

BOROUGH OF RIVERDALE

ACCOUNTING MANUAL

The Accounting Manual documents and/or references the accounting processes and procedures of the Borough. The internal accounting control processes and procedures are an integral part of the manual and are designed to safeguard assets and limit the risk of loss or misstatement.

The Borough has developed the following accounting policies and procedures:

PURCHASING

The Purchasing Policy is attached (Attachment 1). The purchasing procedures are documented in detail and are designed to promote compliance with the appropriate sections of the Local Public Contracts Law (N.J.S.A. 40A:11).

The proper 1099 forms are filed annually by January 31. The 1096 forms, along with appropriate 1099 forms, are filed with the IRS and the State by the last day in February.

The fixed asset policy complies with Technical Accounting Directive 85-2. Local Finance Notice CFO 96-13 is attached (Attachment 2). The fixed asset inventory shall be reviewed each year to determine insurability and usefulness. All fixed assets not needed for public use will be sold or disposed of in accordance with N.J.S.A. 40 A:11-36.

CASH MANAGEMENT

The Cash Management Plan is adopted annually by the Governing Body. The Plan is prepared pursuant to the provisions of N.J.S.A. 40A:5-14 in order to set forth the basis for the deposits and investments of public funds of the Borough, pending the use of such funds for the intended purposes.

Authorization to make deposits shall be limited to employees specifically covered by separate Surety Bond. All moneys collected must be deposited within 48 hours as required by N.J.S.A. 40A:5-15.

Cash receipts journals are to be maintained by each department. A monthly summary of cash receipts shall be submitted to the Finance Clerk to reconcile to the amounts deposited with the Borough.

BUDGET

The budget process complies with all statutory requirements, including but not limited to, the Local Budget Law (N.J.S.A. 40A:4).

The primary focus of the municipal budget is to appropriate sufficient funds to ensure the health, safety and welfare of the community and its residents while properly maintaining the Borough's assets.

SURPLUS

The Surplus Policy of the Borough is attached (Attachment 3). The Policy is intended to provide guidance in determining the level of surplus that should be maintained to support municipal operations.

FINANCIAL REPORTING

Financial reporting procedures of the Borough include:

- a) Maintenance of general ledgers for all Borough accounts on a monthly basis.
- b) Reconciliation of all Borough accounts on a monthly basis.
- c) Proper segregation of duties for all financial transactions, reconciliations and reporting.
- d) An annual independent audit is performed in accordance with N.J.S.A. 40A:5-4.

PERSONNEL/PAYROLL

Personnel Policies are codified in the General Ordinances of the Borough. In addition, the police bargaining unit negotiates separate contracts with the Borough.

All potential employees must submit completed I-9 and W-4 forms and any other required forms prior to their hire date.

Employees within the municipal building are required to submit time sheets. Department heads and Administration must review and approve the employees' time sheets. All time sheets must be approved and submitted according to the annual payroll schedule distributed by the payroll clerk.

The Police Department and Department of Public Works have their own time management policies. The payroll vouchers reflecting overtime must be submitted to the payroll clerk according to the annual payroll schedule.

The Borough's payroll is processed by a third party payroll service. The servicer also provides a payroll tax service. Payroll taxes and payroll tax returns are filed with the proper agencies in accordance with the appropriate laws and regulations. The servicer provides the Borough with a copy of the payroll tax returns to review for accuracy.

Employees are enrolled in the Public Employees Retirement System, Police and Firemen's Retirement System or Defined Contribution Retirement Plan in accordance with the guidelines as set forth by the Division of Pensions and Benefits.

Pension payments are transmitted to the State on a monthly basis and the Report of Contributions is filed quarterly by the Borough, as required by the Division of Pensions and Benefits.

DEBT/CAPITAL

The debt management process has been developed to comply with the Local Bond Law (N.J.S.A. 40A:2).

Departments are required to provide the Finance Committee with a multi-year capital plan as part of the annual budget process. The Finance Committee should evaluate the plan based on the anticipated impact on future operations and costs. The financial parameters utilized include:

- a) The statutory debt limit (N.J.S.A. 40A:2-6): The Borough should maintain a percentage of less than .5% of net debt to equalized value.
- b) Debt service as a percentage of budget appropriations: The Borough should maintain a percentage of approximately 10 % of debt service to budget appropriations.

The Finance Committee should also evaluate the plan based on the impact on the community (health, safety and welfare).

Based on the results of Finance Committee's evaluation, a capital program is submitted to the Governing Body for approval.

Compliance with Secondary market disclosure requirements is required, as well as any other provision of the Borough's adopted bond ordinances.

The policies will be reviewed periodically and updated based on relevance, compliance and the evaluation of risk assessment. Other policies that are informally communicated and implemented may be added as determined necessary. All policies and procedures, whether formal or informal, comply with the appropriate regulations, statutes and guidelines.

ATTACHMENT 1

PURCHASING PROCEDURES

REQUISITIONS:

The Department Head determines that a purchase of goods and/or services is required.

All vendors must have a W-9 and Business Registration Certificate on file with the Borough prior to requesting a purchase.

If funds are not available, a transfer of funds must be approved by the Governing Body prior to further processing.

If a contract is being utilized, the contract number, resolution number and any other supporting documentation must be provided.

Requests are submitted by the Department Head to the designated Purchasing Agent for approval. If the request is in excess of \$2,625.00 (15% of the bid threshold), at least two quotes (three if possible) are required to be obtained and submitted. The threshold is based on the aggregate amount anticipated to be purchased on an annual basis.

If the amount anticipated to be purchased on an annual basis is in excess of \$17,500.00 (bid threshold), bids must be solicited and a contract must be awarded by resolution.

If items requested to be purchased are not on the bid list, a minimum of two quotes are required (three if possible) prior to purchase. The department should amend the bid list for the subsequent solicitation of bids.

If the amount anticipated to be purchased from any one vendor will exceed the \$17,500.00 Pay to Play threshold, or a purchase will result in the vendor's total aggregate purchases to exceed \$17,500.00 within the calendar year, the designated Purchasing Agent must be notified to determine compliance with the existing law and Governing Body approval by resolution.

The municipality must comply with the NJ Prevailing Wage Act N.J.S.A. 34:11-56.25 et seq. for Public Works contracts exceeding \$15,444.00.

Requisitions will be processed daily, subject to the approval of the designated Purchasing Agent.

PURCHASE ORDERS:

A purchase order must be requested and obtained prior to the ordering any goods or services.

Purchase orders are processed and mailed to vendors.

The voucher copy is distributed to the respective department for further processing.

INVOICE/VOUCHER:

Upon obtaining an original invoice, the department verifies the accuracy of the goods received and/or the services rendered.

If problems exist with the goods received and/or the services rendered, the voucher cannot be approved for further processing.

The department resolves any issues, submits appropriate documentation and enters corrections, if any, on the voucher.

When the information is verified and confirmed, the department approves and submits the voucher together with the invoice and all supporting documentation to the accounts payable clerk for further processing.

The accounts payable clerk verifies the information submitted and enters the corrected information into the financial accounting system. If an obvious question arises, the department will be required to respond.

The accounts payable clerk mails the voucher to the vendor for the claimant's certification.

PAYMENTS/CHECKS :

Signed and completed voucher packages are processed for payment.

If the voucher package is determined not to be complete, the department will be informed and expected to resolve any issues prior to further processing.

If the voucher package is determined to be complete and accurate, the voucher package is processed for payment.

The accounts payable clerk prepares the bills list for governing body approval.

The accounts payable clerk prints the checks and mails the checks to the vendors.

CONFIRMING ORDERS/CHECK REQUESTS :

Confirming orders must be submitted with the proper documentation/justification and approved by the designated Purchasing Agent prior to processing.

Confirming orders will only be processed for goods received and/or services rendered relating to emergency situations. An emergency certification form must be utilized for each occurrence (see attached).

Check requests will be processed for utility bills and progress payments for contracts previously encumbered.

Requisitions must be submitted as required.

REIMBURSEMENTS :

When determined absolutely necessary, reimbursements will be processed after approval by the designated Purchasing Agent.

All original supporting documentation must be provided (receipts, invoices etc).

If an original receipt is not submitted, a cancelled check or other form of original proof of payment will be required prior to further processing.

Requisitions must be submitted as required.

BLANKET ORDERS:

All contracts awarded for goods and/or services must be encumbered.

Requests must be submitted for all progress payments required.

OPEN PURCHASE ORDERS:

Items purchased on a continuous basis from a single vendor may be processed utilizing an open purchase order on a monthly basis.

Quotes are required on an annual basis for the purchasing of goods and/or services that will exceed the quote threshold for that period. Similarly, a contract must be awarded if the bid threshold will be exceeded.

Requisitions must be submitted as required and are subject to approval for each open purchase order requested.

Vendors must be provided with the purchase order number for each and every purchase made from the open order.

The amount of goods and/or services received must not exceed the original amount encumbered. An additional amount must be encumbered prior to subsequent orders being placed.

The vendor must reference the purchase order number on the invoice submitted for payment.

Open purchase orders must be closed out on a monthly basis.

STATE CONTRACTS:

State contracts must be awarded by the governing body prior to purchase of goods and/or services.

When utilizing an approved state contract for the purchase of goods and/or services, all necessary state contract information must be included with the submission of the requisition.

REFUNDS:

As promulgated by the Division of Local Government Services, the following categories may be considered for utilization as refunds:

1. Refunds from an insurance company resulting from a claim.
2. Receipts of federal or state aid as reimbursement of prior expenditures.
3. Refunds from vendors, resulting from overcharges or duplicate payments.

OTHER ISSUES:

If any issues and/or questions arise that require consultation with the designated Purchasing Agent, Chief Financial Officer or Governing Body, they must be addressed prior to requesting a purchase.

CERTIFICATION OF REQUEST FOR EMERGENCY PURCHASES
TO BE FILED WITH CONTRACTING AGENT OR DEPUTY

The undersigned department head (or designated agent) certifies as follows:

1. An emergency condition exists in (_____).
2. This condition constitutes an emergency affecting the immediate health, safety, or welfare of the public.
3. Description of the condition and how it affects the public health, safety, or welfare:

4. This emergency occurred on (date)_____ at (location)_____.
5. It is necessary to invoke N.J.S.A. 40A:11-6 (emergency purchases and contracts) in order to obtain the immediate delivery of the materials, supplies, or the performance of the service(s) described in the attached requisition #_____. The estimated cost of furnishing the materials(s), supplies, or service(s) is \$_____.
6. It is requested that a Purchase Order be issued without public advertisement for bids, pursuant to the above cited statute.
7. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements are willfully false, I am subject to punishment.

Department Head

Name Printed

Department

Date

For Purchasing Authority use only:

1. Designated Purchasing Agent: Approved_____ Denied_____
2. If approval is granted, record the purchase order(s) issued pursuant to the emergency:_____.
3. The maximum amount that may be expended under this emergency is \$_____.

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
GOVERNORJANE M. KENNY
COMMISSIONERBETH GATES
DIRECTOR**ATTACHMENT 2****REVISION TO TECHNICAL ACCOUNTING DIRECTIVE NO. 85-2
THRESHOLD FOR NONEXPENDABLE, TANGIBLE PERSONAL PROPERTY**

The threshold for "nonexpendable, tangible personal property," as defined in Technical Accounting Directive Number 85-2, "Accounting for Governmental Fixed Assets," has been revised from \$1,000 to \$5,000 for both municipalities and counties. This change takes effect January 1, 1997. This brings our threshold to that established by the federal government.

A local unit may establish a capitalization level other than the revised threshold, provided it does not exceed \$5,000 per unit, regardless of whether or not such assets were acquired with federal funds. Nonexpendable, tangible personal property is to have a useful life of *at least five years* ~~at least one year~~.

Federal OMB Circular No. A-87 Cost Principles for State, Local and Indian Tribal Governments has defined equipment and other capital expenditures for the purpose of grant reporting and reimbursement. If a local unit's capitalization policy differs from federal guidelines, it may be necessary to maintain separate records (worksheets, ledgers, etc.) for a particular grant(s).

Chief Financial Officers are asked to share this Notice with the Chief Administrative Officer, risk managers, and any other appropriate local officials. If you have any questions regarding this matter, please call the Bureau of Financial Regulation and Assistance at (609) 292-4806.



Beth Gates, Director
Division of Local Government Services

Distribution:

Municipal and County Chief Financial Officers
Registered Municipal Accountants

Note: Change above in strikeout and italic made after publication of original Notice.

Director's Office
(609) 292-6613

Local Government
Research
(609) 292-6110

Financial Regulation
and Assistance
(609) 292-4806

Local Finance
Board
(609) 292-4537

Local Management
Services
(609) 292-7842

Authority Regulation
(609) 984-0133

Fax
(609) 984-7388

ATTACHMENT 3

BOROUGH OF RIVERDALE

SURPLUS POLICY

The Surplus Policy of the Borough is intended to provide guidance in determining the level of surplus that should be maintained to support municipal operations.

In general, the Borough should not utilize/anticipate more surplus, for the support of municipal operations, than can be reasonably expected to be replenished/regenerated.

Specifically, the Borough will employ the following policies to aid in the maintenance of surplus annually:

1. The Reserve for Uncollected Taxes should be calculated based on a collection percentage at least 1.75 less than the prior year actual collection percentage.
2. A historical analysis of surplus will be maintained to provide data to help determine the factors involved in the annual increase or decrease of the ending balance.
3. The status of grant reimbursements will be monitored throughout the year.
4. Old reserve/liability balances will be reviewed annually for cancellation.
5. Non-recurring revenues should not be used to support on-going operating expenses. The non-recurring revenues should be limited to one-time expenditures or utilized to the extent that replacement revenue will be available.

Based on the policies in place, the Borough's goals are as follows:

1. The surplus utilized should be replenished annually.
2. The surplus utilized should be approximately 8% of the succeeding year's adopted budget.
3. The Borough should maintain a surplus balance as follows:
 - a) The ending surplus balance should be approximately 13% of the succeeding year's adopted budget, but not less than \$900,000.
 - b) The ending surplus balance should be approximately 6.5% of the succeeding year's projected tax levy, but not less than \$900,000.

This policy should be reviewed periodically and revised, if and when it is determined necessary, based on the multitude of factors that contribute to the Borough's financial position.