

## Administrative Policies

### AD1 Memberships

#### AD1.1 Affiliate memberships

##### 1.1.1 General

Other libraries in the area may become affiliated with Lakeland Library Cooperative. Such affiliates may attend meetings, but will not be given voting privileges. Affiliates may be public libraries not meeting the membership requirements or such libraries as academic, special, or school libraries.

##### 1.1.2 Services Available

Group discounts negotiated by the Cooperative will be made available to affiliate members. Purchase orders and invoices will be handled by the affiliate member. Discounts may change periodically, and the Cooperative will notify affiliates of changes as they occur. Additional services may be made available on a fee basis with a written contract.

##### 1.1.3 Eligibility

Any library located in the service area of any Lakeland Library Cooperative member library is eligible for membership. Application should be made in writing to the Cooperative Director.

##### 1.1.4 Annual Fee

An annual membership fee will be established annually by the Cooperative Board in conjunction with the budget process. Libraries may join at any time upon payment of the first annual fee. Subsequent annual fees will be due October 30<sup>th</sup> of each year. Prorated membership will be available for libraries which join after May 1<sup>st</sup>.

#### AD1.2 New members

Libraries joining Lakeland Library Cooperative may initially receive limited services based on financial feasibility. The services to be provided shall be based on the recommendation of the Director and the approval of the Board.

## AD2 Purchasing Policies

### AD2.1 General

The Director shall purchase or contract for supplies and services to the best advantage of the Cooperative, procuring the highest quality in supplies and contractual services at the least expense to the Cooperative.

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## AD2.2 Contracts and Agreements

The Director shall determine which purchases of materials, supplies, equipment and contractual services shall be by contract. All other purchases may be by purchase order. All contracts and agreements valued over \$10,000 shall be submitted to the Board for approval. Such contracts shall be signed by the Director and President of the Board, subject to approval as to form by a designated attorney.

## AD2.3 Credit Cards

### 2.3.1 General

The Cooperative will maintain corporate credit cards with reasonable credit limits for the purchase of goods and/or services for the official business of the Cooperative. The cards shall be for use by the Director and such other staff as the Director shall designate. The balance including interest due on an extension of credit under the credit card arrangement shall be paid for within not more than 60 days of the initial statement date.

### 2.3.2 Responsibility

Credit card users shall be responsible for the protection and custody of their respective cards and shall immediately notify the credit card company and the Cooperative's Business Office if a credit card is lost or stolen. Misuse of corporate credit cards will be subject to disciplinary action. Credit card users shall return the credit card upon termination of his or her employment with Lakeland Library Cooperative.

### 2.3.3 Compliance

The Cooperative's Business Office shall be responsible for accounting, monitoring, and overseeing compliance with this policy.

## AD2.4 Bids

### 2.4.1 Cost Under \$1,000

The Director (or designee) is authorized to make purchases for all individual items where the cost per item is under \$1,000.

### 2.4.2 Cost \$1,000 to Under \$5,000

For purchases where the cost per individual item is at least \$1,000 but under \$5,000, the Director is authorized to make purchases after obtaining pricing from a minimum of two sources, when available.

### 2.4.3 Cost \$5,000 to Under \$15,000

For purchases where the cost per individual item is at least \$5,000 but under \$15,000, the Director shall solicit competitive bids and submit the same with a recommendation to the Board. If deemed necessary by the Director or the Board, notice of requests for bids shall be posted and published in appropriate newspapers or publications not less than ten days before the date for receiving bids.

### 2.4.4 Cost \$15,000 or More

For purchases where the cost per individual item is \$15,000 or more, the Cooperative Board shall approve the advertisement for bids and shall specify the method of

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publication. The Director shall solicit such bids and submit the same with a recommendation to the Board.

2.4.5 Periodic Quotations

Prices for some supplies (i.e.: paper, ribbons, plastic cards, etc.) and peripheral equipment (i.e.: laser scanners, etc.) may be quoted on a periodic basis rather than prior to each order.

2.4.6 Award of Bids

Contracts and purchases shall be awarded to the lowest responsible bidder, unless authorized to the contrary by the Board. In the event of identical bids, the order shall be awarded to the bidder in the area served by the Lakeland Library Cooperative, if any. If there are no local bidders or if local bidders submit identical bids, the contract or purchase shall be awarded to one of the tie bidders by drawing lots in public.

2.4.7 Rejection of Bids

The Board reserves the right to reject any or all bids for any reason.

2.4.8 Professional Services

No bids shall be required for professional services, but proposals for such will be solicited on a periodic basis.

2.4.9 Waiver of Requirements

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

## AD2.5 Emergency Purchases

In the case of purchases, contracts, or agreements valued up to \$25,000, deemed by the Cooperative Director to be of an emergency nature, and normally requiring Board approval, the Board shall be polled (telephone, email, etc.) prior to action being taken, with formal Board approval at the next regular or special Board meeting.

## AD3 Inventory Policies

### AD3.1 Fixed Assets

Any asset with a value of \$500 or more shall be entered into inventory records, including any applicable identifying information. Assets shall be labeled with an identifying number, and assigned a useful life for depreciation purposes. Inventory shall be checked on a yearly basis to establish changes to inventory information.

### AD3.2 Surplus Items

Upon determination by the Director that stocks of supplies, materials, or equipment is no longer used or has become obsolete or worn out, the Director shall have the authority to dispose of, sell, or trade items with individual depreciated value of less than \$500 without approval of the Board.

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## AD4 Banking Policies

### AD4.1 Designation of Financial Repositories and Authorized Signatures

The Cooperative Board shall designate (at their Annual Meeting, or as otherwise necessary) which financial institutions are authorized to hold the Cooperative's funds and shall also designate those persons authorized to sign checks and approve ACH transactions; transfer funds from one Lakeland account to another; and initiate authorized ACH transactions.

### AD4.2 Limitation of Deposits

All Cooperative funds deposited in a financial institution must be insured by FDIC, by repurchase agreements for government securities, or in some other manner approved by the Finance Committee and the Board.

### AD4.3 Investment Policy

#### 4.3.1 Statement of Purpose

It is the policy of the Lakeland Library Cooperative 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 Cooperative and to comply with all state statutes governing the investment of public funds.

#### 4.3.2 Scope of Policy

This investment policy applies to all financial assets of the Lakeland Library Cooperative. These assets are accounted for in the various funds of the Cooperative and include the general fund, special revenue funds, debt service funds, capital project funds, enterprise funds, internal service funds, trust and agency funds and any new fund established by the Cooperative.

#### 4.3.3 Investment Objectives

The primary objectives, in priority order, of the Lakeland Library Cooperative'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 insure the preservation of 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 shall be designed with the objective of obtaining a market average rate of return throughout the budgetary and economic cycles,

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taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

#### 4.3.4 Delegation of Authority

Authority to manage the investment program is derived from state law, Michigan Public Act 89 of 1977, Michigan Compiled Laws 397.558 (2). Management responsibility for the investment program is hereby delegated to the Board Treasurer and the Director who shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery versus payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. 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 and Director. The Board Treasurer and Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

#### 4.3.5 List of Authorized Investments

The Lakeland Library Cooperative is limited to investments authorized by Act 20 of 1943, as amended (including Public Act 196 of 1997, MCL 129.91 *et. seq.*), and may invest in the following:

1. Bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States. (This includes U.S. Treasury Bills, U.S. Treasury Notes, and U.S. Treasury Bonds.)
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if 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.
3. Commercial Paper rated at the time of purchase within the highest classification established by not less than two standard rating services.
4. Repurchase agreements consisting of instruments listed in 1 above.

#### 4.3.6 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Cooperative shall be on a cash basis. Securities may be held by a third party custodian designated by the Board Treasurer and Director and evidenced by safekeeping receipts as determined by the Board Treasurer and Director.

#### 4.3.7 Standard of 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.

#### 4.3.8 Statement of Ethics

The Director, Board Treasurer, and any other Board members and staff involved in the investment of funds shall refrain from personal business activity that could conflict with the proper execution and management of Lakeland Library Cooperative investments or that could impair their ability to make impartial investment decisions.

#### 4.3.9 Investment Activity Report

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The Director shall provide monthly reports and an annual report to the Board concerning the investment of Cooperative funds.

#### **AD4.4 Universal Services Fund Policy**

##### 4.4.1 Definition

Universal Services Funds (USF) are funds received from the Schools and Library Division of the Universal Services Administration Company. The funds are reimbursement for part of the costs for the Lakeland managed data circuits (See Administration Policy AD8.)

##### 4.4.2 Disbursement of Funds

Member libraries may request that the Lakeland Library Cooperative invest their USF funds and manage the related bank accounts or to have the funds passed through to them immediately upon receipt of funds from USF by the Lakeland Library Cooperative.

##### 4.4.3 Payment of Invested Funds

Requests for USF funds invested by the Lakeland Library Cooperative must be made ninety (90) days in advance and will be paid quarterly.

##### 4.4.4 Banking Policies

All AD4 Banking Policies for Cooperative funds will apply to USF.

##### 4.4.5 Payments Received from USF

Funds received by USF will be applied to member accounts per the USF discount matrix based on the number of children in the hot lunch program in the school district where the library is located.

##### 4.4.6 Interest

Interest will be applied to member accounts per their share of funds in the account at the time the interest is levied.

##### 4.4.7 Billing Payment

Funds may be requested to be applied to member invoices for quarterly and service payments and for pass through purchases.

### **AD5 Accounts Receivable Policies**

#### **AD5.1 Payment by Member Libraries**

##### 5.1.1 Invoice Terms

All invoices are due 30 days from invoice date. A member library shall notify the Director immediately if payment will not be made by the due date.

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**5.1.2 Invoice Disputes**

A member library which disagrees with an invoice or an item on it shall contact the Director immediately. The Director will determine if an error has been made on the invoice or if the library's concern is otherwise legitimate. If the library disagrees with that determination, the matter may be taken to the Board for mediation. The Board's decision is final.

**5.1.3 Unpaid Invoices**

When an invoice is two months overdue, an interest charge of 1% of the total due on the invoice will be charged for each month it is overdue. If the invoice is a "Member Pass Through" charge, all future orders for "Member Pass Through" items will not be honored until the invoice is paid. If the invoice and corresponding interest charges are five months overdue, services related to the charge may be discontinued or otherwise adjusted to acknowledge non-receipt of the payment. Such invoices will be brought to the Board's attention by the Director with a recommendation of appropriate action which shall be related to the unpaid invoice and the service on which it was based.

**5.1.4 Waiver of Penalty**

A library which is unable to pay an invoice for legitimate reasons may bring these to the Director's attention. The Director may decide not to add the interest charges or to recommend adjusting services. Libraries which have appealed a charge to the Board (under 5.1.2) will not be penalized pending the results of the Board's decision. If the Board finds the charge to be legitimate, the library will pay the original invoice and all accrued interest.

**AD5.2 Returned Checks**

The Cooperative may charge the Maker of any check deposited and subsequently returned by Lakeland's bank unpaid a fee of \$20.00 in addition to any banking charges. Lakeland will invoice the Maker for any fee and any additional banking charges. This invoice shall be due and payable upon receipt.

**AD6 External and Internal Financial Controls****AD6.1 Approval and Oversight Functions**

The Board handles or delegates these functions to ensure public funds are being managed according to rules, regulations, and Board actions.

**6.1.1 Finance Committee**

The Cooperative shall have a Finance Committee as defined in the Cooperative bylaws. The Board Treasurer shall be the Chair of this committee.

**6.1.2 Financial Reports**

Review of financial reports shall take place at each regular Board meeting. Board members shall have an opportunity to comment on the reports.

**6.1.3 Annual Review of Policies**

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Annual review and revision of financial and investment policies shall be a regular activity of the Finance Committee.

6.1.4 Audits

The Finance Committee shall have the responsibility and authority to conduct internal audits at their discretion. An annual audit shall be conducted by an independent firm chosen by the Board.

6.1.5 Purchases

The Director (or designee) is authorized to make all purchases. Prior approval of the Board is required for the purchase of individual items where the cost per item is \$5,000 or more unless pre-approved by the Board as part of the regular budget process.

6.1.6 Compliance

The Finance Committee shall be responsible for verifying compliance with all investment and financial policies.

## AD6.2 Internal Controls and Accounting Functions

6.2.1 General

The Director is responsible for handling all cash and assets of the Cooperative and shall comply with applicable policies and Board actions. The Director shall be responsible for adopting adequate procedures to ensure the proper authorization of transactions; the appropriate segregation of duties; the proper recording of transactions and events; and adequate safeguards regarding access to and use of assets and records.

6.2.2 Cash Receipts

All receipts shall be handled in a timely manner. Under normal circumstances, deposits shall be made at least weekly.

6.2.3 Deposits

The Director (or designee) shall make all deposits and create a record of all such transactions.

6.2.4 Purchases

The Director (or designee) shall purchase all goods and services. All receipts and proofs of purchase shall be attached to the invoice.

6.2.5 Receipt of Goods

The Director (or designee) shall have the responsibility to receive and inspect goods and services prior to authorizing payment of invoices.

6.2.6 Approval of Vouchers and Invoices

The Director (or designee) shall approve all vouchers and invoices. All vouchers and invoices shall be appropriately documented.

6.2.7 Authorization of Payments

Prior to making any payments, a list of proposed payments shall be printed and approved. Two signatures shall be required on all such lists, one of which may be that of an authorized Cooperative employee or an officer of the Board; the other shall be an officer of the Board. At the discretion of the Director, two authorized signatures may be used to authorize payments of less than \$100.

6.2.8 Disbursements by Check

Two signatures shall be required on all checks issued by the Cooperative, one of which shall be that of an authorized Cooperative employee or an officer of the Board; the other

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shall be an officer of the Board. At the discretion of the Director, two authorized staff signatures may be used on checks of less than \$100. Documentation of all expenditures, such as an invoice or voucher, shall be available to check signers for all disbursements.

6.2.9 Disbursements by ACH

When determined to be in the Cooperative's best interest, disbursements may be made via ACH transactions. All such transactions shall fully comply with applicable Board Policies. No automatic ACH payments shall be allowed. Two signatures shall be required before processing ACH payments, one of which may be that of an authorized Cooperative employee or an officer of the Board; the other shall be an officer of the Board. At the discretion of the Director, two authorized signatures may be used to authorize ACH payments of less than \$100. Documentation of all expenditures shall be available to signers for all disbursements.

6.2.10 Recording of Transactions

The Director (or designee) shall be responsible for recording all transactions. These transactions are subject to review at any time by the Finance Committee and the Board.

6.2.11 Mailing Checks

The Director (or designee) shall be responsible for mailing all signed checks in a timely manner.

6.2.12 Automated Financial System

The Director (or designee) shall be responsible for the operation of the automated financial system, ensuring that only authorized persons shall have access to the financial files.

6.2.13 Security

Arrangements shall be made to ensure against physical damage to financial data.

### AD6.3 Fund Balance

6.3.1 Purpose and Scope

The purpose of this policy is to establish a framework for the unreserved fund balance, both designated and undesignated, in the general fund. This policy is to improve the Lakeland Library Cooperative's financial stability by maintaining appropriate reserves to withstand economic downturns, state aid reductions, emergencies, natural disasters, short-term capital improvements and operating cash flow needs.

6.3.2 Fund Balance Categories

- Reserved fund balance
- Unreserved, designated fund balance
- Unreserved, undesignated fund balance

6.3.3 Fund Balance Definitions

- **RESERVED FUND BALANCE**- The portion of fund balance that is legally segregated for a specific purpose and is not available for general expenditures.
- **UNRESERVED FUND BALANCE**- The portion of fund balance that is set aside by the Cooperative Board, which reflects tentative management plans for future use of

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the resources and is designated funds.

- Capital Replacement - This fund purchases items that are of interest to member libraries and is used rather than dividing the costs to each member library. It could be used to partially pay for the cost of a new ILS system.
  - Building Improvements - This fund is for major repairs, improvements, or renovations to the Cooperative headquarters building and grounds.
  - Network Upgrades - This fund is to purchase or upgrade hardware and/or software for the wide area network.
  - Retirement Benefits - This fund is for anticipated liability for staff retirement accounts.
  - Employee Sick Leave - This fund is for current liability for accrued employee sick leave.
  - Budget Stability – The portion of fund balance that represents available resources to finance expenditures that are not reserved or designated and can be appropriated to expenditures in the current fiscal year budget.
- Unreserved, Undesignated Fund Balance:
    - Undesignated Budget Stability- This fund offers budget stability and covers costs if state aid or other revenue payments are not received on time or are reduced unexpectedly. This fund would be reimbursed when the late payment is received.

#### 6.3.4 Policy Guidelines

1. An unreserved undesignated fund balance of not less than \$250,000 as of September 30 annually will be maintained in the Unreserved Undesignated Fund Balance account.
2. The guidelines and annual allocations will be reviewed by the Finance Committee annually and approved by the Cooperative Board following the audit.
3. The use of Fund Balance accounts will be determined and approved by Cooperative Board action.

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