

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY

COUNTY OF SOMERSET

REPORT OF AUDIT

DECEMBER 31, 2011

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
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Independent Auditors' Report

The Board of Trustees of the
 Borough of Bernardsville Public Library
 Bernardsville, New Jersey

We have audited the financial statements – regulatory basis of the various funds of the Borough of Bernardsville Public Library, (the "Library") in the County of Somerset, a component unit of the Borough of Bernardsville, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the Library prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011 and 2010, and the results of its operations for the year then ended.

However, in our opinion, the financial statements – regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Library at December 31, 2011, and the results of operations and changes in fund balances for the year ended December 31, 2011 and the change in cash flows for the year ended December 31, 2011, in accordance with accounting principles prescribed by the Division, as described in Note 1.

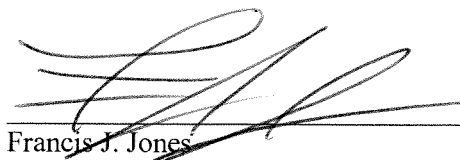
The Board of Trustees of the
Borough of Bernardsville Public Library
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the financial statements as a whole. The information included in the supplementary statement of expenditures-unrestricted operating fund listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis and are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and are not a required part of the financial statements. The supplementary data statement of expenditures-unrestricted operating fund listed in the table of contents and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1 to the financial statements and Note 2 to the schedules of expenditures of federal and state awards.

Mount Arlington, New Jersey
May 3, 2012


NISIVOCCIA LLP



Francis J. Jones
Registered Municipal Accountant No. 442
Certified Public Accountant

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
BALANCE SHEET
DECEMBER 31, 2011

ASSETS

Operating Fund:	
Cash and Cash Equivalents	\$ 107,176
Petty Cash	100
Change Fund	100
Total Operating Fund	<u>107,376</u>
Plant Fund:	
Fixed Assets	<u>573,545</u>
TOTAL ASSETS	<u><u>\$ 680,921</u></u>

RESERVES AND FUND BALANCE

Operating Fund:	
Fund Balances:	
Restricted	\$ 23,560
Unrestricted:	
Designated:	
Retirement/Benefits	23,000
Light Bulb Reserve	4,000
Conference Reserve	2,000
Undesignated - Operating	54,816
Total Fund Balances/Total Operating Fund	<u>107,376</u>
Plant Fund:	
Investment in General Fixed Assets	<u>573,545</u>
TOTAL RESERVES AND FUND BALANCE	<u><u>\$ 680,921</u></u>

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

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
STATEMENT OF SUPPORT AND REVENUE EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2011

	Operating	Unrestricted				Restricted Fund	Total
		Retirement/ Benefits	Light Bulb Reserve	Computer Reserve	Conference Reserve		
Support:							
Borough Aid	\$ 897,085						\$ 897,085
State Aid	3,552						3,552
Total Support	<u>900,637</u>						<u>900,637</u>
Revenue:							
Book Sales	4,910						4,910
Fines	17,445						17,445
Investment Income	883						999
General Donation	5,017						5,017
Non-Resident Fees	855						855
Photocopy Fees	2,530						2,530
Room Rent	2,554						2,554
Video Income	2,285						2,285
Printer Fees	2,731						2,731
Foundation Contribution	33,000						33,000
Restricted Receipts						63,077	63,077
Total Revenue	<u>72,210</u>					<u>63,193</u>	<u>135,403</u>
Total Support and Revenue	<u>972,847</u>					<u>63,193</u>	<u>1,036,040</u>
Expenditures:							
Operating	1,012,018						1,012,018
Restricted						75,315	75,315
Total Expenditures	<u>1,012,018</u>					<u>75,315</u>	<u>1,087,333</u>
Excess/(Deficit) of Support and Revenue Over/(Under) Expenditures	(39,171)					(12,122)	(51,293)
Transfers	26,000						
						\$ (26,000)	
Fund Balance:							
January 1	67,987	\$ 23,000	\$ 4,000	26,000	\$ 2,000	35,682	158,669
December 31	<u>\$ 54,816</u>	<u>\$ 23,000</u>	<u>\$ 4,000</u>	<u>\$ -0-</u>	<u>\$ 2,000</u>	<u>\$ 23,560</u>	<u>\$ 107,376</u>

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

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

Cash Flows from Operating Activities:	
Deficit of Revenue and Support Under Expenditures	\$ (51,293)
Net Cash Used For Operating Activities	<u>(51,293)</u>
Net Decrease in Cash and Cash Equivalents	(51,293)
Cash and Cash Equivalents - January 1	<u>158,669</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 107,376</u></u>

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

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Borough of Bernardsville Public Library (the "Library") conform to accounting policies applicable to enterprise funds of municipalities as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources and significance) should be included in the financial reporting entities. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year. The Library is a component unit of the Borough of Bernardsville under the provisions of Government Accounting Standards Board Codification Section 2100.

Revenue and Expenditures - Revenue 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. 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. Accrued compensated absences are charged to operations on the cash basis.

Per Capita State Library Aid - Decisions on the use and expenditure of per capita State Library Aid rest with the Board of Trustees of the Bernardsville 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.

Fixed Assets - 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 general fixed assets is offset by a reserve titled "Investment in General Fixed Assets". When properties are retired or otherwise disposed off, the asset and the reserve are adjusted accordingly. Fixed Assets are reviewed for impairment.

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 expense in the period in which the premises were used.

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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 their nature and purposes. Accordingly, all financial transactions have been recorded and reported by fund group.

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 or amortized cost, which approximates market.

Employee Retirement/Benefits Fund Balance – The Board of Library Trustees has designated funds to be used for accrued vacation time employees retiring have not used. Funds have also been reserved to be used for eligible employees who decide to enroll for medical insurance. For which funds have not been budgeted.

Light Bulb Reserve – The Board of Library Trustees has designated funds to be used for the changing of all light bulbs in the library simultaneously. This is scheduled to be performed every three to four years.

Computer Reserve – The Board of Library Trustees has designated funds to be used for the purchase of replacement computers or repair of existing computers if no funding is granted for this purpose by the Borough of Bernardsville or Friends of the Library.

Conference Reserve – The Board of Library Trustees has designated funds to be used for the Library Director to attend major conferences every few years.

Restricted Fund Balance – The Board of Library Trustees has accepted funds restricted to be used for specific projects.

Note 2: Pension Plan

Library employees are enrolled, through the Borough, in the Public Employees' Retirement System (PERS) of New Jersey, a cost sharing multiple - employer public employee retirement system. As a general rule, all full-time employees and permanent part-time employees who exceed prescribed minimum hours are eligible to join the Public Employees' Retirement System.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes “final average salary” during years of creditable service. Vesting occurs after 8 to 10 years of service.

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

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
 (Continued)

Note 2: Pension Plan (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on a percentage of 5.5% DCRP of employee's annual compensation as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Borough contributions to the plan amounted to \$339,496, \$267,998, and \$232,902, for 2011, 2010 and 2009, respectively. The PERS does not maintain separate records for Library employees. Borough and employee contributions to DCRP amounted to \$244 and \$447, respectively for 2011. There were no contributions required in 2010 or 2009. 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.

Note 3: Contingencies

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 4: 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, which approximates market. The library did not hold any investments during the year.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires the 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 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 the cash management plan which are permitted under state statute as detailed below and on the following page.

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 insure deposits or the State of New Jersey Cash Management Fund.

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 4: Cash and Cash Equivalents and Investments (Cont'd)

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; and

In addition, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value 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. As of December 31, 2011, cash and cash equivalents of the Borough of Bernardsville Public Library consisted of the following:

	Cash On Hand	Checking Account	New Jersey Cash Management Fund	Balance Dec. 31, 2011
Cash & Cash Equivalents	\$ 200	\$ 102,176	\$ 5,000	\$ 107,376

As of December 31, 2011, the carrying value of the cash and cash equivalents of the Library was \$107,376 and the bank balance was \$184,288. The \$5,000 in the New Jersey Cash Management Fund is uninsured and unregistered.

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 date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is 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, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

(Continued)

Note 4: Cash and Cash Equivalents and Investments (Cont'd)

- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (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 statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

Note 5: Fixed Assets

The following is a summarization of the activity of fixed assets for the year ended December 31, 2011:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Machinery and Equipment	\$ 557,941	\$ 18,729	\$ 3,125	\$ 573,545

Note 6: Risk Management

The Borough of Bernardsville maintains insurance policies which cover the Bernardsville 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 Borough obtains their health benefit coverage through the State of New Jersey Health Benefit Plan.

The Borough of Bernardsville is currently a member of the Suburban Municipal Joint Insurance Fund (the "Fund"). The Fund provides its members with Auto, Liability, Property Insurance, Workers' Compensation and Employee Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum.

Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the Library could be subject to supplemental assessments in the event of deficiencies of the Fund that are assessed to the Borough. 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. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 6: Risk Management (Cont'd)

The December 31, 2011 audit report is not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2010 is as follows:

	Suburban Municipal Joint Insurance Fund Dec. 31, 2010
Total Assets	\$ 5,288,516
Net Assets	\$ 1,750,275
Total Revenue	\$ 4,775,381
Total Expenditures	\$ 4,420,029
Change In Net Assets for the Year Ended December 31	\$ 355,352
Net Assets Distribution to Participating Members	\$ 129,316

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

PERMA Risk Management Services
9 Campus Drive, Suite 16
Parsippany, NJ 07054
(201) 881-7632

Note 7: Economic Dependency

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

Note 8: 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. The law stipulates that any remaining undesignated or unrestricted fund balance which is greater than twenty percent 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 revenue in the library's subsequent year's budget and C) externally restricted gifts or endowments.

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 8: Potential Transfer of Excess Surplus (Cont'd)

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, 2011 financial statements.

In accordance with N.J.S.A. 40:54-15(A), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the approval of the State Librarian. Municipal Free Public Libraries are required to reserve General Fund Balance at the fiscal year end of December 31 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The Library had no excess surplus at December 31, 2011 as identified above.

SUPPLEMENTARY DATA

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
OFFICIALS IN OFFICE
YEAR ENDED DECEMBER 31, 2011

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

<u>Name</u>	<u>Title</u>	<u>Expiration of Term</u>
Donald Bursset	President	12/31/2014
Patrice Cummings	Vice President	12/31/2015
Terry Thompson	Secretary	12/31/2015
John La Duc	Treasurer	12/31/2013
Mike Gouldin	Board Member at Large	12/31/2013
Lucy Orfan	Board Member at Large	12/31/2011
Maribeth Southworth	Board Member at Large	12/31/2012
Lee Honecker	Mayor	Term of Office
John McCrossan	Designate for Mayor	Term of Office
Pete Miller	Superintendent of Schools	Term of Office
Karen Brodsky	Library Director	Term of Office

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
STATEMENT OF EXPENDITURES - UNRESTRICTED OPERATING FUND
YEAR ENDED DECEMBER 31, 2011

	<u>Paid or Charged</u>
<u>Expenditures Paid by Library:</u>	
Salaries and Wages	\$ 711,030
Books and Periodicals	89,608
Supplies	10,540
Contracted Services	2,659
Plant Operations	138,696
Other Library Expenses	<u>59,486</u>
 Total Expenditures	 <u><u>\$ 1,012,018</u></u>

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2011

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

Name of State Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Education	State Library Aid (Per Capita)	2541-100-074-2541- 006-SSSS-6010	1/1/11	12/31/11	\$ 3,552	\$ 3,552	\$ 3,552	

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

Note 1. GENERAL

The accompanying schedules of expenditures of federal and state awards present the activity of all federal and state award programs of the Borough of Bernardsville Public Library. The Borough of Bernardsville Public Library is defined in Note 1 to the Library's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

Note 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State Awards is presented using the cash basis of accounting. The information in the schedule is presented in accordance with requirements of federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying state schedule agrees with the amounts reported in the related state financial reports.



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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*

The Board of Trustees of the
 Borough of Bernardsville Public Library
 Bernardsville, New Jersey

We have audited the financial statements of the Borough of Bernardsville Public Library (the "Library"), in the County of Somerset as of, and for the year ended, December 31, 2011 and have issued our report thereon dated May 3, 2012, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. We conducted our audit 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Trustees of the
Borough of Bernardsville Public Library
Page 2

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 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*.

This report is intended solely for the information and use of management, the Board of Trustees, and to meet the requirements for filing with the Division of Local Government Services, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
May 3, 2012



NISIVOCCIA LLP



Francis J. Jones
Certified Public Accountant
Registered Municipal Accountant No. 442

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the Library's financial statements prepared on another comprehensive basis of accounting.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the Library.
- The audit did not disclose any noncompliance that is material to the financial statements of the Library.
- The Library was not subject to the single audit provisions of Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2011 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

Not Applicable - Grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

Not Applicable - Grant expenditures were below the single audit threshold.

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

There were no findings noted for the year ended December 31, 2010

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S. 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 January 1, 2011 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 is \$17,500, and with a qualified purchasing agent the threshold may be up to \$36,000.

The governing body of the Borough of Bernardsville Public 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 Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S. 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.

Technical Accounting Directives

The Division has established three (3) technical accounting directives which are prescribed by the revision of the 1987 draft "Requirements of Audit and Accounting". They are as follows:

1. Maintenance of an Encumbrance/Accounting System
2. General Ledger Accounting System
3. Fixed Assets Accounting and reporting System

The Library is in compliance with these 3 accounting directives.

Status of Prior Year Recommendations

The recommendation regarding purchase orders being prepared for all payments made and that all the proper approval signatures are obtained, was resolved in 2011.

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

None.

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