No depreciation on the building is included in operating expenditures.

Fund Balance Restrictions

Fund balance restrictions are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unassigned fund balance represent the amount available for future budgetary operations.

Restricted – includes amounts restricted by external sources or by constitutional provisions or enabling legislation. The Library received money from the Landsberger Trust to continue to fund the Landsberger Collection of books, films and other materials on the Holocaust.

Unassigned – is the residual classification for the fund. This classification represents fund balance that has not been assigned and that has not been restricted, committed or assigned to a specific purpose within the fund.

Use of Estimates

The preparation of financial statements in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit that are required to be presented in the financial statements be in accordance with GAAP. The Pequannock Township Public Library presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements requires by GAAP. In addition, the Division requires the financial statements listed in the table of contents to include references to the additional information schedules. This practice differs from GAAP

Pequannock Township Public Library
(A Component Unit of the Township of Pequannock)

Notes to the Financial Statements

December 31, 2020

(2) Deposits and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Pequannock Township Public Library classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

GASB Statement No. 40, Deposit and Investment Risk Disclosures, requires disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Library will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of December 31, 2020, the Library's bank deposits are insured by federal deposit insurance (FDIC) and by the State's Government Unit Deposit Protection Act.

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Governmental money market funds;
- (3) Any obligations 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 obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by the local units;
- (6) Local government investment pools;

Pequannock Township Public Library
(A Component Unit of the Township of Pequannock)

Notes to the Financial Statements

December 31, 2020

- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant of section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. The custody of collateral is transferred to a third party;
 - c. The maturity of the agreement is not more than 30 days;
 - d. The underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - e. A master repurchase agreement providing for the custody and security of collateral is executed.

(3) Retirement Plans

Substantially all of the Library's employees participate in the defined benefit Public Employee Retirement Systems (retirement system) which has been established by State statute. This system is sponsored and administered by the State of New Jersey.

Public Employees' Retirement System

Public Employees' Retirement System (PERS)--is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provision N.J.S.A. 43:15A to provide retirement, death and disability benefits, including post-retirement health care, 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 and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State also administers the Pension Adjustment Fund (PAF), which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. The cost of living increase for PERS is funded directly by the retirement system and is considered in the annual actuarial calculation of the required State contribution for that system.

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

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the retirement systems, funds, and trusts. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Pequannock Township Public Library
(A Component Unit of the Township of Pequannock)

Notes to the Financial Statements

December 31, 2020

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) operate and to the benefit provisions of the systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an addition 1% phased-in over 7 years. For fiscal year 2012, the member contribution rates will increase in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Policy

Contribution Requirements:

The contribution policy for PERS is set by New Jersey State statutes and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members of PERS contribute at a uniform rate of 7.50% of base salary, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS the employer contribution includes funding for post-retirement medical premiums.

Pequannock Township Public Library
(A Component Unit of the Township of Pequannock)

Notes to the Financial Statements

December 31, 2020

Library Contributions:

The Library's year ended December 31, 2020 contribution to PERS was \$41,600.

Deferred Compensation Plan

The Pequannock Public Library, through the Township, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary to future years. Individuals are one hundred percent vested. The plan, is funded solely from voluntary employee payroll deductions. Distribution is available to employees upon termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the individual contributors and are not subject to the claims of the Library's general creditors. The plan is maintained by the Township.

(4) Subsequent Events

A subsequent event is an event or transaction occurring after the balance sheet date, but before the financial statements are either issued or available to be issued. A review of the Library's operating activity has been performed to identify events that provide evidence about conditions that did not exist as of the balance sheet date; instead, they arose subsequent to that date. Based on this evaluation, the Library has determined that no subsequent events have occurred which require disclosure in the financial statements.

Schedule 1

TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)

Schedule of Cash

Year ended December 31, 2020

	<u>Regular Fund</u>	<u>Building & Endowment Fund</u>
Balance, January 1,	\$ 576,537	56,275
Increased by receipts:		
Township of Pequannock budget appropriations	955,328	—
State aid	6,734	—
Fines	2,109	—
Contributions	9,854	48
Copier revenue	280	—
Interest on savings	3,401	277
Video program	291	—
Miscellaneous	1,935	—
	<u>979,932</u>	<u>325</u>
	<u>1,556,469</u>	<u>56,600</u>
Decreased by disbursements:		
Expenditures	141,984	—
Accounts payable	14,378	—
Due to Township	703,210	—
	<u>859,572</u>	<u>—</u>
Balance, December 31,	\$ <u>696,897</u>	<u>56,600</u>

Schedule 2

**TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)**

Schedule of Accounts Payable

Year ended December 31, 2020

Balance, December 31, 2019	\$	14,378
Increased by accounts payable		<u>5,855</u>
		20,233
Decreased by cash disbursed		<u>14,378</u>
Balance, December 31, 2020	\$	<u><u>5,855</u></u>

Schedule 3

**TOWNSHIP OF PEQUANNOCK
FREE PUBLIC LIBRARY
(A Component Unit of the Township of Pequannock)**

Schedule of Due to Township

Year ended December 31, 2020

Balance, December 31, 2019	\$	52,089
Increased by expenses paid		<u>731,133</u>
		783,222
Decreased by cash disbursed		<u>703,210</u>
Balance, December 31, 2020	\$	<u><u>80,012</u></u>