BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY

COUNTY OF SOMERSET

REPORT OF AUDIT

DECEMBER 31, 2014
BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY  
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YEAR ENDED DECEMBER 31, 2014

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, as listed in the foregoing table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by 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.

Auditors’ Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, the financial statements are prepared by the Library on the basis of 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. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the Library as of December 31, 2014, or the changes in financial position thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Library as of December 31, 2014, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended on the basis of 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, as described in Note 1.

**Other Matters**

**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 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey’s OMB Circular 04-04, 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.

The supplementary data schedules 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. Such 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 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 July 30, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Library’s internal control over financial reporting and compliance.

Mount Arlington, New Jersey
July 30, 2015

NISIVOCCIA LLP

Francis J. Jones
Registered Municipal Accountant No. 442
Certified Public Accountant
BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2014

ASSETS

Operating Fund:
Cash and Cash Equivalents $192,314
Petty Cash 100
Change Fund 100
Total Operating Fund 192,514

Plant Fund:
Fixed Assets 565,333
Total Plant Fund 565,333

TOTAL ASSETS $757,847

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund:
Liabilities:
Flexible Spending Payable $318
Total Liabilities 318

Fund Balances:
Restricted 57,870

Unrestricted:
Designated:
   Retirement/Benefits 23,000
   Light Bulb Reserve 4,000
   Computer Reserve 31,313
   Conference Reserve 800
   Staff Development Reserve 1,200
   Hurricane Sandy Reserve 11,178
   Undesignated - Operating 62,835
Total Fund Balances 192,196
Total Operating Fund 192,514

Plant Fund:
Investment in General Fixed Assets 565,333
Total Plant Fund 565,333

TOTAL LIABILITIES, RESERVES AND FUND BALANCE $757,847

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 - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Designated</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
<td>Light Bulb Reserve</td>
<td>Computer Reserve</td>
</tr>
<tr>
<td>Support:</td>
<td>$897,085</td>
<td>$3,350</td>
<td>$3,350</td>
</tr>
<tr>
<td>Borough Aid</td>
<td>897,085</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Aid</td>
<td>3,350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Support</td>
<td>900,435</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Revenue:     |            |            |            |            |
| Book Sales   | 4,654      |            |          |            |
| Fines        | 14,492     |            |          |            |
| Investment Income | 360 | $88 | 448 |
| General Donation | 3,340 |    |      |
| Non-Resident Fees | 348 |    |      |
| Photocopy Fees | 3,088 |    |      |
| Room Rent    | 4,092      |            |          |
| Video Income | 2,489      |            |          |
| Printer Fees | 2,913      |            |          |
| Foundation Contribution | 70,000 |    |      |
| Restricted Receipts | 61,269 |    |
| Total Revenue| 105,776    |            |          | 61,269    |
|              |            |            |          | 167,133   |
| Total Support and Revenue | 1,006,211 |    |
|              |            |            |          | 61,357    |
|              |            |            |          | 1,067,568 |

| Expenditures: |            |            |            |           |
| Operating     | 1,032,946  |            |          |           |
| Restricted    |             |            |          | 52,633    |
| Total         | 1,032,946  |            |          | 52,633    |
|              |             |            |          | 1,085,579 |

| Excess/(Deficit) of Support and Revenue |     |
| Over/(Under) Expenditures | (26,735) |
|                            | 8,724   |
|                            | (18,011) |

| Fund Balance:   |            |            |            |           |
| January 1       | 89,570     | $23,000    | $4,000     | $31,313   | $800      | $1,200    | $11,178   | 49,146    |
| December 31     | $62,835    | $23,000    | $4,000     | $31,313   | $800      | $1,200    | $11,178   | $57,870   |
|                |            |            |            |            |           |           |           | $192,196  |

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT
Note 1: **Summary of Significant Accounting Policies**

The accounting policies of the Borough of Bernardsville Public Library (the "Library") conform to 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. Such 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 of Government Accounting and Financial Reporting Standards*, 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 and a resulting financial benefit or burden relationship, 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. 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.

**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 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.

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

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 to be paid at termination provided the employee has provided proper notice. Funds have also been reserved to be used when qualifying employees unexpectedly decide to enroll for medical insurance.

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.

Staff Development Reserve – The Board of Library Trustees has designated funds to be used for the enhancement of professional skills and knowledge.

Hurricane Sandy Reserve – The Board of Library Trustees has designated funds to be used for expenses delayed because of the hurricane.

Restricted Fund – 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 a cost sharing multiple-employer public employee retirement system: the Public Employees' Retirement System (PERS). The State of New Jersey sponsors and administers this plan which covers substantially all Library employees. As a general rule, all full-time employees are eligible to join the PERS.

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.
Note 2: **Pension Plan** (Cont’d)

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.

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. For PERS, the contribution rate was 6.78% effective July 1, 2013 and increased to 6.92% effective July 1, 2014. Increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Borough contributions to PERS amounted to $332,258, $366,036 and $350,136, for 2014, 2013 and 2012, respectively. PERS does not maintain separate records for Library employees.

Note 3: **Commitments and 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, 2014.

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.
BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Continued)

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

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

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.

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, 2014, cash and cash equivalents of the Library consisted of the following:

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 200</td>
<td>$ 187,314</td>
<td>$ 5,000</td>
<td>$ 192,514</td>
</tr>
</tbody>
</table>

As of December 31, 2014, the carrying value of the cash and cash equivalents of the Library was $192,514 and the bank balance was $230,379. 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;
Note 4: **Cash and Cash Equivalents and Investments** (Cont’d)

(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;

(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, 2014:

<table>
<thead>
<tr>
<th></th>
<th>Balance 12/31/2013</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance 12/31/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and Equipment</td>
<td>$ 544,891</td>
<td>$ 28,921</td>
<td>$ 8,479</td>
<td>$ 565,333</td>
</tr>
</tbody>
</table>

Note 6: **Risk Management**

The Borough of Bernardsville maintains insurance policies which cover the Library as well. The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough obtains its health benefit coverage through the State of New Jersey Health Benefits 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, Workers’ Compensation and Public Officials’/Employment Practices 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.
Note 6:  **Risk Management (Cont’d)**

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.

Summarized, selected financial information of this Fund as of December 31, 2014 is as follows:

<table>
<thead>
<tr>
<th>Financial Information</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$5,251,566</td>
</tr>
<tr>
<td>Net Position</td>
<td>$2,166,243</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$4,713,944</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$4,461,864</td>
</tr>
<tr>
<td>Change In Net Position</td>
<td>$252,080</td>
</tr>
<tr>
<td>Member Dividends</td>
<td>$80,820</td>
</tr>
</tbody>
</table>

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

PERMA Risk Management Services  
9 Campus Drive, Suite 216  
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.
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, 2014 financial statements.

Note 9: Accrued Sick, Vacation and Compensatory Time Benefits

The Library permits employees to accrue a limited amount of unused sick, vacation and compensatory time pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate $23,000 at December 31, 2014. This amount is not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Library’s budget operating expenditures in the year in which it is used.

Note 10: Related Party Transactions

The Library realized $897,085 as support from the Borough of Bernardsville for 2014.
SUPPLEMENTARY DATA
The following officials were in office during the period under audit:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terry Thompson</td>
<td>President</td>
<td>12/31/2015</td>
</tr>
<tr>
<td>Patrice Cummings</td>
<td>Vice President</td>
<td>12/31/2015</td>
</tr>
<tr>
<td>Lucy Orfan</td>
<td>Secretary</td>
<td>12/31/2016</td>
</tr>
<tr>
<td>Mark A. Krook</td>
<td>Treasurer</td>
<td>12/31/2018</td>
</tr>
<tr>
<td>Donald Burset</td>
<td>Board Member at Large</td>
<td>12/31/2014</td>
</tr>
<tr>
<td>Richard Diegnan</td>
<td>Board Member at Large</td>
<td>12/31/2017</td>
</tr>
<tr>
<td>A. Quentin Orza, II</td>
<td>Board Member at Large</td>
<td>12/31/2018</td>
</tr>
<tr>
<td>Lee Honecker</td>
<td>Mayor</td>
<td>Term of Office</td>
</tr>
<tr>
<td>Craig Lawrence</td>
<td>Designate for Mayor</td>
<td>Term of Office</td>
</tr>
<tr>
<td>Frances Wood</td>
<td>Superintendent of Schools</td>
<td>Term of Office</td>
</tr>
<tr>
<td>April Judge</td>
<td>Library Director</td>
<td>Term of Office</td>
</tr>
</tbody>
</table>
BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
STATEMENT OF EXPENDITURES - UNRESTRICTED OPERATING FUND
YEAR ENDED DECEMBER 31, 2014

<table>
<thead>
<tr>
<th>Expenditures Paid by Library:</th>
<th>Paid or Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$ 784,930</td>
</tr>
<tr>
<td>Books and Periodicals</td>
<td>82,754</td>
</tr>
<tr>
<td>Supplies</td>
<td>9,837</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>2,900</td>
</tr>
<tr>
<td>Plant Operations</td>
<td>103,004</td>
</tr>
<tr>
<td>Other Library Expenses</td>
<td>49,521</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$ 1,032,946</strong></td>
</tr>
</tbody>
</table>

BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2014
BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2014

<table>
<thead>
<tr>
<th>Name of State Agency or Department</th>
<th>Name of Program</th>
<th>State Grant Award Number</th>
<th>Grant Period</th>
<th>Grant Award</th>
<th>Amount Received</th>
<th>Amount of Expenditures</th>
<th>Cumulative Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education</td>
<td>State Library Aid (Per Capita)</td>
<td>2541-100-074-2541-006-SSSS-6010</td>
<td>1/1/14    12/31/14</td>
<td>$ 3,350</td>
<td>$ 3,350</td>
<td>$ 3,350</td>
<td>$ 3,350</td>
</tr>
</tbody>
</table>

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, 2014

Note 1. General

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Library under programs of the federal and state governments for the year ended December 31, 2014. The information in these schedules is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations and New Jersey's OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Because the schedules present only a selected portion of the operation of the Commission, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Library.

Note 2. Basis of Accounting

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governmental Units, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

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.
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 Board of Trustees of the
Borough of Bernardsville Public Library
Bernardsville, 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 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, 2014, and the related notes to the financial statements and have issued our report thereon dated July 30, 2015. 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.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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

Our consideration of 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. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2014-1, that we consider to be a significant deficiency.

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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.

The Library's Response to the Finding

The Library's response to the finding identified in our audit is 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 it.

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.

Mount Arlington, New Jersey
July 30, 2015

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, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Library 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 Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 for the year ended December 31, 2014 as both state and federal 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:

Finding 2014-01:

Segregation of Duties:

The Library does not maintain an adequate segregation of duties with respect to the recording and treasury functions. 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 misappropriate funds and prevent detection within a reasonable period of time. Responsibility for recording cash receipts and disbursements, processing cash disbursements, and for reconciling bank accounts is assigned to one person. This is due, in part, to the limited number of Library personnel and the decentralized nature of cash receipts. Accordingly, management and the Library Board should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

The finding was evaluated, and the Library will review and adjust policies and procedures to improve segregation of duties as much as possible considering the limited resources of the Library.

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.
There were no findings noted for the year ended December 31, 2013.
BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014
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.40A:11-2), 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.
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.

Payroll

During our review of payroll, we noted that there were some errors in the calculation of the employees’ share of health benefits. These errors occurred due to an incorrect percentage being used for one pay period. Since this only affected five employees at a small amount of money and was rectified before year end, this will only be noted as a comment, pass on further procedures.

Status of Prior Year Recommendations

The recommendation regarding the Library prepare a purchase order for all items prior to placement of the order and obtain all approval signatures before the release of payment has been resolved in the current year.
BOROUGH OF BERNARDSVILLE PUBLIC LIBRARY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Consideration be given to segregating financial recordkeeping duties.