



## FINANCIAL POLICY & PROCEDURES

*Adopted by the Board of Trustees, September 2021*

*The purpose of this policy is to help safeguard the library's assets, to promote accuracy, efficiency, and consistency in accounting and business operations, and to provide guidance to all personnel in the proper administration of library finances.*

### **Library Revenue**

The Library's revenues are derived mainly from:

- Local taxes and municipal appropriations
- Per Capita State Aid
- Fines, fees, gifts (donations), bequests, endowments and grants

### **Library Municipal Appropriation**

The municipal appropriation is calculated based on the tax levy, this information is released by the New Jersey State Library, usually within the first two weeks of October for the following fiscal year. The monies are held by the Borough of Middlesex and released to the library on a monthly basis.

### **Library Accounts**

Library funds will be held in accounts in financial institutions approved by the Library Board of Trustees.

### **Library Budget**

An annual operating budget will be prepared by the Library Director. The annual budget will be reviewed with the Finance Committee before being presented to the Library Board of Trustees for approval. Together, the Board and the Director will work to ensure that the budget is understood by local officials, as well as the public. The budget will reflect the cost of carrying out the programs and services of the Library for the next fiscal year, including wages for all staff. The annual operating budget is the financial plan for the Library. The approval of the budget by the Board will be authority for the Director to manage the Library's finances. The Director may assign a staff member to assist with the management of library finances. The Director will keep the Board well informed of the ongoing status of the financial plan, and will not make expenditures outside of the budget plan without seeking Board approval to amend the budget.

### **Amendments to the Budget**

Amendments to the budget will first be presented to the Library Board for approval. If approved, the Library Board will pass a resolution authorizing the change.

### **Purchase Orders**

Purchases of goods and services should be initiated on a library purchase order form. The Library Director can approve purchase orders not exceeding one thousand dollars (\$1,000).

Purchase orders in excess of one thousand (\$1,000) must be approved by two (2) of the Library Board officers.

All purchase orders and checks issued must include invoices for items purchased.

Checks drawn on library accounts are authorized and approved by the Library Director and signed by the Library Board Treasurer, the Library Board President, or other trustee(s) listed on the account signature record.

### **Library Accounting Processes and Practices Cash Receipts**

All cash and checks received by the Library will be documented and recorded. All transactions are entered into the accounting system at least twice a week. Bank deposits will be made 2 times weekly, not exceeding every 3 days as is the State requirement.

### **Financial Reconciliation**

Monthly bank statements reconciliations are performed monthly by the assigned library staff member. Once completed the reconciliation will be approved by the Library Director.

### **Board Financial Documents**

Monthly reports are provided to the Library Board by the Director at the monthly board meeting for review. These documents include a list of the monthly bills for approval, a financial report detailing the budget line items with balances, and the current account balances of all library accounts. A copy of all documents and materials provided to the Library Board are also retained for audit and reference purposes.

### **Petty Cash**

A petty cash fund of \$250.00 is used to make small purchases or to reimburse employees for purchases. Typical allowable transaction types include program supplies, mailing services, and office and building supplies. Petty cash will be held in a secure area by the Library Director.

The Library Director will maintain a record of all transactions. A check will be issued to the treasurer for signature each month to replenish any funds disbursed that month. Receipts and cash-on-hand must always total the authorized fund amount. All disbursements from such funds are to be supported by receipts.

### **Payment of Invoices**

All invoices received for payment must be reviewed and approved by the Library Director. This is necessary to ensure that the goods or services purchased have been received or delivered in good order. Checks for payment using the Library's checking account are issued once a month following the monthly Library Board meeting. All checks/ invoices shall be reviewed by the Library Board Treasurer and confirmed by the Library Director as properly incurred expenses. The Treasurer may request any and all information necessary to be assured that the expenses have been properly incurred.

A filing system shall be orderly and timely maintained. Records shall include all invoices, purchase orders, quotes (where required) bank statements and deposits. Records shall be kept for a period prescribed by law.

### **Requisition of Funds**

Requisition of funds is the transfer of non-appropriated monies from Bequest and or Savings accounts to the Library checking account for expenditure. The bequests have strict guidelines for expenditures, all spending must meet the criteria for each account specifically.

Library Board approval is required for monies to be transferred from any and all library accounts to ensure financial integrity of expenditure.

### **Purchase of Goods and Services**

The purchase of all goods and services using municipal appropriation shall be governed by N.J.S.A 40A:11-1 except that in accordance with N.J.S.A.40:54-12.1, the board of trustees of the free public library of any municipality may, within the limits of funds appropriated or otherwise made available to the board, instruct the Director or delegated staff to purchase the following without advertising for bids therefore: (1) library materials including books, periodicals, newspapers, documents, pamphlets, photographs, reproductions, microforms, 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.

### **Competitive Quotes**

Competitive quotes are generally required for purchases, leases and contracts over \$2,625 and less than \$17,500. It is recommended that at least three (3) written quotes be obtained and evaluated. Awards should be made to the vendor whose quote is most advantageous to the Library, considering price, quality, service, vendor history and conformance to specifications. Documentation of competitive quotes must be included in all requests for approval of purchases that exceed \$2,625, along with the related purchase order or check request. For smaller purchases, documentation should be kept on file.

### **Competitive Bids**

Other purchases shall be made in accordance with N.J.S.A. 40A:11 and the following bid threshold shall apply (N.J.S.A. 40A:11-3): When the cost or price of any contract awarded by the Library in the aggregate does not exceed in a calendar year the total sum of \$17,500, the contract may be awarded by the Director when so authorized by Board resolution without public advertising for bids, except that the Board body may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the Borough 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 \$40,000. 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.

All purchases and expenditures must meet the ordinary business standard of reasonable and necessary, with prudent consideration of the Library's limited financial resources. Purchases of goods and services must be authorized by the Director, and should not exceed budgeted amounts. Every reasonable effort should be made to obtain the best possible quality, service and price. For larger non-routine purchases and contracts, competitive proposals should always be solicited and evaluated. Even for routine purchases, vendor prices should be checked periodically with those of reliable competitors.

### **Authorized Emergency Purchases (40A:11-6)**

Emergency contracts: Any contract may be negotiated or awarded for a contracting unit without public advertising for bids and bidding therefor, notwithstanding that the contract price will exceed the bid threshold, when an emergency affecting the public health, safety or welfare requires the immediate delivery of goods or the performance of services; provided that the awarding of such contracts is made in the following manner: Emergency purchases over \$1,500 must have the approval of the Library Board or Library Finance Committee. Purchases under that amount require the Directors approval and sufficient monies within the line budgeted for expenditure. If the Director is unavailable, the Library Board President or Vice President may authorize the expenditure.

### **Sales and Use Taxes**

The Library is a government entity and as such is exempt from most sales and use taxes. The Library will make every attempt to work with vendors who honor our tax exempt status. Personal purchases made through the Library to avoid the payment of sales tax are prohibited. Tax will not be reimbursed to employees for these purchases. A copy of the Library Tax ID is available from the Library Director.

### **Mileage Reimbursement Form**

The use of a personal vehicle may be utilized in the conduct of library business when authorized by the Director. The employee must be insured under a policy of liability insurance for their personal vehicle. Mileage reimbursement for travel in privately owned vehicles will be at the published IRS allowable rate per mile. When two or more employees are traveling to the same destination, they should travel together when and where possible and only one may claim mileage reimbursement. A "Mileage Reimbursement Form" must be completed for reimbursement. This form is available from the Director as the rate changes every year. Parking and toll expenses, including charges for hotel parking, incurred by employees traveling on library business will be reimbursed with proper receipt.

### **Payroll**

Payroll is processed by the Borough of Middlesex. The Library will maintain payroll records in accordance to the Borough of Middlesex Human Resources Department guidelines.

### **Fixed Assets**

Fixed assets are tangible property with a fixed useable life. Fixed assets include equipment, furniture, vehicles and property. The Library considers any tangible property with a cost of \$2000 or higher to be a fixed asset.

### **Disposal of Fixed Assets**

Library staff will follow the Useful Life Schedule on disposal of fixed assets. No fixed asset should be disposed of without the authorization of the Library Director.

### **Insurance Records & Reporting of Thefts and Damage**

The Borough of Middlesex maintains insurance and fixed asset records for the Library. Any major purchases, theft or damage of any Library property is to be reported to the Director without delay and will then be communicated to the Borough Administrator and/or Mayor.

### **Record Retention and Disposition**

The financial records of the library shall be retained in accordance with the law and regulations of the State Records Committee, Public Library Records Retention Schedule M690000-003. The Library Director shall also maintain a complete set of the current year Board of Trustee Meeting Minutes, Monthly Treasurer's Report, Annual Budget Statement, and all Board resolutions for public review.

### **Annual Audit**

The purpose of the Annual Audit is to provide an independent assessment of the financial operating condition of the Library to the Board of Trustees of the Library and the Middlesex Borough Chief Financial Officer. An Annual Audit is to be performed by a Certified Public Accountant or Registered Municipal Accountant of New Jersey and be conducted in accordance to US Generally Accepted Accounting Principles and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey.