FINANCIAL RESPONSIBILITIES

Responsibilities of the Library Administration:
● proposes an annual budget and any revisions
● makes purchasing decisions
● manages library receipts
● manages the petty cash fund checking account
● manages the automated bookkeeping system
● maintains a record of all capital expenditures
● creates a financial status report each month
● proposes the fee structure for fines and services
● reconciles bank accounts
● arranges for an audit by an outside auditor on an annual basis
● proposes designation of financial institutions with which the library does business

Responsibilities of the Treasurer:
● presents a financial status report at each monthly Board meeting
● monitors library's surplus funds

Responsibilities of the Board:
● adopts annual budget and revisions by resolution
● approves the bill list and ratifies approval at monthly Board meetings
● signs checks to pay vendors for services rendered on a monthly basis
● approves fees to be charged for fees and services
● approves financial institutions with which the library does business by resolution
● approves selection of the auditor by resolution

BUDGET

The budget, representing the Library’s financial plan, will be reviewed by the Board. Once the budget is approved by the Board, the Director has the authority to manage the library’s finances. The budgeting process begins with the library program. Evaluation and setting of objectives should all occur prior to the budgeting process. This means a reevaluation of the prior year’s program and a determination of how well the library met the objectives set prior
to the prior year's budget adoption. Consideration should be made regarding which activities the library wants to eliminate, maintain, strengthen, expand, or initiate and staff performance should be reviewed for effectiveness. Determine if the library facility meets the needs of the library program. Priorities should be set so that programs that meet the needs of the community can be implemented. The budget should flow from this program.

- Evaluation of last year's (current year's) program
- Update of the strategic plan and objectives for coming year
- Review of current expenditures
- Draft budget presentation to Board for approval *(no later than November board meeting)*
- Presentation to Township
- Adoption of final budget by the Board

**BUDGETING PROCEDURE**

Credibility is essential to the future salability of the budget being developed. Accurate projections are needed if the budget is to be a valid document. Inflating revenues or underestimating expenses can only lead to future problems. The converse represents equally poor planning in that the community will be shortchanged in its library program. To draft the budget consider the following:

- Staff input
- Projection of revenues
- Projection of fixed costs

With this information, the Library Director develops a draft budget for review. The format of the budget should be simple and easy to understand, should provide data comparison with previous years, should justify the adjustments and concisely state the program elements to be accomplished. *Note that under New Jersey law, the library must be supported with a minimum of 1/3 mil of equalized value.*

**BUDGET ADOPTION**

The Library Director presents a draft budget to the full Board for review. The Board reviews the budget allocation and adopts the budget by resolution, authorizing implementation by the Library Director.

In those instances when the Library requests more than the 1/3 mil appropriation from the Township, the budget is tentatively adopted by the Board. The Township Committee decides whether to approve, alter, or deny the requested appropriation as part of the full Township budget. After the Township appropriation is finalized, the Library Director presents a final budget to the full Board for review. The Board adopts the budget by resolution, authorizing implementation by the Library Director.

**BUDGET REVISION**

During the budget year, it may be necessary to make revisions when unanticipated expenses occur or a change occurs in the library program. The revised budget requires the approval of the Board.

In situations where expenses have been inaccurately projected, but can be covered with the transfer of funds from one line item to another without impact on the total budget or the library program, such
changes can be made with the approval of the Treasurer and later notification of the Board when it is infeasible due to time constraints to obtain prior full approval of the Board.

BUDGET EXECUTION

As soon as final approval of the budget is received, the information must be communicated to all concerned. For example, persons responsible for purchasing library materials must know the amount approved for the purpose. This step is crucial to overall budget control.

Financial records must be established to control utilization of funds represented by the budget. A treasurer’s report is presented to the Board at each monthly meeting. Appropriate financial reporting keeps the Board informed of the financial status of the library and is one way to follow the progress of the library.

The treasurer’s report is compiled by the Library Director or designated staff member charged with this responsibility using appropriate accounting software. The treasurer’s report keeps the Board alert to financial developments and helps prevent over encumbrances from occurring for individual budget line items.

AUDIT

The accounts of the library are audited each fiscal year. This serves to safeguard the public, the staff, and the trustees and ensures proper use of the funds entrusted to the library. From time to time, the Director can recommend competitive quotes from qualified auditors. Staff will review the quotes and recommend selection of the auditing firm. The Board will vote on this recommendation.

PURCHASING

The Library Director makes the purchasing decisions for the library. No one else may commit the library to the purchase of any goods or services unless explicitly delegated to do so by the Library Director.

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 with N.J.S.A. 40A: 11 and the following Bid Threshold shall apply (N.J.S.A. 40A: 11-3.)

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.
BIDDING & SOLICITATION OF QUOTES

Competitive quotes are generally required for purchases, leases and contracts over $2,625 and less than $17,500. It is recommended that three 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.

It is state law that contracts over $17,500.00 must be sent out for competitive bid (N.J.S.A. 40A:11-3.) The bid process includes the following:

- Written specifications, which should be developed by staff members and the Library Director, with the help of the Township Purchasing Officer when necessary.
- Notice to bidders must be sent to newspapers for publication.
- Bids remain sealed, to be opened on a specific date and time.
- After reviewing the bids with the staff member the Library Director makes a recommendation to the Board for a bid award.
- Upon certification of funds, contracts over $17,500.00 shall be approved by formal resolution of the Board.

All purchase orders are signed by the Library Director. It is the responsibility of the Library Director to ascertain that sufficient funds to cover the purchase remain in the total budget and the appropriate budget category.

PURCHASE ORDERS

A purchase order must be generated to encumber funds for any goods or services being purchased except those covered by the petty cash account. A purchase order is prepared by the Director or designated staff by entering the following information:

- purchase order date
- vendor name and address
- description of item (being as specific as possible)
- unit quantity and number per unit
- unit price
- extension price
- total price for all items
- signature of library director
- budget line

The white voucher and yellow copies of the form are mailed to the vendor.

The white voucher copy must be signed and returned to the library before payment is made. If necessary, a duplicate voucher can be sent to the vendor for signature.

After all goods or services have been received, the library director will sign the form to begin the payment process.
ENTERING PURCHASE ORDERS IN QUICKBOOKS

When creating new purchase orders, the following steps will be followed to update library financial records:

- The purchase order information is recorded on a list of purchase orders kept in a ring binder in the library office.
- The purchase order information is recorded in QuickBooks. Information recorded includes date, purchase order number, vendor name, and amount of the purchase order and budget line.

PAYING FOR GOODS AND SERVICES RENDERED

A purchase order may be paid when the following has occurred:

- All goods and services have been received
- The vendor has returned the signed white purchase order
- The library director has signed the purchase order

The Assistant Director will collate all pertinent paperwork for a given purchase order, add check number, date, and amount information to the purchase order, and prepare the check and update the QuickBooks company file.

This procedure will automatically update library accounts in QuickBooks. Reports, including a bill list, will be printed and presented each month to the library Board as part of the Treasurer’s report.

The purchase order binder will be updated with check number and amount.

Checks will be signed at the time of the Library Board meeting. Each check requires two signatures. Authorized signers will be the Library Board President, Treasurer, Secretary, and the Library Director. Payments will be mailed to vendors the business day following the Board meeting at which the checks were signed.

LIBRARY RECEIPTS

Library receipts (cash and checks) will be collected and summarized daily by designated library staff using a daily cash form. The first and fourth business day of each week, receipts for the previous days will be deposited in the library’s bank account. The receipts will be recorded in QuickBooks. The deposit slip and copies of checks will be stapled to the daily cash form and filed in the Assistant Director’s office.

Cash and checks collected in the library for any purpose (fines, fees, copies, donations, township payments, etc.) are totaled and deposited to the library’s general account. Deposits may be made more frequently at the discretion of the Library Director, if the level of cash on hand in the library warrants additional deposits.

Cash collected in the library is never to be used as petty cash. Staff can’t “borrow” money from cash receipts.
RECONCILIATION OF RECORDS

The library's bank statements and financial reports must reconcile at all times. If the bank statements and library records do not agree the source of the error must be traced, and rectified. Any discrepancies must be brought to the Board.

PETTY CASH ACCOUNT

Whenever possible the requisition and purchase order system should be used for library expenses. However, for use on an exception basis, a petty cash fund of $2,000 is maintained in a checking account by the Library Director. It is only to be used for purchases and reimbursement of expenses for which the use of a purchase order is impractical.

All disbursements from the petty cash account must be supported with receipts. As a tax exempt organization, the library does not need to pay sales tax. The tax exempt form is on file in the director’s office; the number or a copy of the form can be obtained for use with vendors desiring proof of our tax exempt status.

The petty cash account can only be used for budgeted items. All rules and guidelines applying to regular purchases apply to petty cash purchases as well. All petty cash purchases must be assigned to the appropriate budget line.

At month-end, a check equal to the total paid in petty cash for the month will be written against the general account to reimburse the petty cash account. The totals for petty cash will be recorded in QuickBooks. The petty cash check will be submitted along with the other bills to the Board for signatures.

Employees who need to be reimbursed for mileage, tolls, or other reimbursable expenses should use a voucher supported by receipts rather than be reimbursed by the petty cash fund.

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