

V. FINANCIAL POLICY

A. BUDGET

The Library Director will develop and present the annual budget to the Library Board at its annual budget work session in April. This budget will include historical data and future projections. Adoption of the budget lies with the Library Board at the May Board meeting prior to the start of the fiscal year (July – June).

The budget is a working document. Changes in projections, projects or unknown events are cause for variations from budget to actual numbers. As such, during the course of the fiscal year (July-June), budget adjustments will be presented by the Director to the Board, as needed to keep the budget accurate.

Audit

The Eaton Rapids Area District Library will have an annual audit performed by a CPA. The Director will preview the audit and the auditor will present the findings to the Library Board no later than the December Board meeting. The Library Director will initiate a Request for Proposal at least every three years.

B. TAX CAPTURE POLICY

It will be the policy of the Library Board that the Library exempt the Library Millage from capture whenever the ability to “opt out” is authorized by law. This includes, but is not limited to, opting out when any new tax capturing entity is formed or when any existing tax capturing entity’s district is expanded.

The Library Board may determine in a particular instance that permitting the capture of the Library Millage is in the best interest of the Library. If this is the case, the Library may choose to allow the capture to occur.

C. INVESTMENTS

Purpose

It is the policy of the Eaton Rapids Area District Library to invest its funds in accordance with the investment objectives listed below in order to meet the daily cash flow needs of the Library while complying with all State statues governing the investment of public funds.

Scope of Policy

This investment policy applies to all financial assets of the Eaton Rapids Area District Library.

Investment Objectives

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The primary objectives, in priority order, of the Eaton Rapids Area District Library's investment activities shall be:

1. Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall portfolio.
2. Diversification – The investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
3. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
4. Return on Investment – The investment portfolio will be designed with the objective of obtaining a market average rate of return during budgetary and economic cycles while taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives.

Delegation of authority to make investments

Management responsibility for the investment program is hereby delegated to the Board Treasurer who will establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Board Treasurer. The Board Treasurer will be responsible for all transactions undertaken and will establish a system of controls to regulate all activities. The Board Treasurer may delegate any day-to-day functions under this Investment Policy to the Library Director. The Director, after approval of the Library Board, may hire consultants to assist with Library investments.

List of Authorized Investments

The Eaton Rapids Area District Library is limited to the following investments authorized by Act 20 of 1943, as amended:

- a. The Eaton County Investment Pool, an investment pool organized under the Local Government Investment Pool Act, 1985 PA 121, NCK 129.141 et seq.
- b. Bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States.
- c. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution as defined in MLA 129.91(4) provided that the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of the State of Michigan or the United States.
- d. Repurchase agreements consisting of instruments listed in b., above.

Statement of Ethics

The Board Treasurer, Library Director and any other Board members involved in the investment of funds will refrain from personal business activity that could conflict with

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the proper execution and management of District Library investments or that could impair their ability to make impartial investment decisions.

Investment Activity Report

The Board Treasurer and the Library Director will provide monthly reports to the Board concerning the investment of District Library funds. The Director will provide a detailed annual investment report, including account and fund information during the annual budget work session. The Eaton Rapids Area District Library will annually designate its depositories and/or Eaton County Investment Pool for the coming year during the adoption of the budget.

a. FUND BALANCE

This policy is created in consideration of unanticipated events that could adversely affect the financial condition of the Library and jeopardize the continuation of public services. This policy will ensure that the Library maintains adequate fund balances and reserves in order to:

- Provide sufficient cash flow for daily financial needs;
- Offset significant economic downturns or revenue shortfalls;
- Provide funds for unforeseen expenditures related to emergencies; and
- Secure and maintain investment grade bond ratings

Minimum Unassigned Fund Balance

The Board has designated a minimum unassigned fund balance for the Library's General Fund of 15-20 percent of the subsequent year's budget. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. The Library Director will provide a report of the funds balance as part of setting the annual budget, approving budget adjustments, or as requested.

D. CONTRACTING FOR GOODS, SERVICES AND WORKS OF IMPROVEMENT

The Director is authorized to make purchases for all items when the cost per item is under \$15,000. For purchases when the cost per item exceeds \$15,000 and is under \$30,000, the Director is authorized to make purchases after obtaining a minimum of three quotations. The above-noted purchases will be reported to the Board at its next meeting.

Goods, services and works of improvement costing over \$30,000, but no more than

\$50,000, will require three or more quotations to determine price and availability. The Library Board's approval is required, within the confines of the approved budget, for all purchases or contracts in excess of \$30,000.

Contracts for the purchase of goods, services and for works of improvement costing over

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\$50,000 will be advertised for sealed bids once a week for two consecutive weeks in at least one newspaper of general circulation within Eaton County. The award of the contract for such goods, services, and works of improvement shall be approved by the Library Board.

The Eaton Rapids Area District Library reserves the right to accept or reject any or all bids, to waive defects or irregularities in any bid, or to accept or eliminate any portion of any bid.

There may be some items/services for which there is only one supplier, and therefore it may be impossible to have competitive bids. In such cases, the Board may waive the requirement for bids.

Notwithstanding any other provision of this Section, the Board may waive the requirement for bids for the purchase of goods and services or for works of improvement if the Board determines that such action is in the best interest of ERADL under the circumstances of a particular contract.

The Eaton Rapids Area Library complies with Michigan Compiled Laws 15.321 et seq., and respects the rights of its employees in their activities that are private in nature and in no way conflict with or reflect upon the Library. Financial or personal obligations such as part-time employment with outside firms or individuals which affect judgement in carrying out Library business, or that would create the appearance of impropriety, will be avoided.

E. FIXED ASSETS

The Eaton Rapids Area District Library purchases short-term and long-term fixed assets. Fixed Assets include land, land improvements, buildings, building improvements, equipment, furniture, physical collection and fixtures that:

- Have a useful life of more than three years;
- Are acquired for use in the operation of ERADL; and
- Are not intended for resale

The acquisition cost of land, buildings, and equipment will include all reasonable and necessary expenditures to get the item(s) in place and ready for the intended use. This includes, but is not limited to, invoice price, legal fees, installation costs, and freight. All additions will be made in compliance with this Policy, and recorded in the current period and correctly classified.

No item of property or equipment will be removed from Library property without approval of the Director. Furniture and equipment valued at less than \$500 may be offered to ERADL employees for purchase at fair market value, determined by the Library, on a first come, first served basis. Furniture and equipment valued at more than \$500 will be offered to the public. Donations of Library materials not selected for addition to the collection will be given to the Friends of the Library for sale to the general public.

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At the time the property is retired, it will be recorded as required by generally accepted accounting principles. When the disposal is via a trade-in of a similar asset, the acquired asset should be recorded at the book value of the trade-in asset plus any additional cash paid. In no instance should such cost exceed the fair market value for the new asset. Fully depreciated assets remain on the fixed asset list with related accumulated depreciation as long as the property is still in use.

The Library is not responsible or liable for the condition of any surplus furniture or equipment, nor will the Library provide support or maintenance for furniture or equipment purchased by staff or through public auction.

F. PETTY CASH

The Library Board of the Eaton Rapids Area District Library authorizes individual petty cash funds to exist. These funds are to be used for small miscellaneous purposes. The Director will serve as the petty cash custodian.

G. CREDIT CARD USE

The Eaton Rapids Area District Library maintains a corporate credit card account. This card is to be used for the purchase of goods or services for the official business of the Library. The Director is responsible for overseeing credit card issuance, monitoring, retrieval, and compliance with this Policy. The total purchases made through the Library's credit card will not exceed \$30,000 per month.

The balance, including interest, due on an extension of credit under the credit card arrangement will be paid within 60 days of the initial statement date.

H. ACCEPTANCE OF CREDIT CARD PAYMENTS

For the convenience of its patrons, the Eaton Rapids Area District Library provides the option of paying Library bills and fines via credit or debit card.

The Library authorizes the payment of the following fees by a credit or debit card:

- Late fines and fees
- Payment for lost or damaged materials
- Video rentals
- Non-Resident Card fees
- Replacement Card charges
- Printer, copier and fax fees
- Merchandise purchases
- Donations

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The Library accepts American Express, Visa, MasterCard and Discover cards. The Library is subject to compliance with all laws, statutes and reasonable terms and conditions associated with accepting credit cards.

A minimum charge of \$1.00 is required and a service fee equal to that charged by the financial institution will be assessed to all transactions except on donations made to the Library.

Credit card payments may only be made in person at the Library. No credit card transactions will be accepted via online, phone, email or any other forms of electronic communication.

In the event a credit card payment is unable to be processed, the Library will attempt to notify the customer using the contact information provided. The credit card user remains solely responsible for payments due.

When a fine or fee has been paid using a credit card and a refund is necessary, the refund must be credited back to the account that was originally charged. Refunds in excess of the original amount paid or cash refunds are prohibited.

I. NON-SUFFICIENT FUNDS (NSF) CHECK RETURN FEE

The Eaton Rapids Area District Library will charge \$30.00 per check for all returned checks. The \$30.00 fee covers the cost of labor to handle the returned check and the bank fee charged to ERADL for the return.

J. FRAUD PREVENTION

Fraud generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. All fraudulent acts or related misconduct included under this Policy and include, but are not limited to, such activities as:

- Embezzlement, theft, misappropriation or other financial irregularities
- Forgery or alteration of documents (checks, time sheets, contractor agreements, purchase order, other financial documents and electronic files)
- Improprieties in the handling or reporting of financial transactions
- Misappropriation of funds, securities, supplies, inventory, or any other asset belonging to the Library, its employees, or Library visitors (including collection materials, furniture, fixtures and equipment)
- Authorizing or receiving payment for goods not delivered/received or services not performed
- Authorizing or receiving payments for hours not worked

Employees found to have participated in such conduct will be subject to disciplinary action, up to and including termination.

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Any employee or trustee who knows, or has reason to know of, fraud or related misconduct will report that to the Library Director or the Board President. Trustees and employees are expected to use their best efforts to be aware of indications of fraud and related misconduct in their areas of responsibility.

When fraud or related misconduct is reported the Director, he or she will conduct an appropriate investigation and take all necessary action, including reporting such activity to the appropriate authorities.

K. CONTEST PARTICIPATION

To promote Library services and support the Library's mission, the Eaton Rapids Area District Library sponsors contests for its patrons. Contests are open to all ERADL cardholders and interested parties regardless of affiliation with the Library pursuant to the specific rules and regulations of each contest. ERADL strives to administer all contests fairly and impartially, awarding prizes in accordance with the specific rules and regulations of each contest.

L. CODE OF ETHICS – BOARD

Matters before the Board

A trustee will not receive or enter into any agreement, expressed or implied, for compensation for services to be rendered in relation to any matter before the Library Board.

Gifts

No trustee will directly or indirectly solicit, accept, or receive any money or gift, whether in the form of cash, check, loan, credit, service, travel, entertainment,

hospitality, or any other form, under circumstances in which it could reasonably be inferred that the money or gift was intended to influence him or her in the performance of his or her official duties, or was intended as a reward for any official action on his or her part.

Investments in Conflict with Official Duties

No trustee of the Library will invest or hold any investment directly or indirectly in any financial, business, commercial or other private transaction that creates a conflict with his or her official duties.

Private Employment

No trustee of the Library will engage in, solicit, negotiate for or promise to accept private employment or render services for private interests when such employment or service creates a conflict with, or impairs the proper discharge of his or her official duties.

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M. ACCEPTANCE OF NON-BOOK GIFTS

The Eaton Rapids Area District Library may accept non-book gifts (e.g., plants, art, musical instruments, aquariums, office equipment, etc.), if the cost of supporting the ongoing maintenance is part of the gift. If maintenance is not part of the original gift, the gift will be accepted only if the funding for the maintenance is within the budget of the Library. All technological donations must be coordinated in advance of the actual purchase with the Library Director. No gifts are accepted with restrictions. All gifts may be utilized, sold or disposed of in the best interest of the Library.