

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY

COUNTY OF WARREN

REPORT OF AUDIT

DECEMBER 31, 2022 AND 2021

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
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TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

YEAR ENDED DECEMBER 31, 2022

Independent Auditors' Report

The Honorable President and Members
of the Board of Trustees
Town of Hackettstown Free Public Library
Hackettstown, New Jersey

Report on the Audit of the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Town of Hackettstown Free Public Library (the "Library"), in the County of Warren, a component unit of the Town of Hackettstown, as of December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund of the Library as of December 31, 2022 and 2021, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year ended December 31, 2022 in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

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 accompanying 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 Library as of December 31, 2022 and 2021, or the changes in financial position thereof for the year ended December 31, 2022.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members
of the Board of Trustees
Town of Hackettstown Free Public Library
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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 Library on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws 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 misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the 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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division 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 GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- Exercise professional judgment 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 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.

The Honorable President and Members
of the Board of Trustees
Town of Hackettstown Free Public Library
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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Library's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund 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 data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the various fund 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 December 4, 2023 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 the 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 Library's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
December 4, 2023

Nisiroccia LLP
NISIVOCIA LLP

John J. Mooney

John J. Mooney
Certified Public Accountant
Registered Municipal Accountant No. 560

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2022	2021
<u>ASSETS</u>		
Operating Fund:		
Cash and Cash Equivalents	\$ 13,606.92	\$ 13,684.39
Investments	46,862.62	46,718.60
Total Operating Fund Assets	60,469.54	60,402.99
Plant Fund:		
Fixed Assets	79,906.41	77,425.41
<u>TOTAL ASSETS</u>	\$ 140,375.95	\$ 137,828.40
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Fund Balances:		
Unrestricted - Undesignated	\$ 60,469.54	\$ 60,402.99
Total Fund Balances	60,469.54	60,402.99
Total Operating Fund Liabilities, Reserves and Fund Balance	60,469.54	60,402.99
Plant Fund:		
Investment in Fixed Assets	79,906.41	77,425.41
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	\$ 140,375.95	\$ 137,828.40

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
STATEMENT OF SUPPORT, REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - REGULATORY BASIS

	Unrestricted	Totals (Memo Only)	
	Undesignated Operating	2022	2021
Support:			
Municipal Appropriations	\$ 356,315.80	\$ 356,315.80	\$ 348,882.88
Anticipated Surplus	6,366.96	6,366.96	8,038.92
State Library Aid	5,277.00	5,277.00	5,336.00
Total Support	<u>367,959.76</u>	<u>367,959.76</u>	<u>362,257.80</u>
Revenue:			
Fines & Dues	2,603.00	2,603.00	2,094.45
Donations	7,755.00	7,755.00	6,730.00
Interest on Investments	144.62	144.62	314.18
Miscellaneous	4,466.41	4,466.41	5,808.26
Total Revenue	<u>14,969.03</u>	<u>14,969.03</u>	<u>14,946.89</u>
Total Support and Revenue	<u>382,928.79</u>	<u>382,928.79</u>	<u>377,204.69</u>
Expenditures:			
Personnel Expenditures	275,657.42	275,657.42	272,566.92
Non-Personnel Operating Expenditures	99,125.39	99,125.39	81,252.49
Other - Non Budgetary	1,712.47	1,712.47	13,841.49
Total Expenditures	<u>376,495.28</u>	<u>376,495.28</u>	<u>367,660.90</u>
Excess of Revenue and Support Over Expenditures	6,433.51	6,433.51	9,543.79
Cancellation of Prior Year Receivable			<u>(17,765.43)</u>
Excess/(Deficit) of Support and Revenue Over/(Under) Expenditures, and Cancellations	6,433.51	6,433.51	(8,221.64)
Fund Balance, January 1	60,402.99	60,402.99	76,663.55
Decrease by:			
Utilized as Anticipated Revenue	6,366.96	6,366.96	8,038.92
Fund Balance, December 31	<u>\$ 60,469.54</u>	<u>\$ 60,469.54</u>	<u>\$ 60,402.99</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Town of Hackettstown Free Public Library (the "Library") conform to the accounting practices applicable to enterprise funds of municipalities as prescribed or permitted 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. The more significant policies follow:

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America. The Library is a component unit of the Town of Hackettstown under the provisions of GASB Codification Section 2100.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Revenue and Expenditures - Revenue and support is recorded when received in cash except for certain amounts which may be due from the State of New Jersey or from municipal budget appropriations, which are recognized on the accrual basis. Expenditures are charged to operations generally on the accrual basis. Obligations for accumulated unused vacation and sick pay are not recorded in the financial statements. The cost of supplies and other items, which would otherwise be considered inventory and recorded as assets, are treated as expenditures and charged to operations when paid.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

Fixed Assets - In accordance with New Jersey Administrative Code accounting requirements prescribed by the Division, the Library has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at historical cost. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve and extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for fixed assets in the Plant Fund is offset by a reserve titled "Investment in Fixed Assets". When properties are retired or otherwise deleted, the asset and the reserve are adjusted accordingly. Fixed assets are reviewed for impairment.

Per Capita State Library Aid - Decisions on the use and expenditure of per capita State Library Aid rests with the Board of Trustees of the Hackettstown Free Public Library. This aid is received on an annual basis, usually in November. It is the Board's policy to use the current year's State Aid as part of the supporting funds for the 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.

Management Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the period reported. Actual results could differ from those estimates.

Contributed Facilities - The Library occupies, without charge, premises located in government-owned buildings. The estimated fair rental value of the premises is not reported as support and an expenditure in the period in which the premises were used.

Collections and Books - Collections and books, which are held for display and/or study and are available for general public use, are recorded as operating expenditures at the time of purchase. Donated collections and books are not recorded at their fair market value when donated.

Fund Accounting - To ensure observance of limitations and restrictions placed on the use of 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 established according to nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund group.

Had the Library's financial statements been prepared under accounting principles generally accepted in the United States of America, the Library's share of the Town's net pension liability and related deferred inflows and outflows would be recorded.

Note 2: Pension Plan

Library employees are enrolled, through the Town and participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a). The PERS does not maintain separate records for Library employees.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2: Pension Plan (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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:

<u>Tier</u>	<u>Definition</u>
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 Tiers 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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 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 a 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 at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2: Pension Plan (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning, with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

Town contributions to PERS amounted to \$247,923 for 2022. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$7,227 to the PERS for normal pension benefits on behalf of the Town.

The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Pension Liabilities and Pension Expense

At June 30, 2022, the Town's liability was \$3,434,994 for its proportionate share of the 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 which was rolled forward to June 30, 2022. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the Town's proportion was 0.0228%, which was an increase of 0.0016% from its proportion measured as of June 30, 2021. The Town has rolled forward the net pension liability as of June 30, 2021 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

There was no state proportionate share of the net pension liability attributable to the Town as of June 30, 2022.

For the year ended December 31, 2022, the Town recognized actual pension expense in the amount of \$247,923.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2: Pension Plan (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was 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:

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases	2.75– 6.55% based on years of service
Investment Rate of Return	7.00%

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 a 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 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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) 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' target asset allocation as of June 30, 2022 are summarized in the table on the following page.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2: Pension Plan (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability 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 upon 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 to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the collective net pension liability as of June 30, 2022 calculated using the discount rate as disclosed below, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>June 30, 2022</u>		
	<u>At 1% Decrease (6.00%)</u>	<u>At Current Discount Rate (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
Town's proportionate share of the Net Pension Liability	\$ 4,412,962	\$ 3,434,994	\$ 2,602,705

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2: Pension Plan (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Town recognized pension expense of \$8,529.90 for the year ended December 31, 2022. Town employee contributions to DCRP amounted to \$20,127.81 for the year ended December 31, 2022.

Note 3: Deferred Compensation Plan

The Town offers its employees including Library employees, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by Variable Annuity Life Insurance Company, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 4: Economic Dependency

The Library receives a substantial amount of its support from state and local governments. A significant reduction in the level of the support, if this were to occur, may have an effect on the Library's programs and activities.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Cash and Cash Equivalents and Investments

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

Investments are stated at cost. The 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.

GASB requires disclosure of the level of custodial credit risk assumed by the Library in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Library ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Library limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below and on the following page.

Custodial Credit Risk – The Library's policy with respect to custodial credit risk requires that the Library ensures that Library funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes permits the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency 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 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
 (Continued)

Note 5: Cash and Cash Equivalents and Investments (Cont'd)

Investments:

New Jersey statutes permit the Library to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) 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 day 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 a 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, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (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 Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) 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); 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. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (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.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Cash and Cash Equivalents and Investments (Cont'd)

As of December 31, 2022, cash and cash equivalents and investments of the Town of Hackettstown Free Public Library consisted of the following:

	<u>Investments</u>	<u>Cash and Cash Equivalents</u>		<u>Total</u>
	<u>Certificate of Deposit</u>	<u>Checking Accounts</u>	<u>Savings Account</u>	
Operating	\$ 46,862.62	\$ 7,310.53	\$ 6,296.39	\$ 60,469.54
	<u>\$ 46,862.62</u>	<u>\$ 7,310.53</u>	<u>\$ 6,296.39</u>	<u>\$ 60,469.54</u>

During the year ended December 31, 2022, the Library did not hold any investments other than certificates of deposit. The carrying amount of the Library's cash and cash equivalents and investments at December 31, 2022 was \$60,469.54, and the bank balance was \$60,762.53.

Note 6: Fixed Assets

Fixed Assets as of December 31, 2021 and December 31, 2022 are as follows:

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2022</u>
	Computers and Equipment	\$ 77,425.41	\$ 4,871.00	\$ 2,390.00
	<u>\$ 77,425.41</u>	<u>\$ 4,871.00</u>	<u>\$ 2,390.00</u>	<u>\$ 79,906.41</u>

Note 7: Risk Management

The Town of Hackettstown maintains insurance policies which cover the Town of Hackettstown Free Public 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 omissions; injuries to employees; and natural disasters. The Town obtains their health benefit coverage through Aetna.

Property, Liability and Workers' Compensation

The Town of Hackettstown is a member of the Statewide Insurance Fund (the "Fund"). This fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by these funds to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Public Officials' Liability Coverage
- f.) Environmental Coverage

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 7: Risk Management (Cont'd)

As a member of the Fund, the Town could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in with the distribution was declared.

Selected financial information for the Fund as of December 31, 2022 is as follows:

Total Assets	<u>\$ 47,188,767</u>
Net Position	<u>\$ 12,401,193</u>
Total Revenue	<u>\$ 29,877,463</u>
Total Expenses	<u>\$ 32,658,033</u>
Change in Net Position	<u>\$ (2,780,570)</u>
Member Dividends	<u>\$ 362,454</u>

Financial statements for the Fund is available at the offices of the Fund's Executive Director:

Statewide Insurance Fund
One Sylvan Way
Parsippany, New Jersey 07054
(862) 260-2050

Note 8: Contingencies

The Library is periodically involved in various lawsuits arising in the normal course of the Library's operations including claims for property damage, personal injury and various contract disputes. The Library is unaware of any such litigation or claims as of the date of these financial statements relating to the year ended December 31, 2022.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Library as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Library officials expect such amounts, if any, to be immaterial.

Note 9: Potential Transfer of Excess Surplus

Pursuant to N.J.S.A. 40:54-15(A), municipal free public libraries are required to submit to their respective municipalities an annual report which identifies any excess funds that the Library Board will approve for transfer to said municipality as miscellaneous revenue, pending approval by the State Librarian.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 9: Potential Transfer of Excess Surplus (Cont'd)

The law stipulates that any remaining undesignated or unrestricted fund balance which is greater than twenty per cent of the prior year's actual library's expenditures is considered to be excess surplus. The designation/restriction of fund balance is done most commonly for A) future capital needs as identified in the library's strategic and technology plans, B) current year fund balance anticipated as a revenue in the library's subsequent year's budget and C) externally restricted gifts or endowments.

The Library Board of Trustees forwards to the State Librarian for their approval, a resolution of intent, a proposed transfer sheet, the most recent available audit and a 3, 4 or 5 year plan of library service charting the library's direction for the future. Since all of these steps will be performed subsequent to the issuance of the annual audit, no determination of excess surplus has been included in the year ended December 31, 2022 financial statements.

Note 10: Related Party Transactions

The Library realized \$356,315.80 as support from the Town of Hackettstown's 2022 Budget.

Note 11: Accrued Sick and Vacation Benefits

The Library has permitted employees to accrue unused vacation and sick pay and carry over all unused sick days. There is no current cost of such unpaid compensation at December 31, 2022.

SUPPLEMENTARY DATA

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
STATEMENT OF SUPPORT AND REVENUE - UNRESTRICTED - UNDESIGNATED OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Realized</u>	<u>Excess/(Deficit)</u>
Municipal Appropriations:				
2022	\$ 356,503.00	\$ 356,503.00	\$ 356,315.80	\$ (187.20)
Anticipated Surplus	6,367.00	6,367.00	6,366.96	(0.04)
State Library Aid (Per Capita)	5,336.00	5,336.00	5,277.00	(59.00)
Fines & Dues	1,200.00	1,200.00	2,603.00	1,403.00
Donations	800.00	800.00	7,755.00	6,955.00
Interest on Investments			144.62	144.62
Miscellaneous			4,466.41	4,466.41
	<u>\$ 370,206.00</u>	<u>\$ 370,206.00</u>	<u>\$ 382,928.79</u>	<u>\$ 12,722.79</u>

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
STATEMENT OF EXPENDITURES - UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2022

	Adopted Budget	Revised Budget	Paid or Charged	Unexpended Balance / (Overexpended)
Operating:				
Salaries and Wages:				
General	\$ 219,000.00	\$ 219,000.00	\$ 206,382.42	\$ 12,617.58
Employer Taxes & Fringe Benefits	69,275.00	69,275.00	69,275.00	
Other Expenses:				
Books - Adult	10,000.00	10,000.00	9,063.93	936.07
Books - Juvenile	4,200.00	4,200.00	4,230.91	(30.91)
Magazines	4,100.00	4,100.00	1,184.19	2,915.81
Newspapers			2,347.95	(2,347.95)
AV, DVD, CD	6,000.00	6,000.00	3,382.96	2,617.04
E-Books	2,500.00	2,500.00	4,012.77	(1,512.77)
MAIN	12,019.00	12,019.00	12,250.00	(231.00)
Software & Hardware	3,500.00	3,500.00	9,821.50	(6,321.50)
Professional Experience & Continued Education	350.00	350.00	211.74	138.26
Programs	2,000.00	2,000.00	1,785.56	214.44
Library Supplies	5,312.00	5,312.00	14,346.73	(9,034.73)
Service Contracts	4,200.00	4,200.00	3,724.64	475.36
Audit Fees	3,500.00	3,500.00	3,500.00	
Electricity	6,000.00	6,000.00	5,757.55	242.45
Heating	2,500.00	2,500.00	3,119.61	(619.61)
Refuse	900.00	900.00	1,131.17	(231.17)
Internet & Phone	3,600.00	3,600.00	2,873.72	726.28
Maintenance - Services	1,100.00	1,100.00	1,099.00	1.00
Janitorial Services	8,150.00	8,150.00	6,600.00	1,550.00
Petty Cash	1,200.00	1,200.00	1,100.00	100.00
Miscellaneous Expenses	800.00	800.00	7,581.46	(6,781.46)
Total Operating Expenditures	<u>\$ 370,206.00</u>	<u>\$ 370,206.00</u>	<u>\$ 374,782.81</u>	<u>\$ (4,576.81)</u>

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
OFFICIALS IN OFFICE
YEAR ENDED DECEMBER 31, 2022

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>
Kathy Mayberry	President / Treasurer
Erikka Bahnuk	Mayor's Alternate
Kerry Munson	Trustee / Secretary / Superintendent's Alternate
Joe Bristow	Trustee
Jean Lobby	Trustee
Dan Hirshberg	Trustee
Gerald DiMaio	Trustee (Mayor)
Rachel Burt	Library Director (to September 2022)
Jerome Galante	Library Director (from November 2022)
David Mango	Superintendent (to September 2022)
Debra Grigoletti	Superintendent (from October 2022)

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2022

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

State Agency or Department	State Program	State Account Number	Grant Period		Grant Award	Grant Receipts	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Education	State Library Aid (PER CAPITA)	2541-495-074-2541 001-SSSS-6010	01/01/22	12/31/22	\$ 5,277.00	\$ 5,277.00	\$ 5,277.00	\$ 5,277.00
					\$ 5,277.00	\$ 5,277.00	\$ 5,277.00	\$ 5,277.00

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Town of Hackettstown Free Public Library under programs of the federal and state governments for the year ended December 31, 2022. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Library, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Library.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Library has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

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 Auditors' Report

The Honorable President and Members
of the Board of Trustees
Town of Hackettstown Free Public Library
Hackettstown, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, the financial statements – *regulatory basis* - of the various funds of the Town of Hackettstown Free Public Library, in the County of Warren (the "Library") as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated August 18, 2023. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 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.

The Honorable President and Members
of the Board of Trustees
Town of Hackettstown Free Public Library
Page 2

Our consideration of the 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 or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements 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 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*.

The Library's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Library's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of the 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 Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 18, 2023
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCIA LLP

John J. Mooney

John J. Mooney
Certified Public Accountant
Registered Municipal Accountant No. 560

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Library's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Library which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Library was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2022 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2022-001:

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Library does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Responsibility for receipts, the disbursing of funds and the reconciliation of bank accounts is assigned between one or two individuals.

Cause

This is due, in part, to the limited number of personnel of the Library and the decentralized nature of governmental collection procedures.

Effect or Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2022-001: (Cont'd)

Recommendation

It is recommended that the segregation of duties of personnel involved with both the handling of receipts, the disbursing of funds and the reconciliation of bank accounts be reviewed so as to provide for a more adequate segregation of duties.

Management's Response

The finding was evaluated, however, due to budgetary constraints, no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

The Library's finding 2021-001, noted in the audit for the year ended December 31, 2021 regarding the segregation of duties has not been resolved due to budgetary constraints and is repeated as Finding 2022-001 on the Schedule of Findings and Responses.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A: 11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

The governing body of the Library has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Library Attorney's opinion should be sought before a commitment is made.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Segregation of Duties

During our audit, we noted that the Library does not maintain an adequate segregation of duties due to the limited size of the entity. The responsibility for receipts, the disbursing of funds and the reconciliation of bank accounts is assigned between one or two individuals. This is not unusual in operations the size of the Library, but management should constantly be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. It is recommended that the segregation of duties of personnel involved with both the handling of receipts, the disbursing of funds and the reconciliation of bank accounts be reviewed so as to provide for a more adequate segregation of duties.

Management's Response

The finding was evaluated, however, due to budgetary constraints, no resolution can be made at this time.

Budget Transfers

During our audit, we noted that the Library does not currently approve budget transfers by Board resolution to ensure overexpenditures are not reflected in the financial statements. It is recommended that all required budget transfers be determined, presented, and approved by Board resolution.

Management's Response

The finding was evaluated, and management will review during the course of the year to determine if any necessary transfers are needed by Board resolution to avoid any overexpenditures, in the future.

Status of Prior Year's Recommendations

The prior year findings related to segregation of duties, and budget transfers were not resolved during 2022 and are reported in the Comments and Recommendations section.

Management Suggestions

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, is effective for the year ended December 31, 2023. This statement addresses issues related to public-private and public-public partnership agreements (PPP's). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions (Cont'd)

Governmental Accounting Standards Board (GASB) Statements (Cont'd)

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APA's). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset or a period of time.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA's), is effective for the year ended December 31, 2023. A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor) information technology software, alone or in combination with tangible capital assets as specified in the related contract for a period of time. It is likely that a SBITA software or similar spreadsheets will need to be utilized to perform the various calculations necessary to implement this standard.

TOWN OF HACKETTSTOWN FREE PUBLIC LIBRARY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The segregation of duties of personnel involved with both the handling of receipts, the disbursing of funds and the reconciliation of bank accounts be reviewed so as to provide for a more adequate segregation of duties.
2. All required budget transfers be determined, presented, and approved by Board resolution.

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