

**TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)**

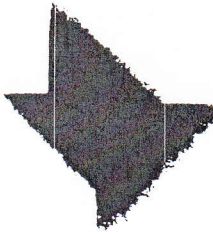
**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

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INDEPENDENT AUDITOR'S REPORT



T. M. Vrabel & Associates, LLC

Accountants and Auditors

Timothy M. Vrabel, RMA, PSA

Chris C. Hwang, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Township of Berkeley Heights Free Public Library
County of Union, New Jersey

We have audited the accompanying statement of net assets – cash basis of the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) as of December 31, 2011 and December 31, 2010 and the statement of activities - cash basis for the year ended December 31, 2011. These financial statements are the responsibility of the management of the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also 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 opinion.

As discussed in Note I, the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

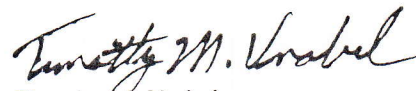
In our opinion, because of the Township of Berkeley Heights Free Public Library's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Berkeley Heights Free Public Library (A component Unit of the Township of Berkeley Heights) as of December 31, 2011 and December 31, 2010 or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – cash basis of the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) as of December 31, 2011 and December 31, 2010, and the statement of activities - cash basis for the year ended December 31, 2011, on the basis of accounting described in Note I.

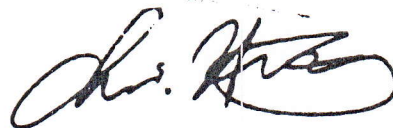
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In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2012 on our consideration of the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) internal control 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 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 an opinion on the financial statements of the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights), in the County of Union, State of New Jersey, taken as a whole. The supplemental schedule presented in the Supplementary Data Section is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Timothy M. Vrabel
Registered Municipal Accountant
License No. CR000339



Chris C. W. Hwang
Certified Public Accountant
License No. CC033704

January 23, 2012

**TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
COMPARATIVE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 288,087.22	\$ 250,263.49
Change Fund	200.00	200.00
Due from Township of Berkeley Heights	<u>-</u>	<u>156,643.49</u>
 TOTAL ASSETS	 <u>\$ 288,287.22</u>	 <u>\$ 407,106.98</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts Payable	\$ -	\$ 26,280.86
Net Assets:		
Restricted for:		
Reserves	10,007.92	9,933.04
Unrestricted	<u>278,279.30</u>	<u>370,893.08</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 288,287.22</u>	 <u>\$ 407,106.98</u>

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

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

RECEIPTS:	Unrestricted	Restricted		Total (MEMO Only)	
	Operating Account	Lost Book Account	Video Account	2011	2010
Budgetary:					
Budget Appropriations					
Township of Berkeley Heights - Township Expenses	\$ 892,080.27	\$ -	\$ -	\$ 892,080.27	\$ 1,194,355.66
Township of Berkeley Heights - Library Expenses	281,057.73			281,057.73	
State Aid	6,075.00			6,075.00	6,362.00
Gifts	6,784.95			6,784.95	3,612.76
Morris-Union Federation	1,500.00			1,500.00	1,500.00
Interest	417.18			417.18	616.75
Fines	11,734.65			11,734.65	11,748.81
Photocopies	1,492.30			1,492.30	1,580.25
Book Sales	3,021.71			3,021.71	
Miscellaneous	-			-	5,418.83
Total Budgetary	1,204,163.79			1,204,163.79	1,225,195.06
Non-Budgetary:					
Membership Deposits					8,500.00
Grants					575.00
Miscellaneous		595.38		595.38	2,930.00
Total Non-Budgetary:	-	595.38		595.38	12,005.00
TOTAL RECEIPTS	1,204,163.79	595.38		1,204,759.17	1,237,200.06
DISBURSEMENTS:					
Operating Budget:					
Expenses Paid by Township of Berkeley Heights					
Salaries and Wages	486,788.27			486,788.27	543,970.51
Payroll Tax and Benefits	37,716.00			37,716.00	
Health Insurance	134,704.00			134,704.00	162,658.00
Public Employees Retirement System	23,589.00			23,589.00	60,543.00
Liability Insurance	21,750.00			21,750.00	21,115.00
Department of Public Works	27,533.00			27,533.00	26,780.00
Contribution to Township	160,000.00			160,000.00	-
	892,080.27			892,080.27	815,066.51
Expenses Paid by Library:					
Books	112,705.42			112,705.42	126,804.52
Audio-Visual	41,075.54			41,075.54	37,631.38
Periodicals	16,571.37			16,571.37	16,309.75
Heat	5,238.33			5,238.33	5,447.61
Electric	17,157.37			17,157.37	18,839.12
Telephone	5,436.07			5,436.07	4,558.64
Supplies	11,646.97			11,646.97	10,732.23
Postage	1,909.20			1,909.20	1,834.33
Insurance	100.00			100.00	-
Maintenance	15,432.79			15,432.79	16,188.35
Marketing	-			-	1,200.00
Contracts	10,052.07			10,052.07	8,053.84
Morris-Union Federation	1,500.00			1,500.00	1,540.25
Programs	5,786.60			5,786.60	5,438.60
Professionals	4,446.47			4,446.47	2,840.94
Computer - Contract	20,728.00			20,728.00	19,733.00
Computer - Maintenance	1,211.79			1,211.79	2,205.45
Computer - Supplies	10,078.82			10,078.82	9,387.05
Internet Subscriptions	41,861.93			41,861.93	33,289.78
Buildings and Grounds	80,313.28			80,313.28	3,707.18
	404,697.30			404,697.30	326,941.90
Non-Budget Expenses:					
Grants					575.00
Miscellaneous	-	100.50	420.00	520.50	-
TOTAL DISBURSEMENTS	1,296,777.57	100.50	420.00	1,297,298.07	1,142,583.41
INCREASE/(DECREASE) IN NET ASSETS	(92,613.78)	494.88	(420.00)	(92,538.90)	94,616.65
NET ASSETS - JANUARY 1, 2011	370,893.08	1,683.00	8,250.04	380,826.12	276,276.43
NET ASSETS - DECEMBER 31, 2011	\$ 278,279.30	\$ 2,177.88	\$ 7,830.04	\$ 288,287.22	\$ 370,893.08

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

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1: Summary of Significant Accounting Policies

A. Basis of Presentation

As discussed further in Note 1.E, these financial statements are presented on a cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

B. Reporting Entity

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

C. Component Unit

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

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

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

The Township of Berkeley Heights Free Public Library is a component unit of the primary government of the Township of Berkeley Heights. The members of the Township of Berkeley Heights Free Public Library are appointed by the Township Council of the Township of Berkeley Heights and the Township would be obligated to guarantee the Library's Debt Service, to the extent not met by other sources.

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1: Summary of Significant Accounting Policies (Continued)

D. Description of Funds

The Township of Berkeley Heights Free Public Library accounts for its financial transactions through the following separate funds which differ from the fund structure required by accounting principles generally accepted in the United States of America.

Library Fund – resources and expenditures for operations of a general nature, including Federal and State grants for operation.

Other Funds – receipt and disbursement of funds for the Video Account and Lost Book Account.

E. Basis of Accounting

The Statement of Net Assets and Statement of Activities are presented using a cash basis of accounting. This basis recognizes assets, net assets/fund equity, revenues, and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Library utilized the basis of accounting recognized as generally accepted, the financial statements would be presented on the accrual basis of accounting.

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Assets and Equity

1. Deposits and Investments

Cash and cash equivalents includes petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey governmental units.

2. Fixed Assets

The building in which the Library operates is owned by the Township of Berkeley Heights, with other equipment belonging to the Library. Equipment purchased by the Library is recorded as expenditures at the time of purchase and is not capitalized.

3. Equity

Equity is classified as Net Assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted”.

4. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Library requires management to make estimates and assumptions that affect certain reported amounts and disclosures accordingly, actual results could differ from those estimates.

5. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Statement of Net Assets and Statement of Activities in order to provide an understanding of changes in the Township of Berkeley Heights Free Public Library's financial position. However, comparative data have not been presented in each of the supplemental schedules since their inclusion would make those statements unduly complex and difficult to read.

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

Note II: Detailed Notes On All Funds

A. Deposits and Investments

Deposits

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

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

At December 31, 2011 the Township of Berkeley Heights Free Public Library's cash and cash equivalent's amounted to \$207,194.53. Of this amount \$207,194.53 was covered by federal depository insurance (F.D.I.C.) and \$-0- was covered by a collateral pool maintained by the banks as required by GUDPA.

At December 31, 2011 the Township of Berkeley Heights Free Public Library had no participation in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Township of Berkeley Heights Free Public Library will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of December 31, 2011, the Township of Berkeley Heights Free Public Library's cash and cash equivalents of \$207,194.53 were not exposed to custodial credit risk.

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

Note II: Detailed Notes On All Funds (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 40A:5-15.1) permit the Township of Berkeley Heights Free Public Library to purchase the following types of securities:

- a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, any local unit may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the local unit;
 - (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;
 - (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;
 - (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.

The Township of Berkeley Heights Free Public Library had no investments as described in Note I:F.1. at December 31, 2011

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

Note III: Pension Plans

Description of Systems

Substantially all of the Library's employees participate in the following contributory defined benefit public employee retirement system which has been established by State statute: the Public Employees' Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits.

According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the retirement system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Retirement Benefits

For PERS employees, the benefits will be 1/55 of the average of the three highest year compensation for each year of service. However, for PERS who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service effective July 1, 2003.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF, PERS, PFRS, SPRS, and JRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

Note III: Pension Plans (Continued)

Significant Legislation (Continued)

- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS and PERS prosecutors Part active member rates increase from 8.5 percent to 10 percent; SPRS active member rates increase from 7.5 percent to 9 percent; and JRS active member rates increase from 3 percent to 12 percent phased-in over seven years. For Fiscal Year 2012, the member contributions for TPAF, PERS and JRS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the aggregate funded ratio for the retirement systems (TPAF, PERS, PFRS, POPF, CPFPPF, JRS, and SPRS) is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 billion.

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

Contribution Requirements

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. The PERS provides for employee contributions based on 5.00 percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS.

During the state fiscal year ended June 30, 2011, for PERS, which is a cost sharing multi-employer defined benefit pension plan the annual pension cost equals contributions made.

The Township of Berkeley Heights maintains the payroll and makes the required pension contribution for Library employees.

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

Note IV: Health Benefits and Post Retirement Medical Benefits

P.L. 2011, c.78 effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

P.L. 1997, C.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80% of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State contributed \$34.2 million for the state fiscal year 2011 to provide benefits under Chapter 330 to qualified retirees.

PERS employees do not receive post-retirement medical benefits.

Note V: Risk Management

The Township of Berkeley Heights Free Public 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 Township of Berkeley Heights Free Public Library continues to carry commercial insurance coverage for all risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note VI: Related Party Transactions

For the period of January 1, 2011 to December 31, 2011, Joseph Bruno was a Trustee of the Free Public Library as well as the Mayor of the Township of Berkeley Heights. Exhibit 1 reflects that \$892,080.27 was received toward the anticipated amounts of municipal appropriations from the Township of Berkeley Heights.

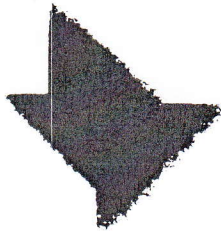
SCHEDULE OF BUDGETARY REVENUES AND EXPENDITURES

**TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
SCHEDULE OF BUDGETARY REVENUES AND EXPENDITURES
DECEMBER 31, 2011**

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<u>OPERATING REVENUES</u>			
Fund Balance Utilized	\$ 261,912.00	\$ 92,613.78	\$ (169,298.22)
Budget Appropriation:			
Township of Berkeley Heights - Township Expenses	875,322.00	892,080.27	16,758.27
Township of Berkeley Heights - Library Expenses	297,816.00	281,057.73	(16,758.27)
State Aid	6,362.00	6,075.00	(287.00)
Gifts	2,500.00	6,784.95	4,284.95
Morris-Union Federation	1,500.00	1,500.00	-
Interest		417.18	417.18
Fines		11,734.65	11,734.65
Photocopies		1,492.30	1,492.30
Book Sales		3,021.71	3,021.71
	<u>\$ 1,445,412.00</u>	<u>\$ 1,296,777.57</u>	<u>\$ (165,300.27)</u>

	<u>Budget</u>	<u>Expended</u>	<u>Lapsed or (Overexpended)</u>
<u>OPERATING EXPENDITURES</u>			
Expenses Paid by Township of Berkeley Heights			
Salaries and Wages	\$ 521,000.00	\$ 486,788.27	\$ 34,211.73
Payroll Tax and Benefits	40,000.00	37,716.00	2,284.00
Health Insurance	188,684.00	134,704.00	53,980.00
Public Employees Retirement System	76,305.00	23,589.00	52,716.00
Liability Insurance	21,750.00	21,750.00	-
Department of Public Works	27,583.00	27,533.00	50.00
Contribution to Township	160,000.00	160,000.00	-
	<u>1,035,322.00</u>	<u>892,080.27</u>	<u>143,241.73</u>
Expenses Paid by Library:			
Books	135,000.00	112,705.42	22,294.58
Audio-Visual	43,000.00	41,075.54	1,924.46
Periodicals	16,500.00	16,571.37	(71.37)
Heat	6,000.00	5,238.33	761.67
Electric	21,500.00	17,157.37	4,342.63
Telephone	5,500.00	5,436.07	63.93
Supplies	12,000.00	11,646.97	353.03
Postage	1,900.00	1,909.20	(9.20)
Insurance	100.00	100.00	-
Maintenance	18,000.00	15,432.79	2,567.21
Marketing	1,000.00	-	1,000.00
Contracts	9,000.00	10,052.07	(1,052.07)
Morris-Union Federation	1,500.00	1,500.00	-
Programs	6,500.00	5,786.60	713.40
Professionals	5,900.00	4,446.47	1,453.53
Computer - Contract	23,500.00	20,728.00	2,772.00
Computer - Maintenance	2,000.00	1,211.79	788.21
Computer - Supplies	10,000.00	10,078.82	(78.82)
Internet	1,500.00	1,445.28	54.72
Internet Subscriptions	46,000.00	41,861.93	4,138.07
Buildings and Grounds	43,690.00	80,313.28	(36,623.28)
	<u>410,090.00</u>	<u>404,697.30</u>	<u>5,392.70</u>
	<u>\$ 1,445,412.00</u>	<u>\$ 1,296,777.57</u>	<u>\$ 148,634.43</u>

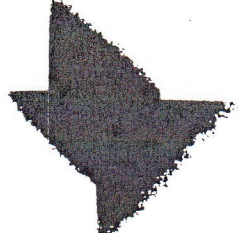
REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS



T. M. Vrabel & Associates, LLC

Accountants and Auditors

Timothy M. Vrabel, RMA, PSA
Chris C. Hwang, CPA



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 Honorable President and
Members of the Board of Trustees
Township of Berkeley Heights Free Public Library
County of Union, New Jersey

We have audited the Statement of Net Assets – cash basis for the years ended December 31, 2011 and December 31, 2010 and the Statement of Activities – cash basis for the year ended December 31, 2011 and have issued our report thereon dated January 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

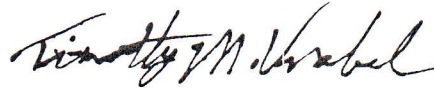
170 East Main Street
P.O. Box 541
Denville, NJ 07834
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Email: tmvrabeldvc@optonline.net

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

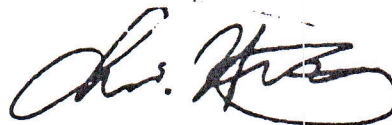
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) 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 Township of Berkeley Heights Free Public Library (A Component Unit of the Township of Berkeley Heights) and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.



Timothy M. Vrabel
Registered Municipal Accountant
License No. CR000339



Chris C. W. Hwang
Certified Public Accountant
License No. CC033704

January 23, 2012

TOWNSHIP OF BERKELEY HEIGHTS FREE PUBLIC LIBRARY
(A COMPONENT UNIT OF THE TOWNSHIP OF BERKELEY HEIGHTS)

OFFICIALS IN OFFICE – AS OF DECEMBER 31, 2011

<u>Name</u>	<u>Title</u>
Hope Danzis	President
Karen Miller	Vice President
Leslie Kaltenbach	Trustee/Secretary
Sheila Buthe	Trustee/Treasurer*
Naomi Rizzuti	Trustee
Joseph Bruno	Mayor/Trustee
Judith Rattner	Superintendent of Schools Representative
Stephanie Bakos	Director
Laura Fuhro	Assistant Director

Employee dishonesty coverage in the amount of \$1,000,000.00 is provided through the Municipal Excess Liability Joint Insurance Fund for all employees.

*Treasure is also covered by Western Surety Company Bond Number 71053877.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRING ADVERTISEMENT FOR BIDS

Effective April 17, 2000 N.J.S.A. 40A:11-1 et seq. (Local Public Contracts Law) was revised by P.L. 1999, c.440 (originally known as Assembly bill No. 3519). The Division of Local Government Services in the Department of Community Affairs, after consultation with the Commissioner of Education, shall prescribe rules and procedures to implement the requirements of the law.

Effective April 17, 2000 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 (as amended) was \$17,500.00. Effective July 1, 2005 the threshold was raised to \$21,000.00. Effective July 1, 2010 the threshold was raised to \$26,000.00.

It is pointed out that the governing body of the Library has the responsibility of determining whether commitments and expenditures are in compliance with the statutes and, where question arises as to whether any contract or agreement might result in violation of these statutes the Library Attorney's opinion should be sought before commitment is made.

Inasmuch as the system of records is not required to provide and therefore did not provide for an accumulation of payments by 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 disclosed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the provision or performance of any goods or services" in excess of the statutory limit where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

40:54-12.1 PURCHASES NOT REQUIRING ADVERTISEMENTS FOR BIDS

The Board of Trustees of the Free Public Library of any municipality or of a Joint Free Public Library may, within the limits of funds appropriated or otherwise made available to the Board, purchase the following without advertising for bids therefore: (1) library materials including books, periodicals, newspapers, documents, pamphlets, photographs, reproductions, microfilms, pictorial or graphic works, musical scores, maps, charts, globes, sound recordings, slides, films, filmstrips, video and magnetic tapes, other printed or published matter, and audiovisual and other materials of a similar nature; (2) necessary binding or rebinding of library materials; and (3) specialized library services.

EXPENDITURES

Vouchers and other documents supporting claims paid in 2011 were examined on a test basis. The procedure followed for payment indicates good control and scrutiny on the part of Library employees.

RECOMMENDATIONS

Not Applicable

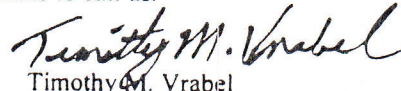
Status of prior years' Audit Findings/Recommendations:

Not Applicable

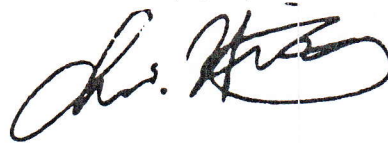
APPRECIATION

We wish to express our appreciation of the assistance and courtesies rendered by the Library Officials during the course of the audit.

Should any questions arise as to our comments, please do not hesitate to call us.



Timothy M. Vrabel
Registered Municipal Accountant
License No. CR000339



Chris C. W. Hwang
Certified Public Accountant
License No. CC26478

January 23, 2012