

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

# **JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees of the  
Joint Free Public Library of the Chathams  
Borough of Chatham  
Chatham, NJ 07928

### **Report on the Financial Statements**

We have audited the accompanying balance sheet - regulatory basis of the Joint Free Public Library of the Chathams for the years ended December 31, 2019 and 2018, the related statement of revenues, expenditures and changes in fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the 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 accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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.

### ***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, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), 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 of 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, the financial statements are prepared by the Joint Free Public Library of the Chathams on the basis of the financial reporting provisions 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 requirements 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 each fund of the Joint Free Public Library of the Chathams as of December 31, 2019 and 2018, or changes in financial position for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balances sheet as of December 31, 2019 and 2018, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures and changes in fund balance for the year ended December 31, 2019 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Joint Free Public Library of the Chathams' basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were 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 supplemental information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020 on our consideration of the Joint Free Public Library of the Chathams' 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 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 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 Joint Free Public Library of the Chathams' internal control over financial reporting and compliance.

*James Cerullo*

James Cerullo  
Registered Municipal Accountant  
No. 415

*Wielkatz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

June 22, 2020

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AT DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 2,726,038.92	\$ 2,464,478.39
Petty Cash	300.00	300.00
Change Fund	200.00	200.00
<b>TOTAL ASSETS</b>	<b>\$ 2,726,538.92</b>	<b>\$ 2,464,978.39</b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>Liabilities:</b>		
Accounts Payable and Other Liabilities	\$ 9,031.67	\$ 14,528.03
<b>Fund Balance:</b>		
Restricted:		
Capital Projects (formerly the <i>Reserve for Depreciation</i> )	1,857,295.55	1,627,524.75
Unemployment Compensation	51,211.46	48,885.23
Unrestricted:		
Designated for:		
Gifts and Endowments	243,279.24	166,198.22
Staff Coverage Reserve	10,000.00	10,000.00
Computer Equipment Reserve	7,070.00	-
Undesignated	548,651.00	597,842.16
Total Fund Balance	2,717,507.25	2,450,450.36
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,726,538.92</b>	<b>\$ 2,464,978.39</b>

The accompanying "Notes to the Financial Statements" are an integral part of this financial statement.

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Allocation of Reserve	\$ 25,096.68	\$ 50,776.30
Municipal Appropriations:		
Borough of Chatham	966,876.00	925,174.00
Township of Chatham	1,135,029.00	1,086,073.00
State Aid	8,506.00	8,497.00
Donations / Gifts	150,561.85	81,261.29
Fines and Fees	22,973.17	24,222.98
Interest	21,289.62	17,873.89
Miscellaneous	6,842.74	6,740.62
	<u>2,337,175.06</u>	<u>2,200,619.08</u>
<b>Expenditures:</b>		
Budget Expenditures:		
Salaries and Benefits	1,439,363.64	1,432,202.77
Operations	205,944.83	144,909.69
Programs & Services	108,153.02	114,670.23
Library Materials	195,615.99	181,203.96
Administration	53,616.49	54,876.84
Non-Budget Expenditures:		
Reserve for Capital Projects, Net Transfers	(49,112.66)	(44,474.28)
Reserve for Unemployment	(2,326.23)	(2,268.47)
Designated - Gifts and Endowments	73,480.83	110,697.90
Designated - Computer Equipment Reserve	4,930.00	
Undesignated - Special Activities	40,452.26	5,963.84
	<u>2,070,118.17</u>	<u>1,997,782.48</u>
<b>Excess (Deficit) of Revenues</b>		
<b>Over Expenditures</b>	267,056.89	202,836.60
<b>FUND BALANCE - JANUARY 1</b>	<u>2,450,450.36</u>	<u>2,247,613.76</u>
<b>FUND BALANCE - DECEMBER 31,</b>	<u>\$ 2,717,507.25</u>	<u>\$ 2,450,450.36</u>

The accompanying "Notes to the Financial Statements" are an integral part of this financial statement.

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Funds**

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental generally accepted accounting and financial reporting principles. GASB Codification establishes seven fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

The accounting policies of the Library conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 has accounted for its fund balance using the following categories:

Reserved for Capital Projects - Funds appropriated to Reserve for Capital Projects (formerly the Reserve for Depreciation Fund) are required for furnishings, equipment, and initial collections for new building, building additions or building renovations; periodic major projects, replacement of roof and heating, ventilation and air conditioning systems; and site acquisition, new buildings, and additions to or renovations of library buildings. Amounts included in this fund are established by a 3, 4 or 5 year strategic plan or have been adopted by resolution.

Reserve for Unemployment Compensation - Employee and employer contributions are transferred to this fund for payment of unemployment claims paid by the State Department of Labor and billed to the Library.

Designated for Gifts and Endowments Fund - Funds classified to the Designated for Gifts and Endowments Fund originate from donor-restricted contributions for future construction and the purchase of duplicate copies of books or special book requests. The Library Board of Trustees has directed that interest earned on these deposits accrue as revenue to this fund.



JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Description of Funds, (continued)

Designated for Staff Coverage Reserve - Funds classified to the Designated for Staff Coverage Reserve are to be used as needed to cover employee time out.

Undesignated - Funds classified as Undesignated are available to fund the Library's governmental operations in a general nature.

Basis of Accounting

A modified accrual basis of accounting is followed, with minor exceptions. Modifications from the accrual basis are as follows:

Revenues are recorded as received or determinable.

Expenditures are recorded as incurred.

Inventories of Supplies - The cost of inventories of supplies is recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the Balance Sheet.

Fixed Assets - Property and equipment purchased by the General Fund are recorded as expenditures at the time of purchase and are not capitalized. In 2019, The Library performed an inventory of fixed assets and established the following General Fixed Assets Account Group to account for library property and equipment purchased either by the Library, the Borough or the Township.

	Balance <u>Dec. 31, 2019</u>
General Fixed Assets Account Group:	
Tools, Machinery, HVAC	\$107,035
Public Safety Equipment	48,195
Office Equipment	1,029
Furnishings, Fixtures	423,838
Computer Equipment	59,652
Laboratory, Medical	1,799
Audio/Visual, Communication	14,128
	<u>\$655,676</u>

# **JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**(continued)**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Contributed Services - The Library is located on property owned by the Borough of Chatham. At various times during the year, volunteers performed services for the Library without remuneration. The fair value of these costs is not reported in the financial statements.

Investments - Investments are stated at cost. Investments are limited to bonds or obligations of guarantee by the Federal government and bonds or other obligations of Federal or local units.

### **NOTE 2 - FINANCIAL REPORTING ENTITY**

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

### **NOTE 3 - CASH AND CASH EQUIVALENTS**

The Library considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

#### 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), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

# JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(continued)

### NOTE 3 - CASH AND CASH EQUIVALENTS, (continued)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At December 31, 2019 the book value of the Library's deposit was \$2,726,038.92 and the bank balances were \$2,763,408.66. The insured and collateral status of the year end bank balances were as follows:

Covered by New Jersey Governmental Depository Protection Act	\$2,513,408.66
Covered by Federal Depository Insurance	<u>250,000.00</u>
	<u>\$2,763,408.66</u>

#### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Library's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2019, \$0- of the Library's bank balance of \$2,763,408.66 was exposed to custodial credit risk.

#### Interest Rate Risk

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15(a) limit the length of time for most investments to 365 days.

#### Credit Risk

New Jersey Statutes 40A:5-15(a) limit municipal investment maturities to those specified in the Statutes. The type of allowance investments are: bonds of the United States of America or the local unit or school districts of which the local unit is part of; obligations of federal agencies not exceeding 397 days; government money market funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(continued)**

**NOTE 3 - CASH AND CASH EQUIVALENTS, (continued)**

**Concentration of Credit Risk**

The Library places no limit on the amount it may invest in any one issuer.

**NOTE 4 - CAPITAL PROJECTS**

On March 28, 2017, the Library updated their strategic capital improvement plan that, among other things, includes planned renovations and improvements over the next four years. At December 31, 2019 and 2018, the Library had a reserve for capital projects balance of \$1,857,295.55 and \$1,627,524.75, respectively.

**NOTE 5 - GIFTS AND ENDOWMENTS**

The Library has designated the funds from gifts and donations received over the years to be used for various non-operating expenditures. The following details the gifts and endowment balances at December 31, 2019 and 2018 and shows the activity applied to each fund during the years.

	Balance <u>Dec. 31, 2018</u>	Receipts/ <u>Transfers in</u>	Disbursements/ <u>Transfers out</u>	Balance <u>Dec. 31, 2019</u>
Leffingwell Grant Fund	16,872.55			16,872.55
MacGregor Grant Fund	5,033.22			5,033.22
Lundt Grant Fund	4,655.67			4,655.67
Misc. Memorial Funds	28,387.49			28,387.49
Gifts and Donated Funds	35,714.06	75,561.85	73,480.83	37,795.08
Gifts and Donated Fund - Pre 2013	313.46			313.46
Teen Room Fund	<u>75,221.77</u>	<u>75,000.00</u>	<u>                    </u>	<u>150,221.77</u>
	<u>\$166,198.22</u>	<u>\$150,561.85</u>	<u>\$73,480.83</u>	<u>\$243,279.24</u>

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**(continued)**

**NOTE 6 - UNDESIGNATED FUND BALANCE**

Undesignated fund balance represents the remaining funds available to fund the Library's governmental operations in a general nature. The Library of the Chathams separates undesignated fund balance into two categories - budgetary and special activity. The following schedule details the change in undesignated fund balance during the 2019 fiscal years:

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Receipts/</u> <u>Transfers In</u>	<u>Disbursements/</u> <u>Transfers Out</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Municipal Appropriations	\$361,543.52	\$2,101,905.00	\$2,210,707.69	\$252,740.83
State Aid	51,581.00	8,506.00		60,087.00
Fines and Fees:				
Book Fines	73,586.47	21,277.21		94,863.68
Lost/Paid Fees	2,124.00			2,124.00
AV Fees	25,186.23	1,695.96		26,882.19
ILL Fees	1,567.48			1,567.48
Interest	41,566.10	21,289.62		62,855.72
Miscellaneous:				
Printing and Copying	16,976.34	4,877.74		21,854.08
Room Rentals	6,998.06	480.00		7,478.06
Mini-Courses	2,501.32			2,501.32
Committed Funds	7,703.44			7,703.44
MUF Materials	4,524.59	1,480.00		6,004.59
Juvenile Programs	197.48			197.48
Staff	118.43	5.00		123.43
Bid Fee	<u>1,667.70</u>			<u>1,667.70</u>
	<u>\$597,842.16</u>	<u>\$2,161,516.53</u>	<u>\$2,210,707.69</u>	<u>\$548,651.00</u>
			\$2,170,255.43	
			<u>40,452.26</u>	
			<u>\$2,210,707.69</u>	

**NOTE 7 - ACCUMULATED VACATION AND SICK PAY**

Under the existing policies of the Library, employees are allowed to accumulate (with certain restrictions) unused sick and vacation pay over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

The Library has not designated any amount for unpaid compensation from its fund balance.

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**(continued)**

**NOTE 8 - PENSION PLAN**

**Description of Plan** - All required employees of the Library are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

**Public Employees' Retirement System (PERS)** - Established in January 1955, under provisions of N.J.S.A. 43:15A to provide coverage, 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 8 to 10 years of service for pension benefits and 25 years for post-retirement health care 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. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**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 cost of living increase for PERS is funded directly by the respective system and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, 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 the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasurey/pensions](http://www.state.nj.us/treasurey/pensions).

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**(continued)**

**NOTE 8 - PENSION PLAN, (continued)**

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**Funding Status and Funding Progress**

The funded status and funding progress of the retirement system is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**(continued)**

**NOTE 8 - PENSION PLAN, (continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate or return for the retirement systems and (2) 5.45 percent for projected salary increased for the PERS.

**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 member 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 retirement systems require employee contributions based on 7.34% (January to July 2018) and 7.50% (July to December 2018) for PERS and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. PERS employer contributions are made annually by the Authority to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**Three Year Trend Information for PERS**

<b><u>Year</u></b>	<b><u>Annual</u></b>	<b><u>Percentage</u></b>	<b><u>Net</u></b>
<b><u>Funding</u></b>	<b><u>Pension</u></b>	<b><u>of APC</u></b>	<b><u>Pension</u></b>
	<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>	<b><u>Obligation</u></b>
12/31/19	\$121,046.41	100%	\$ -0-
12/31/18	109,268.59	100	-0-
12/31/17	101,753.67	100	-0-



**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

(continued)

**NOTE 8 - PENSION PLAN, (continued)**

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

**Public Employees Retirement System (PERS)**

At December 31, 2019, the Library had a liability of \$2,165,818 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2019, the Library's proportion was 0.0120199801 percent, which was an increase/(decrease) of (0.00009642) percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Library recognized pension expense of \$116,919. At December 31, 2019, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$38,874	\$9,568
Changes of assumptions	212,265	751,749
Net difference between projected and actual earnings on pension plan investments		34,188
Changes in proportion and differences between Library contributions and proportionate share of contributions	<u>137,013</u>	<u>71,457</u>
Total	<u>\$388,152</u>	<u>\$866,962</u>

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**(continued)**

**NOTE 8 - PENSION PLAN, (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)**

**Public Employees Retirement System (PERS), (continued)**

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2019) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$(62,539)
2021	(202,875)
2022	(181,156)
2023	(85,062)
2024	(8,734)

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

**Additional Information**

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2019 and June 30, 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$3,149,522,616	\$4,684,852,302
Collective deferred inflows of resources	7,645,087,574	7,646,736,226
Collective net pension liability	18,018,482,972	19,689,501,539
Library's Proportion	0.0120199801%	0.0001211640%

JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(continued)

NOTE 8 - PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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 a generational basis. Mortality improvement based on Scale MP-2019.

JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
(continued)

**NOTE 8 - PENSION PLANS, (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(continued)

NOTE 8 - PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease <u>5.28%</u>	At Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
Library's proportionate share of the pension liability	\$2,754,812	\$2,180,885	\$1,697,270

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**(continued)**

**NOTE 8 - PENSION PLANS, (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 9 - CONTINGENT LIABILITIES**

Legal Counsel advises us there are no pending lawsuits against the Library which would have a material effect on the financial statements.

**NOTE 10 - SUBSEQUENT EVENTS**

The Library has evaluated subsequent events through June 22, 2020, the date which the financial statements were available to be issued and no other items were noted for disclosure.

**NOTE 11. OTHER MATTERS**

On March 9, 2020 Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating restraints that will have a detrimental impact on the Library's fund- raising capacity. The Library will continue to monitor the situation closely.

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**STATEMENT OF BUDGET REVENUES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Memorandum</b>			
	<b><u>Adopted Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Unrealized)</u></b>
Allocation of Reserve	\$ 25,096.68	\$ 25,096.68	\$ 25,096.68	\$ -
Municipal Appropriations:				
Borough of Chatham	966,876.00	966,876.00	966,876.00	-
Township of Chatham	1,135,029.07	1,135,029.07	1,135,029.00	(0.07)
State Aid	8,484.00	8,484.00	8,506.00	22.00
Donations / Gifts			150,561.85	150,561.85
Fines and Fees:				
Book Fines			21,277.21	21,277.21
AV Fees			1,695.96	1,695.96
Interest	2,000.00	2,000.00	21,289.62	19,289.62
Miscellaneous:				
Printing and Copying			4,877.74	4,877.74
Room Rentals			480.00	480.00
Miscellaneous			1,485.00	1,485.00
	<b><u>\$ 2,137,485.75</u></b>	<b><u>\$ 2,137,485.75</u></b>	<b><u>\$ 2,337,175.06</u></b>	<b><u>\$ 199,689.31</u></b>

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**STATEMENT OF BUDGETED EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Memorandum			(Deficit) or
	Adopted	Budget After	Realized	Unexpended
	Budget	Modification		Balance
<b>Budgeted Expenditures:</b>				
Salaries and Benefits:				
Salaries and Wages	\$ 1,012,964.92	\$ 1,012,964.92	\$ 978,396.09	\$ 34,568.83
Longevity	33,000.00	33,000.00	30,625.00	2,375.00
Payroll Taxes	74,289.83	74,289.83	74,043.99	245.84
Health Benefits	263,000.00	263,000.00	232,077.46	30,922.54
Pension / DCRP	122,111.00	122,111.00	121,046.41	1,064.59
Other Benefits	4,860.00	4,860.00	3,174.69	1,685.31
Operations:				
Professional Consulting Service	16,000.00	16,000.00	10,249.98	5,750.02
Maintenance / Contracts	50,000.00	50,000.00	76,371.40	(26,371.40)
Utilities	61,000.00	61,000.00	58,882.66	2,117.34
Insurance	42,000.00	42,000.00	42,634.10	(634.10)
Auditor	5,500.00	5,500.00	5,000.00	500.00
Automation	25,000.00	25,000.00	12,806.69	12,193.31
Programs & Services:				
Programs / Services	13,000.00	13,000.00	10,563.02	2,436.98
Community Partnerships	4,080.00	4,080.00	-	4,080.00
Shared Services	109,850.00	109,850.00	97,590.00	12,260.00
Library Materials:				
Adult/YA Books	68,500.00	68,500.00	59,130.78	9,369.22
Reference Books	25,000.00	25,000.00	13,420.82	11,579.18
Juvenile Books	26,000.00	26,000.00	26,208.60	(208.60)
Adult AV	14,500.00	14,500.00	14,129.30	370.70
YA AV	4,600.00	4,600.00	4,215.99	384.01
E-Books	25,000.00	25,000.00	24,869.51	130.49
Microfilms	2,550.00	2,550.00	-	2,550.00
Juvenile AV	5,500.00	5,500.00	5,147.37	352.63
Periodicals	18,600.00	18,600.00	13,060.88	5,539.12
Non-print Books	44,500.00	44,500.00	35,383.74	9,116.26
Miscellaneous Materials	1,800.00	1,800.00	49.00	1,751.00
Administration:				
Supplies	28,500.00	28,500.00	22,336.71	6,163.29
Postage / Printing	17,500.00	17,500.00	21,632.43	(4,132.43)
Staff Education / Conferences	4,000.00	4,000.00	966.95	3,033.05
Transportation	2,800.00	2,800.00	1,169.64	1,630.36
Payroll Processing Expense	6,200.00	6,200.00	4,540.98	1,659.02
MUF / MAIN Membership	3,200.00	3,200.00	2,535.00	665.00
Miscellaneous	2,080.00	2,080.00	434.78	1,645.22
<b>Non-budgeted Expenditures:</b>				
Paid From Restricted Fund Balance				
Capital Projects, Net Transfers			(49,112.66)	49,112.66
Unemployment, Net			(2,326.23)	2,326.23
Paid From Unrestricted - Designated Fund Balance				
Gifts and Endowments	-	-	73,480.83	(73,480.83)
Staff Coverage Reserve			-	
Computer Equipment Reserve			4,930.00	
Paid From Unrestricted - Undesignated Fund Balance				
Special Activities	-	-	40,452.26	(40,452.26)
<b>Total Expenditures</b>	<b>\$ 2,137,485.75</b>	<b>\$ 2,137,485.75</b>	<b>\$ 2,070,118.17</b>	<b>\$ 72,297.58</b>
(Increase) / Decrease in Accounts Payable and Other Liabilities			5,496.36	
Cash Disbursements			<b>\$ 2,075,614.53</b>	



**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Operating Accounts	Payroll Account	Unemployment Account	Performance Fund Account	Money Market Account	Money Market II Account	Investors Operating	Total	Petty Cash Fund	Change Fund
<b>BALANCE - DECEMBER 31, 2018</b>	<b>\$ 1,584,153.18</b>	<b>\$ 33,033.36</b>	<b>\$ 48,885.23</b>	<b>\$ 2,000.00</b>	<b>\$ 322,488.73</b>	<b>\$ 473,917.89</b>	<b>\$ -</b>	<b>\$ 2,464,478.39</b>	<b>\$ 300.00</b>	<b>\$ 200.00</b>
<b>Increased by:</b>										
Budget Appropriation	2,101,905.00							2,101,905.00		
State Aid	8,506.00							8,506.00		
Donations / Gifts	150,561.85							150,561.85		
Fines and Fees	22,973.17							22,973.17		
Interest	12,051.68	352.64	379.39		2,695.55	3,704.92	2,105.44	21,289.62		
Miscellaneous	6,842.74				55,748.05			6,842.74		
RMR Donations	30,651.37	1,404,361.55	1,946.84	1,702.00			1,600,000.00	86,399.42		
Transfers								3,008,010.39		
Total Receipts	2,333,491.81	1,404,714.19	2,326.23	1,702.00	58,443.60	3,704.92	1,602,105.44	5,406,488.19	-	-
<b>Decreased by:</b>										
Disbursements	668,264.18	1,405,648.35		1,702.00				2,075,614.53		
Transfers	3,067,366.29	1,946.84						3,069,313.13		
Total Disbursements	3,735,630.47	1,407,595.19	-	1,702.00	-	-	-	5,144,927.66	-	-
<b>BALANCE - DECEMBER 31, 2019</b>	<b>\$ 182,014.52</b>	<b>\$ 30,152.36</b>	<b>\$ 51,211.46</b>	<b>\$ 2,000.00</b>	<b>\$ 380,932.33</b>	<b>\$ 477,622.81</b>	<b>\$ 1,602,105.44</b>	<b>\$ 2,726,038.92</b>	<b>\$ 300.00</b>	<b>\$ 200.00</b>

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**STATEMENT OF ACCOUNTS PAYABLE AND OTHER LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>BALANCE - DECEMBER 31, 2018</b>	<b>\$</b>	<b>14,528.03</b>
<b>Increased by:</b>		
Current Year Expenditures		2,070,118.17
<b>Decreased by:</b>		
Cash Disbursements		<u>2,075,614.53</u>
<b>BALANCE - DECEMBER 31, 2019</b>	<b>\$</b>	<b><u>9,031.67</u></b>

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Restricted		Unrestricted				Total
	Capital Projects	Unemployment Compensation	Designated for:			Undesignated	
			Gifts and Endowments	Staff Coverage	Computer Equipment		
Increased by:							
Municipal Appropriations:							
Borough of Chatham	\$	\$	\$	\$	\$	\$	\$
Township of Chatham							
State Aid			150,561.85			966,876.00	966,876.00
Donations / Gifts						1,135,029.00	1,135,029.00
Fines and Fees						8,506.00	8,506.00
Interest						22,973.17	22,973.17
Miscellaneous						21,289.62	21,289.62
Unemployment		2,326.23				6,842.74	6,842.74
RMR Project Donations	79,915.41					2,326.23	2,326.23
						79,915.41	79,915.41
Total Receipts	79,915.41	2,326.23	150,561.85	-	-	2,161,516.53	2,394,320.02
Decreased by:							
Expenditures	30,802.75		73,480.83		4,930.00	2,018,049.55	2,127,263.13
Total Disbursements	30,802.75	-	73,480.83	-	4,930.00	2,018,049.55	2,127,263.13
Transfers	180,658.14				12,000.00	(192,658.14)	-
Change in Fund Balances	229,770.80	2,326.23	77,081.02	-	7,070.00	(49,191.16)	267,056.89
BALANCE - JANUARY 1, 2019	1,627,524.75	48,885.23	166,198.22	10,000.00	-	597,842.16	2,450,450.36
BALANCE - DECEMBER 31, 2019	\$ 1,857,295.55	\$ 51,211.46	\$ 243,279.24	\$ 10,000.00	\$ 7,070.00	\$ 548,651.00	\$ 2,717,507.25

**Schedule F**

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**List of Officials for December 31, 2019**

<b><u>Name</u></b>	<b><u>Title</u></b>
Andrew Hollander	President
Peggy Nelson	Vice President (through October 2019)
Barb Montague	Treasurer
Susan Allen	Secretary
Thomas E. Browne	Trustee
Bill Holmes	Trustee
Bruce Harris	Borough Mayor
Tayfun Selen	Township Mayor
Victoria Fife	Borough Mayor's Designee Alternate
Danielle Dagounis	Superintendent of Schools Alternate
Karen Brodsky	Library Director
Fredric Pocci	Emeritus
Emery Westfall	Emeritus, Served 1994-2010
Mary T. Benton	Emeritus
Marlee F. Frahn	Emeritus, Served 1981-2007
Alice B. Lundt	Emeritus, Served 1992-2010

Employee dishonesty coverage in the amount of \$100,000.00 is provided through Philadelphia Insurance.



## WIELKOTZ & COMPANY <sup>LLC</sup>

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA  
MATTHEW B. WIELKOTZ, CPA, PSA  
PAUL J. CUVA, CPA, RMA, PSA  
JAMES J. CERULLO, CPA, RMA, PSA  
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**INDEPENDENT AUDITOR'S 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**

Board of Trustees of the  
Joint Free Public Library of the Chathams  
Borough of Chatham  
Chatham, NJ 07928

We have audited, 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, the financial statements of the Joint Free Public Library of the Chathams, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2020, which was adverse due to being presented in accordance with the regulatory basis of accounting as described in Note 1.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements-regulatory basis, we considered the Joint Free Public Library of the Chathams' 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-regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Joint Free Public Library of the Chathams' internal control. Accordingly, we do not express an opinion on the effectiveness of the Joint Free Public Library of the Chathams' 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 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. *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 and therefore, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the schedule of findings and questioned costs that we consider to be significant deficiencies (2019-01).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Joint Free Public Library of the Chathams' financial statements-regulatory basis are free of 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 Joint Free Public Library of the Chathams' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Joint Free Public Library of the Chathams' internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

*James Cerullo*

James Cerullo  
Registered Municipal Accountant  
No. 415

*Wielkatz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

June 22, 2020

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**FINDING: 2019-01**

**STATEMENT OF CONDITION**

The allocation between the restricted and designated fund balance sub accounts in Quickbooks have not been reconciled to the allocations recorded in the notes to the financial statements.

**CRITERIA**

Reconciliations of these balances should be performed periodically.

**EFFECT**

Several discrepancies between the allocation of these subaccounts could not be identified as of the date of this report.

**CAUSE**

Unknown.

**RECOMMENDATION**

The Library should review and reconciled all restricted and designated fund balance subaccounts on regular basis.

**MANAGEMENT'S RESPONSE**

Management has taken steps to remedy this finding and hopes to have it resolved during the 2020 fiscal year.

**JOINT FREE PUBLIC LIBRARY OF THE CHATHAMS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS**

A review was performed on prior year's recommendations and corrective action was taken on all items with the exception of ones with an "\*\*".

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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

We wish to thank the Joint Free Public Library of the Chathams for their cooperation during the performance of our audit.

Respectfully submitted,

*Wielkatz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey