



Financial and Purchasing Policies – Table of Contents

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I. FINANCIAL POLICY

A. LIBRARY BOARD OF TRUSTEES' RESPONSIBILITY

1. Carry out its authority and responsibilities for the levy of the voter approved millage under the District Library Establishment Act 24 of 1989 section 397.183
2. The Library Board of Trustees (Board) will hold an annual public hearing to approve the budget for the Romeo District Library (Library) and any necessary budget amendments.
3. An annual audit of the Library's finances will be conducted by an independent auditor approved by the Board.

B. FINANCIAL MANAGEMENT

1. The Romeo District Library fiscal year will be the first day of July to the last day of June.
2. Reports reflecting the financial condition of the Library will be presented to the Board monthly.
3. The Board is the ultimate spending authority for the Library. To more efficiently conduct Library business, the Director has the authority to authorize appropriate staff with internal controls consistent with the Purchasing Policy to effectuate purchasing decisions.
- Bill Paying Policy - It is the policy of the Library to pay bills in a timely manner. The Library's fiduciary responsibility is to maintain the good name of the Library as a creditor that is dependable and timely in paying its bills. Procedures for governing the payment of bills is set forth in the Bill Paying procedure document.

C. BUDGET

1. An annual operating budget for the Romeo District Library will be prepared by the Director and presented at a public hearing before going to the Board for approval. The budget will reflect the cost of carrying out the programs and services of the Library for the next fiscal year. This budget will also reflect the anticipated revenues of the Library and any planned Capital Outlays.
2. The budget will be viewed by the Board as its financial plan for the Library, and approval of the budget by the Board will be authority for the Director to manage the Library's finances according to the plan, the Financial Policy and the Purchasing Policy.
3. The Director will keep the Board well informed of the ongoing status of the financial plan, and will not make expenditures outside of the budget plan without seeking Board approval to amend the budget. Amendments to the budget will be presented to the Board for approval if significant unanticipated revenues or costs have been incurred.

D. FUND BALANCE

1. The Romeo District Library will record Fund Balance and Activity in accordance with Governmental Accounting Standards Board (GASB) Statement 54.
2. The Library has one fund, the General Fund, and will maintain adequate fund balances in order to:
 - Provide sufficient cash flow for daily needs
 - Offset significant downturns or revenue short falls
 - Provide funds for expenditures related to emergencies or other reasons
3. The Board may authorize creation of additional Fund Types
4. The following categories will be used to report governmental fund balances in accordance with the definitions provided by GASB Statement No. 54:
 - **Non-spendable Fund Balance** – amounts cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact such as prepaid items. Classification of non-spendable amounts will be determined before all other classifications.
 - **Restricted Fund Balance** – amounts that can be spent only for the purposes stipulated by the constitution, external resource providers, or through enabling legislation.
 - **Committed Fund Balance** – amounts that can be used only for the specific purposes determined by a formal action of the Board. Authority to Commit: a majority vote is required to approve a commitment and a two-thirds vote is required to remove a commitment.
 - **Assigned Fund Balance** – amounts intended to be used by the Library for specific purposes, but do not meet the criteria to be classified as restricted or committed. Authority to Assign: The Board delegates to the Director the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance.
 - **Unassigned Fund Balance** – is the residual classification for the Library’s General Fund includes all spendable amounts not included in the other classifications.
5. Annually, the Board assigns fifty percent of property tax revenues in the current fiscal year to pay for expenditures incurred in the next fiscal year since taxes are annually levied in December.
6. The Board designates a minimum Unassigned Fund Balance of 20% of prior year’s budgeted expenditures. This minimum balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. The Director and Board may at their discretion, determine a need to retain additional Unassigned Fund Balance in anticipation of future needs such as planned capital asset purchases, potential revenue reductions, etc.

E. INVESTMENTS

1. It is the policy of the Romeo District Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Library and comply with all state statutes governing the investments of the public funds.
2. The investment policy applies to all the financial assets of the Library. These assets are accounted for in the various funds of the Library and include any new funds established by the Library.
3. The primary objectives, in priority order, of the Library's investment activities shall be:
 - a. Safety—Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of Capital in the overall portfolio.
 - b. Diversification—The investment will be diversified either by security type or institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - c. Liquidity—The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
 - d. Return on Investment—The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.
4. Delegation of Authority to Make Investments:
 - a. Authority to manage the investment program is delegated to the Treasurer, who with the Finance Committee (if established) and the approval of the Board shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy.
 - b. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer may delegate any day to day functions under this investment policy to the Director as his or hers designee.
 - c. List of authorized investments—if mutual funds are authorized, a statement indicating whether the authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share or also include securities whose net asset value per share may fluctuate on a periodic basis.
 - d. The Library is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following: US Treasury Bills, US Treasury Notes, US Treasury Bonds, US Treasury Strips, PRINS or STRIPS Ps, CUBES, US Government Agency Obligations, Certificate of Deposits, Savings Deposit Receipts, Savings Accounts, Commercial Paper, Repurchase Agreement, Bankers' Acceptance and Investment Pools (Organized under the authority of the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7 (MCL 124.501 to 124.512), the surplus funds investment pool act,

1982 PA 367 (129.111 to 129.118) and the local government investment pool act, 1985 PA 121, (MCL 129.141 to 129.150).

- e. Safekeeping and custody of all security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Library shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts as determined by the Treasurer.
- f. Prudence-investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence, exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

F. FRAUD/RISK MANAGEMENT

- 1. 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.
- 2. The Director may not risk financial losses to the Romeo District Library beyond those that may occur in the normal course of business. The Director working with the finance manager will take steps to:
 - a. Prevent embezzlement, theft, misappropriations or other financial irregularities
 - b. Prevent forgery or alteration of documents (checks, time sheets, contractor agreements, purchase orders, other financial documents and electronic files).
 - c. Prevent improprieties in the handling or reporting of financial transactions and any misappropriation of funds or other assets belonging to the Library.
 - d. Insure against casualty losses to full replacement value and against liability losses (to Board members, the Library or to Library funds),
 - e. Provide that facilities and equipment are properly maintained,
 - f. Limit exposure of the Library, the Board and the staff to claims of liability,
 - g. Provide there is a backup of all computer and other financial records necessary for uninterrupted operation of the Library.
- 3. When fraud or related misconduct is reported, an appropriate investigations will be conducted by the Director and all necessary action will be taken including reporting to the Board and appropriate authorities.

G. RECORD RETENTION POLICY

In order to meet administrative, legal, fiscal and archival requirements of the State of Michigan, the Romeo District Library will manage its records in accordance with the General Schedule # 17 developed for Michigan Public Libraries.

II. PURCHASING POLICY

A. DEFINITIONS AND OVERVIEW

1. Contracting for goods and services: goods and services are defined to include supplies, operating services, maintenance agreements, insurance policies, professional services, and leases for equipment and facilities. Capital outlays are defined to include improvements to the library buildings and site, and durable goods such as technology, furniture and fixtures, and equipment needed to support operations. Library Materials purchases (i.e. books, DVD's, downloadable music, newspapers and databases) are also capital outlays and follow the Capital Asset policies as outlined below.
2. The Director will oversee all purchasing activities of the Romeo District Library but may, at their discretion, delegate purchasing responsibilities to appropriate staff. The Library Director is also responsible for overseeing compliance with the Purchasing Procedures. The Finance Manager, under the direction of the Director, will maintain appropriate purchasing internal controls.
3. Purchase decisions will be made in compliance with the Library's Code of Ethics and Conflict of Interest policy. Any decisions that may be in question must be approved by the Director. In the event of an actual or potential conflict of interest, Board members are required to recuse themselves from any discussion or vote involving the recurring service or contracted labor in question.
4. The Library is to use taxpayer provided funds for Library purposes only, such funds may not be distributed to any other charitable purpose or governmental entity.
5. Disposal of assets will be determined by the Director/Finance Manager.

B. PURCHASING DECISIONS AND PROCEDURES

1. The following factors will be taken into consideration when making purchases for the Romeo District Library, with greater weight given to the first three factors:
 - a. Price
 - b. Quality and serviceability
 - c. Vendor reputation and prior experience with vendor
 - d. Availability of quantity discounts
 - e. Romeo, Bruce or Washington Townships vendors
 - f. Recycled product
2. All purchases of goods, services and capital outlays needed by the Library should be made using sound purchasing practices to ensure timely receipt of goods, appropriate quality, and the lowest reasonable cost. The Library is not required to purchase the lowest price product or service.
3. Request to purchase:
 - a. A Purchase/Check Request will be prepared containing all the necessary details and must be approved by the manager and/or the Director prior to purchase. See below for exceptions and for levels of approval.
 - b. A Purchase/Check Request is not required for certain reoccurring operating expenses including utilities, postage, payroll, benefits and insurance. Proper records will be maintained for all expenditures made for any of the above purposes.

- c. We understand the last minute need for supplies for library programs or operations. In order to facilitate these exceptions it is allowable to purchase necessary goods; however, proper paperwork must still be filed.
- 4. When an emergency situation exists which is a threat to the health and/or safety of the public or staff, repairs/maintenance which are immediately needed may be ordered by the Director. The day following such unbudgeted repairs, the Director will notify the Board president or treasurer of the repairs and expenses incurred. The matter would then be placed on the agenda of the next regular Board meeting to inform board members of the circumstances, at which time the Board will approve the payment(s).

C. APPROVALS AND PRICE COMPARISONS NEEDED FOR PURCHASING

- 1. The Board establishes the following approval limits and price comparison requirements in order to delegate to the Director and the appropriate staff the responsibility and authority to operate the library in an efficient manner on a day to day basis. Purchase limits noted below refer to both single purchases and collectively purchased items. Purchases may not be “split” into smaller purchases as a means of circumventing the approval limits or price comparison requirements.

Level of Purchase Annual Cost	Approval Needed	Price Comparison
Up to \$999	Department Head or Director	Simple price comparison.
\$1,000 - \$7,499	Director, reviewed every two years	A written summary of competitive quotes from a minimum of two vendors.
\$7,500 - \$19,999	Board, reviewed every two or three years as deemed appropriate.	Written competitive quotes or bids from a minimum of three vendors. The Director will present the purchase request at a Board Meeting.
\$20,000 and above	Board, reviewed every two or three years as deemed appropriate.	Request for Proposals or Sealed Competitive Bidding opened in public. Board can request attorney review.

- 2. Annual purchasing for all categories are restricted by the annual budget unless a Budget Amendment is approved prior to purchase. All special projects as deemed necessary by the Director to improve or enhance library operations outside the annual budget will be presented to the Board for special consideration.
- 3. If less than three competitive quotes are obtained, the Director will document the efforts made to secure competitive quotes.
- 4. Competitive quotes are not required for Library Materials that are single source. A single source item is one that is not available from another vendor.

5. All purchases made under a cooperative program with another governmental entity, including, but not limited to, the Village of Romeo, another public library, SLC library cooperative, Washington Township, Bruce Township or the State of Michigan, in which prices have been previously determined by competitive bidding, are exempt from.
6. At the Board's discretion, certain professional services such as, but not limited to: Engineer, Computer consultant, Planner, Attorney, Accounting Service, and Auditor, may be exempt from this bidding process.

D. COMPETITIVE BIDDING PROCEDURES - SEALED

1. The invitation for bids must include a standardized specification sheet, information as to where the bids must be filed, and when and where the bids will be opened. The invitation will indicate that each bidder must provide appropriate proof of insurance at the time of bidding. Bids must also include references. Bidders will be instructed to submit sealed bids, which are clearly labeled as bids on the outside of the envelope.
2. Invitations for bids will be published either through a governmental bid website, the library website, suitable trade publications, or in a local newspaper. It is the Library's responsibility to publish invitations in the most beneficial and cost effective manner.
3. All bids received will be time-stamped and remain unopened until the date and hour of the bid opening. Bids are to be opened publicly at the time, date, and place specified in the invitation for bids. Bids are to be recorded and made available for public inspection.
4. After final approval of the Board, all bidders will be notified of the decision. A Purchase/Check Request will be signed by the Director with the date of Board approval documented on the Purchase/Check Request.
5. The Board, at its discretion, may waive the requirement for competitive bidding. The Library will not be obligated to purchase from the lowest bidder. The Library reserves the right to accept or reject any or all bids or any portion of all bids.

E. CAPITAL ASSETS

1. Capital assets are defined by the Romeo District Library as assets (i.e. furniture, equipment, technology, building improvements) with an initial individual cost of more than \$1,000 (or collectively over \$1,000.00) with an estimated useful life in excess of three years may be recorded as a capital outlay.
2. Annual purchases of Library Materials are significant and have a shelf life of more than three years so they are treated as capitalized asset. Donated capital assets are recorded at estimated fair market value at the date of donation.
3. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value or materially extend asset lives are not capitalized.

4. Capital assets of the Library are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Furniture and office equipment	5 to 10 years
Computer equipment	3 years
Machinery and equipment	15-20 years
Library collection	5 years

F. CREDIT CARD POLICY

1. It is the policy of the Romeo District Library to permit the use of Credit Cards for Library business; Library business shall be defined as the purchase of goods and services for the official business of the Library.
2. All transactions using Library credit cards will be in full compliance with State and Federal Laws. Procedures governing the use of the Library credit cards are set forth on the Credit Card Procedure document.
3. The credit card may be used only by Director approved staff for the purchase of goods or services for the official business of the Romeo District Library. The employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase, and the official business and approved by their Manager or the Director.
4. Such purchases will conform to the Board approved Purchasing Guidelines in terms of obtaining proper authorization before placing an order, obtaining competitive quotes or competitive bids and proper reporting of purchasing activities to the Board and in alignment with the budget.
5. The maximum credit card total limit for all included employees is \$15,000.

G. TRAVEL AND EXPENSE POLICY

1. Travel, dining, accommodation or similar expenses for Romeo District Library employees will always be approved by the next highest level of authority.
2. Director expenses will be approved by the Board Treasurer. Board member expenses will be approved by the full Board.
3. Per Diem rates for food and mileage should follow current IRS annual rates.