



**FINANCIAL MANUAL
OF THE
CRANBURY PUBLIC LIBRARY**

ADOPTED: September 14, 2006

*Manual approved by the Cranbury Public Library Board of Trustees
The Cranbury Public Library Board of Trustees will periodically review and update this policy.*

Cranbury Public Library

Financial Policy Manual

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Revision 9/14/06 - pages 5,7,9,10,12,13,15,17,19,31

Revision 1/23/12 – pages 23-24 replaced with pages 23, 23a, 23b and 24

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1.0 Annual Budgeting Process

The Library shall employ an annual budgeting process to plan and monitor the course of its annual financial activities. The budget shall be a planning instrument and used to evaluate the operations of the Library and its Director. It shall be a plan of intended actions for the Library's Financial Year of January 1 through December 31, expressed in monetary terms, with appropriate written explanations and footnotes. It shall be submitted for Board of Trustees (BOT) approval no later than the first scheduled meeting of the Board for the budgeted fiscal year, unless otherwise authorized by the Board.

The fiscal year of the Library shall be as defined by N.J.S.A. 40A: 5-3.

The budget shall be prepared in a format per the Chart Of Accounts categories included under the appendix of this manual. Maximum effort should be made to ensure consistency of Line Item Revenue and Expense categories from year to year. The budget shall be presented measured against the previous year's Budgeted and Actual Results supported by planned year Goals and Objectives. Revenues and Expenses shall be recorded in accordance with General Accepted Accounting Practices.

Authorization:

New Jersey law gives Board of Trustees responsibility for use of funds available for Library purposes. (NJSA 40:54-12).

Prime responsibilities of the BOT include:

- Assuring availability of adequate funds for Library services.
- Use of Funds.
- Setting of Financial Policies.
- Development, approval, monitoring, and evaluating Budget against performance.
- Overseeing of Management of Investments.
- Complying with applicable laws and local customs.

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STEPS	RESPONSIBILITY	CONSIDERATION
1. Review prior year's actual revenues, expenditures, programs and services	BOT Finance Committee and Director with staff input	Non-recurring items, progress toward long and short-term goals; evaluation of service quality, user satisfaction. Annual statistics.
2. Development of coming year's goals, programs and services.	Director with staff input as approved by the BOT	Community growth; other demographic changes; user surveys; community analysis. Data from school, and township planning. NJLA, ALA, and other Library innovations.
3. Potential Revenues	Director with staff input	Notification of Equalization Appropriation Value (E.A.V.); State Grants, Friends-Corporate, and individual Gifts, and Investment income.
4. Planned Expenses	Director with staff input	Inflation of fixed costs, cost indexes of Library materials, NJLA and CPL salary guides, and vendor and consultant proposals; new programs and service costs.
5. Draft Budget Review and Revision	BOT Finance Committee and Director	Priorities against Strategic Plan; "Firmness" of Funding; "fiscal" health of local gov't (if Budget >E.A.V.%).
6. Approval of Budget	BOT	If Budget >E.A.V. %, then submit approp. Req. to local gov't. as required. *
7a. If Budget ≤ E.A.V. %, letter to local gov't CFO. Note: 15% limit > prev. yr.	BOT President	a. State clearly that E.A.V.% will cover all foreseen Library expenses.

<p>7b. if Budget >E.A.V. % and other income sources, submit Budget and details to local gov't CFO .*</p> <p>Note:15% limit > prev. yr.</p>		<p>b. State clearly reasons for short-fall(reasons 1/3 mil E.V. approp. is inadequate); Be clear, concise, prepared with back up data.</p>
<p>8.Budget Hearing*</p>	<p>Local Governing Body</p>	<p>BOT and Director: Solicit other organizations and community support & those willing to testify/ lobby in support.</p>
<p>9. Municipal Appropriation set*</p>	<p>Local Governing Body</p>	
<p>10. Implementation of Adopted Budget</p>	<p>Director with policy guidance from BOT</p>	<p>Follow established operating and service priorities; Report to BOT Budgets against Actuals on monthly basis; Approval by BOT of any Actual Expenses exceeding Budgeted.</p>

The Director on behalf of the Board of Trustees shall provide to the Chief Financial Officer of the municipality by February 15th of each year a conforming copy of the Annual Budget approved for that year by the Board. Please refer to above processes should budget exceed 1/3 mil E.V. appropriation or if Budget is greater than 15% more than the previous year's expenditures.

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2.0 Accounting Process/ Monthly Treasurer's Report

A comprehensive accounting report, entitled the Monthly Treasurer's Report, of all Library financial monthly activities shall be assembled by a qualified accountant/ bookkeeper per Generally Accepted Accounting Practices and in a format approved by the Board of Trustees. A Chart of Accounts shall be maintained; line item accounts shall be maintained on a consistent and relevant manner.

Monthly Process and Responsibilities:

The Director with staff input, shall provide to the accountant/ bookkeeper the originals of revenue/ income from all bank depository and checking accounts and statements; receipts of all gifts, grants, and aid; likewise the Director with staff input shall provide originals copies of all receipts for payroll statements salary and wages, social security, personnel insurances, and other associated personnel costs; all expense invoices received from vendors, consultants, professional firms, and other individuals performing as subcontractors or independent contractors to the Library; and all others expenses properly incurred on the Library's behalf by the BOT, and Library employees including signed expense account reports.

The Director with staff input shall identify each revenue/ income and expense by its Chart of Account line Item numbers before presenting to the accountant/ bookkeeper and shall confirm the validity and correctness of each revenue/ income and expense.

ACCOUNT PAYABLES ACCOUNT

Following an accounting of monthly financial activities, checks shall be prepared only for expenses deemed properly substantiated against original receipts and contract provisions. The Director shall notify the BOT Treasurer when the Monthly Treasurer's Report has been completed and all expense checks have been matched one on one to expense invoices in order of check number. All checks/ invoices shall be reviewed by the Treasurer and confirmed by the Director as properly incurred expenses. The Treasurer may request any and all information the Treasurer deems necessary to be assured that the expenses have been properly incurred.

All checks for such expenses shall be by two signatories - the Director and Treasurer or in absence of one or the other by the President as second signatory. The accountant shall review expenses against available funds in the Library's checking account to ensure adequacy of funds and instruct the Director to make any transfer of funds necessary.

A filing system shall be orderly and timely maintained by the Library categorized by Vendor account. Records shall be kept for a period prescribed by law.

CHECKING ACCOUNTS:

While it is the intention that all significant Library funds be maintained in a Cash Management Account, a checking account shall be maintained with a locally located bank (branch) and amounts shall be transferred from the Library's Cash Management Account as appropriate for payment of monthly expenses as described above. The Library shall also maintain a checkbook that may be used for hand-written checks by the Director for cash transactions under a limit of \$ 500 or other amount annually approved by the BOT.

PETTY CASH ACCOUNTS:

All cash receipts shall be entered and recorded in a Petty Cash Account by Chart of Account line item. The Petty Cash Account may be used for any approved purpose but primarily for miscellaneous small expenses. The Petty Cash Record shall include a tally of the source, use, and account of transfer for all cash transactions in the format contained in the Appendix hereto. The Petty Cash Account shall be maintained at a limit approved by the BOT; all excess funds shall be transferred to the Library's Check Account at least on a weekly basis. Large amounts of cash on the premise of the Library are to be avoided. At the end of each month, the cash in the Petty Cash Account shall be counted by the responsible staff member and also counted independently by the Director (or other delegated full time supervisor). A Petty Cash Reconciliation shall be provide to the accountant/ bookkeeper and included in the Monthly Treasurer's Report.

TREASURER'S MONTHLY REPORT

A monthly report of all financial activities shall be prepared by the Library's accountant/ bookkeeper and presented to the BOT by the BOT Treasurer and Director. The report shall be by format approved by the BOT and shall include as a minimum:

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- Balance Sheet – listing all assets and liabilities by category
- Statement of Monthly Revenues and Expenses – listing by Chart of Accounts by major line item accounts as a minimum.
- Statement of Revenues and Expenses comparison by Year-to-Date (YTD) against Budget .
- Reconciliation Summary of Bank Account(s) – listing all cleared and uncleared transitions with ending balance; Summary may be supported by reconciliation detail as required by BOT.
- Reconciliation of Investment Account(s) - listing all cleared and uncleared transitions with ending balance; Summary may be supported by reconciliation detail as required by BOT.
- Monthly Bills List – listed in order by Chart of Account line item number and Check number.
- Reconciliation of a Petty Cash Account – listed by receipt, register, and deposit.

A sample of a recommended format of the Monthly Treasurer's Report is include under this manual's appendix section.

The Treasurer and Director shall offer comments as appropriate to promote understanding by the BOT of all monthly financial activities. The Treasurer and Director shall conduct reasonable due diligence and shall state to the best of their knowledge as to and accuracy of financial statements and the validity and correctness of and ability to pay all bills due. At each monthly BOT meeting, the BOT shall approve for payment all bills properly incurred on behalf of the Library. In event of lack of a BOT quorum, bills may be paid by voice vote of BOT members present but shall be subject to BOT approval at the next BOT meeting.

Per N.J.S.A.40A:5-13, every board vested with power to expend public monies shall not later than 10 days after close of the fiscal year, file with the municipal financial officer a statement showing detail the items of moneys received and disbursed by it during the preceding fiscal year, and also the balance of unexpended funds at the end of the fiscal year

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3.0 Purchasing of Goods and Services

The purchase of all goods and services 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.

Other purchases shall be made in accordance N.J.S.A. 40A: 11 and the following Bid Threshold shall apply. 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 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.

The Library must also adhere to New Jersey Local Unit Pay-to Play Law N.J.S.A. 19:44A-20.4 et seq. The Pay-to Play law is not linked to the Library's bid threshold and includes contracts with not-for-profit organizations. It does not apply to contracts with other government agencies, banks, insurance companies, and public utilities. Libraries using State contract need not worry about Pay-to-Play requirements (see list of state contract book vendors contained in the index hereto – to be verified and updated annually by the Director).

The purpose of the Pay-to-Play law is to insulate the negotiation and award of contracts from political contributions that pose the risk of improper influence, purchase of access or the appearance thereof.

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If the Library anticipates that it might spend more than \$17,500 during the year with a single vendor for a contract or multiple contracts that is/are not publicly bid, and the vendor is not on State contract, certain steps (see table following) are required by law. Although the Library may purchase library materials "without advertising for bids," it must still abide by the Pay-To-Play rules. That requires the use of either the "Non-Fair and Open" or "Fair and Open" process.

Both the New Jersey State Library and the Department of Community Affairs recommend that the simplest procedure for the purchase of library materials not on State contract is to use the "Non-Fair and Open" process.

The second choice is the "Fair-and-Open" process, and third is competitive contracting. The bidding process would generally not be a useful method of buying library materials which are exempt from bidding but not Pay-To-Play.

The competitive contracting model allows the library to pick several vendors so that there is back up, and to select on other things besides price such as availability and service.

If the vendor is not on State contract for the library material purchased, the Library must contract (a purchase order is a contract) for library materials and services if they spend more than \$17,500 with a vendor during the year.

The Library must determine whether to proceed with a "Non-Fair and Open" or "Fair and Open" contract (purchase order).

It is allowable to draw up two contracts, and split book purchasing along the lines of children's and adult material, although this would only be a consideration if it is decided to go to a competitive contracting or bid process. The \$17,500 threshold is based on the aggregate amount of business with the vendor, regardless of the number of individual contracts.

The "Non-Fair and Open" processes is less rigorous and recommended for library materials. If the "Fair and Open" process is chosen, it may be preferable to compose one proposal with many categories so that each vendor can decide which category is of interest. Some categories may only have one vendor that supplies that product; other categories may attract multiple vendors. Categories may include such divisions as children's print, legal reference, electronic books, etc. Contracts may also be awarded to multiple vendors.

Library materials contract awarded through the "Non-Fair" process require no bidding. "Fair and Open" and competitive contracting allow for considerations such as availability, service, rates for services and discounts rather than an absolute price bid on designated materials.

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Under the “Fair and Open” process, selecting the lowest price is not required. For example, service and availability may override price concerns. In addition, a contract (purchase order) may be awarded to more than one vendor so that there is the provision for back up if needed.

A vendor need not be rejected If the vendor chooses to insert language similar to following sample sentence on the Business Entity Disclosure Certification for Non-Fair and Open Contracts, Part I - Vendor Affirmation section, it could be concluded that they have met the intent of the law. Sample sentence: (Vendor Name) has not made any reportable contributions as defined pursuant to NJSA 19:44A-3(p), (q) and (r) to a political or candidate committee in the State of New Jersey in the previous one year, and (Vendor) understands and agrees that the contract prohibits (Vendor) from making any reportable contributions in the State of New Jersey through the term of the contract.

It is the policy of the Library that a Purchase Order Log be maintained that list all purchase orders/ contracts entered into by the Library. The Log shall include a dedicated Library Purchase Order or Contract numbering system, order date, name and if appropriate, the address of provider, description and itemized costs of goods or services provided.

Regardless of cost of any purchase, an original bona fide receipt from the provider, is required for all such expenditures; as a minimum such a receipt must contain name and if appropriate, the address of provider, description and itemized costs of goods or services provided, and when applicable an invoice number and reference to the Library Purchase Order or Contract number. No payment shall be made without such an invoice and or receipt.

It is the policy of the Library that all legitimate expenses will be paid on times as specified within the agreement with the vendor. Vendor/ sub/ independent contractor invoices may include simple clerical or other errors; in all cases, it is the responsibility of the Director or his delegated staff to recognize and require a correct invoice before any payment is to be processed. All payments shall be made in strict accordance with contracted terms.

AUTHORITY: N.J.S.A 40A: 11-1
N.J.S.A. 40:54-12.1, L. 1968, c. 227, § 2.

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4.0 Individual Expense Accounting

It is the policy of the Library that each employee will complete an Expense Report as soon as possible but no later than a week after the expense has been incurred in support of an approved Library activity. Any expense more than 60 days old will not be reimbursed without the approval of the President of the BOT. All expense reports must be submitted in ink and attaching all original receipts.

Each expense report requires the Director's approval and in case of the Director the approval of the President of the Board of Trustees (BOT). No reimbursement of expenses shall be made until the Expense Account Report is duly approved. It is the policy of the Library that only original expense reports accompanied by original receipts, including airline and other transportation ticket receipts will be honored for reimbursement. No employee or any other party may fill out, submit or alter an expense report for another employee. These provisions also apply to any individual expense incurred by a BOT member seeking reimbursement.

If due to personal financial reasons, an employee must be "advanced" a cash amount (check) to cover a forthcoming expense due to an approved Library activity, the employee must submit a formal written request with estimates of such costs. All cash advances must be approved by the President of the BOT and must be settled by the employee with an individual expense account submittal within a week of the occurrence of the expense causing the need for the advance.

It is the responsibility of the Director to instruct all employees in the correct methodology of reporting individual expense; to properly code each expense to the proper Chart of Accounts line item and to so provide to the Library's accountant/ bookkeeper for monthly account reporting. Any disciplinary action for improper incurring or reporting of individual expenses shall be the responsibility of the Director in accordance with the Library's Personnel Manual and shall include that manual's provision for Appeal. Prior to reimbursement, all individual expenses shall be submitted on the format contained in the appendix hereto and signed by the employee and approved by the Director (and in case of Directors expenses by the President of BOT) by his accompanying signature.

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All original copies of expense report together with original receipts shall be maintained within the Library's expense filing system. Receipt for an expense of less than \$10 need not be submitted if normally not made available by a provider of a service, e.g. subway fares, etc.

Non-reimbursable Items:

The items listed below will be deemed as non-reimbursable unless there is a clear indication as to the benefit to the Library of the expense:

- Personal entertainment, such as in-room movies.
- Purchase of merchandise, which may be used personally subsequent to trips, such as toiletries or novelty items.
- Recreational activities, which are not part of the library business activities.
- Personal credit card annual fees.
- Credit card finance charges.
- Personal grooming costs.
- Personal reading material.
- Parking tickets or fines for moving violations.
- First class or business class transportation.
- Travel insurance.
- Hotel no-show fees (unless trips are cancelled due to weather within the non-cancellation period).
- Alcoholic drinks.
- Meals, or any entertainment costs of non-employee, non-volunteer, or non-BOT member.

The foregoing should not be considered inclusive. Each questionable item will be reviewed individually as to appropriateness.

All transportation costs will be incurred at the lowest available cost. If connected with personal business, the individual will be reimbursed only for the most direct, lowest cost routing. Where a spouse or other family member joins an employee on a business trip for the employee's convenience, reimbursement is not authorized. Reimbursement to the employee for his/her expenses shall not exceed the amount the employee would have incurred had he/she traveled alone. Reimbursement for use of personal automobile will be at the mileage rate allowed by the IRS for the year incurred. All reasonable tolls and parking fees will be reimbursed at cost.

The BOT must approve all expenditure for gifts/ donations (in appreciation of special circumstances/ contributions) to employees, BOT members, and other appropriate individuals. No gift of money, in any amount, should be offered, given or accepted. Reimbursement of expenses for professional membership dues and attendance at Library meetings and conventions shall be in accordance with provisions of the Library's Personnel Manual.

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5.0 Source of Funds, Investment and Revenue Reporting Process

Source of Funds

The basic sources of Library funds are secured from:

- Local taxes and appropriations
- State Aid
- Fines, fees, gifts, bequests, and fund raising activities
- Grants
- Federal Funds
- Capital funds and Investment Returns

In accordance with N.J.S.A. 40: 54-8 the governing local body, Township of Cranbury, shall annually appropriate and raise by taxation a sum equal to one-third of a mill on every dollar of assessable property within the municipality based on the equalized valuation of such property. Equalization Valuation is the true value of real property within the Township, computed from the aggregate assessed valuation and actual sales of property, and used to distribute equitably State school and library aid, apportion county taxes, and measure municipal debt limits. This source of funds usually will represent the largest % of income for the Library.

A Per Capita Library Aid Program is supported by funds appropriated by the NJ legislature. Minimum requirements must be met for number of professional and other staff, operating hours, collections, and public Internet service, according to population served (N.J.A.C. 15: 21-2.4); if not met State Aid is reduced. This Program is administrated by the NJ State Library and uses the decennial Census and the amount of tax support in relation to the Equalization Valuation to calculate payments. The Library must submit an annual report (N.J.S.A 40: 54-15) to secure any such funds.

For governing authority for use of funds from fines, moneys from operation of photocopy machines and other devises, bequests, gifts, et all refer to N.J.S.A. 54: 17-29.

Investments

New Jersey governmental units are required to deposit public funds in a bank or Trust company having its place of business in the State of New Jersey and organized under the laws of the United States, or of the State of New Jersey, or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey governments and their component units.

The law requires the Library to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the provisions of the Governmental Unit Deposit Act ("GUDPA"). GUPDA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

Public funds are defined as the funds of any savings and loan institutions, banks (both State and national banks) and saving banks the deposit of which are federally insured. All public depositories must pledge collateral, having market value of 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 collateral of all other public depositories, is to be available to pay the full amount of their deposits to the governmental units.

Authority: N.J.S.A. 40A: 5-14

Responsibilities:

The Library is to receive a monthly accounting of its investments from its selected depository(ies), including all deposits, transfers and interests earned, if any. The Director and Board of Trustee (BOT) Finance Committee shall review the status of the investment(s) at least once a year to evaluate quality of investment return. A qualified financial consultant may be contracted with to assist in the evaluation and recommendation. All changes in investments must be approved by the BOT.

The monthly accounting/ reconciliation of all sources of funds including investments shall be included in the Monthly Treasurer's Report presented to the BOT.

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6.0 Insurance and Bonding

Insurance

The Director of the Library in concert with the Board of Trustees Finance Committee shall ensure that adequate levels of insurance are maintained for:

- Workers' compensation/ employer's liability insurance.
- Comprehensive general liability insurance.
- Property insurance.
- Public Entity Liability insurance.

In the event that other Township authorities procure such insurances on behalf of the Library as a rider or within their group coverage, the Director will ensure that the Library is clearly listed as an additional insured.

The Director in concert with the BOT Finance committee shall review at least yearly but not later than 60 days prior to the expiration of any policy all insurance policies to assess proper coverage and shall recommend to the BOT any modifications as appropriate. A file will be maintained of all existing insurance policies and if applicable all confirming correspondence provided by other Township authorities that establishes insurance coverage for the property, officers, board, employees, patrons, and volunteers of the Library.

Should the Library solely or jointly occupy facilities owned by another authority that entity shall be requested:

- to confirm to the Library is writing that the entity's insurance policies and all policy provisions apply and cover the physical building, and any of that entity's property located within the "Cranbury Public Library" area and any liability exposure arising out of official activities of that entity's employees, and parties under that entity's control.
- to confirm that the entity is responsible to inventory its property within such areas and to pursue all loss, claims with its insurers.

- to confirm that the entity has included the Cranbury Public Library, an autonomous public institution apart from the Township or other local authority, as an “additional insured” for insurance purposes where the insured as well as the Library may become liable on matters relating to (a) accidents, claims, and losses, (b) losses relating to and including personal property, records, and the like, and (c) reimbursement of substitute/ rental in event of damage to the entity facility prevents on-going Library operations.

It is the policy of the Library to require and ensure adequate insurance coverage by all subcontractors.

All employees are responsible for complying with incident reporting using format contained in appendix hereto. The Director shall review for accuracy and is responsible to submit to the proper authority.

Bonding

The Director in concert with the BOT Finance committee shall ensure that adequate bonding is secured for the BOT Officers, Director, and any employee authorized to handle Library funds. Board shall also ensure that N.J.S.A. 40:54-13 is complied with. The Director in concert with the BOT Finance committee shall review at least yearly to assess proper coverage and shall recommend to the BOT any modifications as appropriate. A file will be maintained of all relevant bonding coverage and information.

The Library shall give bond to secure the Treasurer of the BOT in an amount to be fixed by the governing body in municipality, payable to the municipality by its corporate name, conditioned for the faithful performance and discharge of the Treasurer’s duties. The board shall, by its Treasurer, upon its warrant signed by its president, receive from the disbursing officer of the municipality the money raised therein for library purposes, as provided in section 40:54-8 of this title.

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7.0 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 C600000-903 a copy contained in the appendix hereto.

The 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 within the Library's Reference Section for public review.

Responsibility:

It shall be the responsibility of the Director of the Library and delegated staff to update the referenced law and regulations in a timely fashion. The Director shall report annually to the Board of Trustees and attest to the Library's adherence to the applicable laws and regulations.

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8.0 Annual Audit

The Finance Manual of the Library in accordance with New Jersey Statutes Annotated Title 40A: Chapter 5 :Local Fiscal Affairs Law Section 5 requires that a financial audit of the financial statements, accounts and financial transactions of the Library shall be completed, and filed within six months after the close of the fiscal year audited.

Accordingly, the Board of Trustees of the Cranbury Library requires the performance of an annual audit of the financial statements of the Library for the fiscal year.

The Annual Audit is to be performed by a 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, State of New Jersey.

Authority:

N.J.S.A 40:54-8 as amended by L.1944 and L.1985

N.J.S.A. 40:54-15 as amended L.1985 and L.2001

N.J.S.A. 40A: 5-4, 5-5, and 5.6 L. 1960 and L. 1991

Scope and Purpose of 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, the Township Chief Financial Officer, and State Librarian.

The Annual Audit is to provide reasonable assurance that the financial statements of the Library are free of material misstatement. The Annual Audit is to include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and to assess the accounting principles and controls used by Library management, as well as evaluating the overall financial statement presentation.

The Annual Audit shall cover all major financial systems and shall be directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

Specific areas of Audit coverage shall include:

- Expenditure, including accounts payable, salaries and wages.
- Property, plant and equipment inventories.
- Revenue including cash receipting, petty cash accounting, and banking.
- Investments including Cash Management Account.
- Funds covered by N.J.S.A. 40:54-8.
- Subsidy payments to public libraries.
- Research and collections management, if any.

Schedule

Upon receipt of an agreement signed by the Director approved by the Board of Trustees, the Auditor is to contact the Director of the Library to schedule the audit and identify the general process and materials required for examination by the auditor. The Director will provide the full financial books, accounts and transactions of the Library and any other information required by the auditor and will attest to the best of knowledge by a management letter to the completeness, and accuracy of the documentation provided. The Director will coordinate and confer with the Bookkeeper/CPA of the Library in preparation for the audit.

Within six months after the close of the fiscal year of the Library, the Auditor is to file the final original report of the audit and all recommendations with the Township Clerk with copy to the President of the Board of Trustees. The Auditor shall also, within 5 days thereafter, file certified duplicate copies over his signature, in the offices of the State Library and with the Chief Financial Officer of the Township in support of the audit of that local units financial activities and reporting to Director of the Division of Local Government Services in the Department of Community Affairs.

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9.0 NEW JERSEY STATUTES ANNOTATED (N.J.S.A.) applicable to CPL Financial Manual content

References:

TITLE 40. MUNICIPALITIES AND COUNTIES
CHAPTER 54. LIBRARIES AND READING ROOMS
ARTICLE 1. FREE PUBLIC LIBRARIES

N.J.S.A. 40:54-1. Establishment; chapter applicable to libraries established under other laws

Any municipality may, in the manner hereinafter provided, establish a free public library within its corporate limits. Every library established under this chapter, and every free public library established pursuant to any general law shall be governed by the provisions of this chapter.

N.J.S.A. 40:54-8. Tax levy; additional levy

The governing body or appropriate board of every municipality governed by this article shall annually appropriate and raise by taxation a sum equal to one-third of a mill on every dollar of assessable property within such municipality based on the equalized valuation of such property as certified by the Director of the Division of Taxation in the Department of the Treasury. Such additional sum, as in the judgement of such body or board is necessary for the proper maintenance of a free public library, may be appropriated and raised by taxation annually. Amended by L.1944, c. 49, p. 107, § 1; L.1985, c. 82, § 2; L.1985, c. 541.

N.J.S.A. 40:54-8.1. Limitation on increase in amount raised by taxation

Any increase in the amount raised by taxation for the municipal library as required by R.S.40:54-8 shall not exceed the total amount expended by the municipality in the previous year plus 15% of the previous year's total expenditures for the maintenance of a free public library; except that the State Librarian is authorized to approve additional appropriations to any municipality that requests to appropriate an amount in excess of 15% of the previous year's total library expenditures.

L.1985, c. 541, § 5. amended by L.2001, c.137, § 53.

N.J.S.A. 40:54-12. Powers of board

The board shall hold in trust and manage all property of the library. It may rent rooms, or, when proper, construct buildings for the use of the library, purchase books, pamphlets, documents, papers and other reading matter, hire librarians, and other necessary personnel, and fix their compensation, make proper rules and regulations for the government of the library, and generally do all things necessary and proper for the establishment and maintenance of the free public library in the municipality. The board may also transfer to and receive from other libraries books, magazines, prints, maps and other related library materials for the purpose of augmenting the interlibrary loan service.

Amended by L.1949, c. 98, p. 419, § 1. Amended by L.2001, c.137, § 54.

N.J.S.A. 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 therefor: (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.

L. 1968, c. 227, § 2.

N.J.S.A. 40:54-13. Trustees; treasurer; bond and duties

The treasurer of the board shall give bond in an amount to be fixed by the mayor in cities and by the governing body in municipalities other than cities, payable to the municipality by its corporate name, conditioned for the faithful performance and discharge of his duties. The board shall, by its treasurer, upon its warrant signed by its president, receive from the disbursing officer of the municipality the money raised therein for library purposes, as provided in section 40:54-8 of this title.

N.J.S.A. 40:54-14. Trustees; compensation; limitation on amount of indebtedness

The trustees shall receive no compensation for their services, and shall not incur any expense or enter into any obligations to an amount in excess of the annual appropriation for library purposes and of the funds on hand.

N.J.S.A. 40:54-15. Annual report, identification of excess funds to municipality, transfer procedure.

a. The board of trustees shall make an annual report to the chief financial officer of the municipality which shall include a statement setting forth in detail all public revenues received by the library, all State aid received by the library, all expenditures made by the library and the balance of funds available. Notwithstanding the requirements of R.S.40:54-8 pertaining to the amount required to be raised and appropriated for library purposes, the annual report shall identify excess funds that the board is required to approve and transfer to the municipality as miscellaneous revenue. The excess funds transferred shall be any amount that exceeds the sum of the amount of the audited operating expenditures of the library for the most recent available year, plus an additional 20% of those operating expenditures, excluding funds restricted for capital projects and grants, to be maintained as surplus. The annual report shall also include an analysis of the state and condition of the library and shall be sent to the municipal governing body and to the State Library. The State Librarian shall prescribe by regulation the form of all such reports.

b. (1) Except as limited in paragraph (2) of this subsection, the board of trustees of a municipal free library shall adopt a resolution of its intent to transfer excess funds to the municipality, as identified in its annual report pursuant to subsection a. of this section.

(2) The board of trustees of a municipal free library established after the effective date of P.L.2008, c.8 shall not adopt a resolution of intent pursuant to this subsection before the eighth budget year following its establishment.

c. Once the board of trustees has adopted a resolution of intent pursuant to subsection b. of this section, it shall forward the resolution to the State Librarian for approval, along with any other information required by the State Librarian and in accordance with procedures and forms promulgated by the State Librarian in consultation with the Director of the Division of Local Government Services in the Department of Community Affairs. The State Librarian shall approve any resolution upon a determination that all of the following provisions are met:

(1) the municipal free library will still retain a sum equal to the amount of the audited operating expenditures of the library for the most recent available year plus an additional 20% of that amount, excluding funds restricted for capital projects and grants, to be maintained as surplus;

(2) the municipality and the municipal free library are in compliance with all conditions imposed by rule or regulation promulgated by the State Librarian for per capita library aid to public libraries according to the "state library aid law," N.J.S.18A:74-1 et seq., and pertaining to appropriations for the maintenance of a municipal free library according to R.S.40:54-8 or section 2 of P.L.1959, c.155 (C.40:54-29.4) in the case of a joint free public library;

(3) there are sufficient funds remaining in the municipal free library's operating budget for the maintenance of the library for the balance of the fiscal year in which the transfer of funds to the municipality occurs; and

(4) the library board of trustees has a written plan of at least three years that reflects that the long-term funding needs of the library will be met, and that any capital expense will contribute to the provision of efficient and effective library services, and that the written plan has been approved by the State Librarian.

d. Upon approval of its resolution of intent by the State Librarian pursuant to subsection c. of this section, the board of trustees shall cause the amount of the excess funds identified in its resolution to be transferred to the municipality.

Amended 1985, c.541, s.2; 2001, c.137, s.55; 2008, c.8, s.1.

N.J.S.A. 40:54-16. Appropriation for furnishing

Any municipality that shall establish a library under the provisions of this article, or that has heretofore established a free public library pursuant to law, and has purchased or shall purchase lands, and has erected or shall erect buildings thereon, or both, for the purposes of a free public library, and has made or shall make appropriations therefor under this article, may make additional appropriation for the equipment, furnishing and decorating of the library building in the manner following: The board of trustees shall certify to the board or body having charge and control of the finances of the municipality the amount necessary for the equipment, furnishing and decorating of the library building, and thereupon such board or body may by resolution, at its discretion and with the approval of the mayor or other chief executive officer of the municipality, make appropriation of such money and authorize and empower the board of trustees of the free public library to expend such sum of money. Upon the passage of such resolution the board of trustees may enter into contracts for such equipment, furnishing and decorating, and expend money therefor to the amount of the appropriation.

N.J.S.A. 40:54-17. Fines expended for library purposes

The board of trustees of the free public library may use and expend for library purposes all moneys received from library fines and shall account for such receipts and expenditure in the same manner as is required as to funds appropriated to the board of trustees by the governing body of the municipality. Amended by L.1969, c. 295, § 1.

N.J.S.A. 40:54-17.1. Moneys from operation of photocopy machines

The board of trustees of a free public library may use and expend for library purposes all moneys received from the operation of photocopy machines within the library and shall account for the receipts and expenditures in the same manner as is required for funds appropriated to the board of trustees by the governing body of the municipality. L.1983, c. 70, § 1.

N.J.S.A. 40:54-18. Use of money paid by library to municipal treasury

The governing body of any municipality may appropriate in the annual budget for the use of the free public library of such municipality a sum equal to the amount of the money paid into the general treasury by the free public library in the preceding fiscal year. The sum so appropriated shall be available for expenditure by the board of trustees of the free public library of the municipality for library purposes, shall be in addition to sums otherwise appropriated by law for library purposes and shall be controlled by the same laws as other budget appropriations. Last updated: November 10, 2001.

N.J.S.A. 40:54-19. Devises and bequests to trustees

The board of trustees may receive, hold and manage any devise, bequest or donation heretofore made or hereafter to be made and given for the establishment, increase or maintenance of a free public library within the municipality.

N.J.S.A. 40:54-19.1. Loan of funds received as gift or bequest

The board of trustees of the free public library may, upon the application of the governing body of the municipality, loan, upon "tax anticipation notes" or "bond anticipation notes" of the municipality, any funds heretofore or hereafter received, either by the board of trustees of the free public library or by the governing body, as a gift or bequest for free public library purposes and being held and managed by the board of trustees, or subject to their direction pursuant to the provisions of article one of chapter fifty-four of Title 40 of the Revised Statutes, pending the use thereof for the purposes for which the gift or bequest was made.

L.1941, c. 67, p. 152, § 1. Amended by L.1942, c. 139, p. 429, § 1.

N.J.S.A. 40:54-19.2. Strict compliance with law in making loans required

In the making of any loan authorized by the provisions of section one of this act¹ the pertinent provisions of chapters one and two of Title 40 of the Revised Statutes shall, in all respects, be strictly complied with.

L.1941, c. 67, p. 152, § 2. Amended by, L.1942, c. 139, p. 430, § 2.

¹Section 40:54-19.1

N.J.S.A. 40:54-19.3. Investment of funds; regulation of bonds or securities

The board of trustees of the free public library may invest its funds in any interest-bearing obligations of the United States of America, or in interest-bearing bonds of the State of New Jersey, or any county or municipality of said state, or in any other securities authorized for investments by trustees under and in accordance with the provisions of article 2 of chapter 15 of Title 3A of the New Jersey Statutes,¹ but the authorization to invest funds in any such obligations or bonds or securities shall be by resolution adopted by a majority vote of all the members of the board of trustees at any regular or special meeting of the board.

All such obligations or bonds or securities shall be registered in the official name of the board of trustees.

As used in this section invest means the buying and selling of authorized obligations, bonds and securities.

L.1942, c. 139, p. 430, § 3. Amended by L.1968, c. 217, § 1; L. 1973, c. 344, § 1. ¹Repealed. See 40A:5-15.1

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N.J.S.A. 40:54-19.4. Custody of securities; report; minutes

When any obligations or bonds purchased by the board of trustees are received by the board, the treasurer of the board shall immediately record the receiving thereof in an appropriate manner and shall, unless otherwise previously directed by the board of trustees, promptly deliver the same to the clerk of the municipality for safe-keeping. At the next regular or special meeting after the receipt of such obligations or bonds, said treasurer shall present a written report to the board, setting forth the amounts of the obligations or bonds so received, and the dates, numbers and interest periods thereof and the date of delivery thereof to the clerk of the municipality. The secretary of the board of trustees shall record in the minutes of such regular or special meeting of the board the date of receipt of such obligations or bonds by the treasurer, the amounts, dates, numbers and interest periods thereof and the date on which they were delivered to the clerk of the municipality for safe-keeping. L.1942, c. 139, p. 430, § 4.

N.J.S.A. 40:54-19.5. Income from investments

All interests, income or profit which may be realized by the board of trustees from the investment, pursuant to this or any other act, of any such funds shall be added to the principal of such funds and be used for the same purpose or purposes for or toward which the principal gift or bequest was made until the purpose or purposes for or toward which such gift or bequest was made shall have been accomplished. L. 1942, c. 139, p. 431, § 5.

N.J.S.A. 40:54-20. Gifts of works of art; acceptance and maintenance

Any free public library may accept gifts and bequests of paintings, statuary, ceramics and other art objects, and may care for and maintain them in accordance with the provisions of such gift or bequest.

N.J.S.A. 40:54-21. Acceptance of conditional gifts generally

In any municipality in which there shall have been established a free public library pursuant to law, the governing body may, by resolution, accept gifts or bequests for the purpose of building a library building therein which may be made on condition that a sum not exceeding ten per cent of the amount of such gift or bequest be annually appropriated for the maintenance and support of such library, or which may be made on the above condition and on the further condition that the municipality to which such gift is made shall also provide a suitable site for the building.

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When any such conditional gift is accepted by any municipality such amount as may be required by the condition of the gift for the support and use of the library may be raised annually by taxation.

N.J.S.A. 40:54-22. Custodian of gifts; expenditure

Any gift or bequest, when accepted by the governing body of the municipality, shall be received by the treasurer or other corresponding officer of the municipality and expended by and under the direction of the board of trustees of the free public library for the purposes for which the gift or bequest was made, in the same manner as other funds are expended by such board.

N.J.S.A. 40:54-23. Municipalities may furnish site where buildings are offered; amount

When any person has offered or hereafter may offer to the board of trustees of the free public library of any municipality which shall hereafter establish a library under the provisions of this article or has heretofore established a free public library pursuant to law, or has offered or hereafter may offer to the council or other governing body of any such municipality, to provide or erect a building to be used as a free public library upon condition that the municipality or the trustees of the free public library therein, or the council or governing body thereof, provide a site for the building, the council or other governing body of the municipality, by resolution adopted by the votes of a majority of all the members thereof, may appropriate for the purpose of purchasing a suitable site upon which to erect such library building, a sum of money not exceeding three mills in all municipalities except cities, and in cities a sum not exceeding three-fourths of one mill, on every dollar of assessable property according to the last preceding levy for the purposes of annual taxation therein.

N.J.S.A. 40:54-24. Purchase of site; title

At any time after the acceptance of any such last-mentioned gift the trustees of the free public library in any such municipality may purchase, at a cost not exceeding the amount appropriated therefor, a suitable site for the erection of a library building. The title of the real estate so purchased shall be taken in the name of the municipality. The use and control of the same shall be in the board of trustees of the free public library therein so long as it shall be used for free public library purposes.

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N.J.S.A. 40:54-25. Lands and buildings; purchase and alteration; financing; title

When, in the judgement of the board of trustees of the free public library in any municipality that shall establish a library under the provisions of this article or has heretofore established a free public library pursuant to law, it is advisable to purchase lands or erect buildings thereon, or both, or to enlarge or alter any building already erected thereon, for the purpose of a free public library, the board may certify to the board or body having charge of the finances of such municipality the amount of money, in addition to such moneys as it may have on hand applicable to such purposes, necessary for the purpose of making such purchase of land, the erection of buildings or other improvements thereof, and shall also certify therewith the total amount of moneys and funds available for the purchase of lands or erection of buildings, and an estimated account of the amount necessary for the maintenance of the library for the balance of the then current year.

Thereupon the board, or body having charge of the finances of the municipality may by resolution, at its discretion and with the approval of the mayor or other chief executive officer of the municipality, authorize and empower the board of trustees of the free public library to expend such sums of money, in addition to the moneys belonging to it and not needed for the expenses of maintenance for the remainder of the then fiscal year, as to such common council, or such other body or board, may seem proper for such purposes, not to exceed, however, the amount certified by the board of trustees of the free public library.

Upon the passage of such resolution the board of trustees of the free public library shall be empowered and authorized, with the consent of the mayor or other chief executive officer of such municipality, to purchase real estate, and to erect buildings and make improvements thereon, and to expend moneys therefor to the amount of such appropriation and surplus, but no lands shall be purchased for the purpose of erecting thereon a free public library building except with the concurrence of such common council, or such other body or board, expressed by resolution of such common council, or such other body or board with the approval of the mayor or other chief executive officer of the municipality. Any veto exercised by the mayor or other chief executive officer may be overridden by a 2/3 majority vote of the governing body of the municipality.

The title of any real estate so purchased shall be taken in the name of the municipality. The use and control of such real estate shall be in the board of trustees of the free public library so long as it shall be used for free public library purposes.

Amended by L.1971, c. 201, § 1.

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N.J.S.A. 40:54-26. Bond issues

Any municipality that shall hereafter establish a library under the provisions of this article or has heretofore established a free public library pursuant to law may create and issue bonds for the acquisition of lands, the acquisition and erection and improvement of buildings and appliances for library purposes and the equipment and furnishing of library buildings. Such bonds shall be issued pursuant to the provisions of article 1 of chapter 1 of this title (40:1-1 et seq.¹).

¹See, now, §40A:2-1 et. seq.

N.J.S.A. 40:54-27. Redemption of bonds

There shall be raised and levied annually by taxation in the municipality issuing such bonds a sum sufficient to pay the interest thereon and to redeem the part or proportion thereof maturing in the fiscal year for which such taxes are levied.

N.J.S.A. 40:54-28. Acquisition of lands by condemnation

When the board of trustees of the free public library in any municipality desire to acquire any lands, improved or unimproved, either in whole or in part, for the purposes of its building and library pursuant to the authority and power vested in it by section 40:54-25 of this title, and it cannot agree with the owner or owners of such lands, or with other persons interested therein, as to the amount of compensation to be paid therefor, proceedings shall be taken by said board to acquire such lands and ascertain the amount of compensation to be paid therefor, in the manner provided by the general laws for the condemnation and taking of lands for public use.

N.J.S.A. 40:54-29. Transfer of books to library

Any public board in any municipality wherein there is a free public library, or any department of the government of the municipality having under its control a library or collection of books useful for such public library, may transfer the control or property of said books to the trustees of a free public library established under this article for use therein. The board or department so transferring its books or library shall be relieved from further responsibility for the care or custody of or property in said books or library, and the board of trustees of the free public library shall hold and keep said books or library as if originally purchased by it.

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N.J.S.A. 40:54-29.1. Contracts with other municipalities for library service

The governing body of any municipality may, by resolution, contract with any other municipality which maintains a free public library, for the furnishing of library service to the inhabitants of the first municipality, and may appropriate annually for this purpose such sum of money as may be agreed upon between the contracting parties.

L.1951, c. 102, p. 507, § 1.

N.J.S.A. 40:54-29.2. Use of moneys received under contracts

The governing body of such other municipality may, by resolution, enter into contract as provided in this act¹ and all sums of money paid under such contract shall be appropriated and used for library purposes in accordance with the terms of said contract.

L.1951, c. 102, p. 507, § 2. ; ¹Sections 40:54-29.1, 40:54-29.2

EDITORIAL NOTE:The following statute exempts library expenditures from N.J.S.A. 40A:4-45.3 which is popularly referred to as the "cap" law. There are numerous exemptions to the "cap" law. Only the sections which refer to public libraries and association libraries have been included herein.

TITLE 40A. MUNICIPALITIES AND COUNTIES

CHAPTER 4. LOCAL BUDGET LAW

N.J.S.A. 40A:4-45.3. Municipalities; exceptions to limitation

In the preparation of its budget a municipality shall limit any increase in said budget to 5% or the index rate, whichever is less, over the previous year's final appropriations subject to the following exceptions:

r. Amounts expended to fund a free public library established pursuant to the provisions of R.S. 40:54-1 through 40:54-29, inclusive.

L. 1976, c. 68, § 3. Amended by L. 1977, c. 10, § 1; L. 1983, c. 49, § 5. L. 1985, c. 82, § 1; L. 1988, c. 66.

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Cranbury Public Library

Financial Policy Manual

10.0 APPENDIX

- **OPERATIONAL FINANCIAL PROCEDURES**
- **CHART OF FINANCIAL ACCOUNTS**
- **ANNUAL BUDGET FORMAT**
- **MONTHLY TREASURER'S REPORT FORMAT**
- **INDIVIDUAL EXPENSE ACCOUNT FORM**
- **RECORD RETENTION SCHEDULE: C600000-903**
- **LOCAL PUBLIC CONTRACTS LAW: N.J.S.A. 40A:11-1 et seq.**
- **GUIDE TO PAY-TO-PLAY LAW: N.J.S.A. 19:44A-20.4 et seq.**
- **LOCAL FISCAL AFFAIRS LAW: N.J.S.A. 40A:5-1 et seq.**