

Administrative Policies

(Adopted by the Board 11/11/99)

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 Lakeland Library 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 Lakeland Library Cooperative will make changes on the Lakeland Library Cooperative webpage 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 Lakeland Library Cooperative Director.

1.1.4 Annual Fee

An annual membership fee will be established annually by the Lakeland Library 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 30th of each year. Prorated membership will be available for libraries which join after May 1st.

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 Lakeland Library Cooperative Director and the approval of the Lakeland Library Cooperative Board.

AD2 Purchasing Policies

AD2.1 General

The Lakeland Library Cooperative Director shall purchase or contract for supplies and services to the best advantage of the Lakeland Library Cooperative, procuring the highest quality in supplies and contractual services in the best interest of the Lakeland Library Cooperative.

AD2.2 Contracts and Agreements

The Lakeland Library Cooperative 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 Lakeland Library Cooperative Board for approval. Such contracts shall be signed by the Lakeland Library Cooperative Director and/or President of the Lakeland Library Cooperative Board, and may be subject to review as to form by a designated attorney.

AD2.3 Credit Cards

2.3.1 General

The Lakeland Library Cooperative will maintain corporate credit cards with reasonable credit limits for the purchase of goods and/or services for the official business of the Lakeland Library Cooperative. The cards shall be for use by the Lakeland Library Cooperative Director and such other staff as the Lakeland Library Cooperative 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 sixty (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 Lakeland Library Cooperative Director (or designee) 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 Lakeland Library Cooperative Director shall be responsible for accounting, monitoring, and overseeing compliance with this policy.

AD2.4 Bids

2.4.1 Cost Under \$5,000

The Lakeland Library Cooperative Director (or designee) is authorized to make purchases for all individual items where the cost per item is under \$5,000.

2.4.2 Cost \$5,000 to Under \$10,000

For purchases where the cost per individual item is at least \$5,000 but under \$10,000 the Lakeland Library Cooperative Director is authorized to make purchases after obtaining pricing from a minimum of two sources, when available.

2.4.3 Cost \$10,000 to Under \$20,000

For purchases where the cost per individual item is at least \$10,000 but under \$20,000, the Lakeland Library Cooperative Director shall solicit competitive bids and submit the same with a recommendation to the Lakeland Library Cooperative Board. If deemed necessary by the Lakeland Library Cooperative Director or the Lakeland Library Cooperative Board, notice of requests for bids may be posted and published in appropriate newspapers or publications and will be published on the Lakeland Library Cooperative website not less than ten days before the date for receiving bids.

2.4.4 Cost \$20,000 or More

For purchases where the cost per individual item is \$20,000 or more, the Lakeland Library Cooperative Board shall approve the advertisement for bids and shall specify the method of publication. The Lakeland Library Cooperative Director shall solicit such bids or use bids developed by other public organizations and submit the same with a recommendation to the Lakeland Library Cooperative Board.

2.4.5 Award of Bids

Contracts and purchases shall be awarded to the lowest responsible bidder, unless authorized to the contrary by the Lakeland Library Cooperative 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.

2.4.6 Rejection of Bids

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

2.4.7 Professional Services

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

2.4.8 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 Lakeland Library Cooperative Board.

AD2.5 Emergency Purchases

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

AD3 Inventory Policies

AD3.1 Fixed Assets

Any asset with a value of \$5,000 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 Lakeland Library Cooperative Director that stocks of supplies, materials, or equipment is no longer used or has become obsolete or worn out, the Lakeland Library Cooperative Director shall have the authority to dispose of, sell, or trade items with individual depreciated value of less than \$2,000 without approval of the Lakeland Library Cooperative Board. Whenever possible, property which is no longer useful to Lakeland Library

Cooperative should be sold to a willing buyer via a silent auction. Lakeland Library Cooperative member libraries may submit bids and only bids from such member libraries will be considered. In the event that a bid is not submitted and or received from a member library, bids may be submitted by Lakeland Library Cooperative staff and staff of member libraries.

AD4 Banking Policies

AD4.1 Designation of Financial Repositories and Authorized Signatures

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

AD4.2 Limitation of Deposits

All Lakeland Library 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 Lakeland Library Cooperative Finance Committee and the Lakeland Library Cooperative 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 Lakeland Library 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 Lakeland Library 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 Lakeland Library 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, 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 Lakeland Library Cooperative Board Treasurer and the Lakeland Library Cooperative 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 Lakeland Library Cooperative Board Treasurer and Lakeland Library Cooperative Director. The Lakeland Library Cooperative Board Treasurer and Lakeland Library Cooperative 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 Lakeland Library Cooperative shall be on a cash basis. Securities may be held by a third party custodian designated by the Lakeland Library Cooperative Board Treasurer and Lakeland Library Cooperative Director and evidenced by safekeeping receipts as determined by the Lakeland Library Cooperative Board Treasurer and Lakeland Library Cooperative 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 Lakeland Library Cooperative Director, Lakeland Library Cooperative Board Treasurer, and any other Lakeland Library Cooperative 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

The Lakeland Library Cooperative Director shall provide monthly reports and an annual report to the Lakeland Library Cooperative Board concerning the investment of Lakeland Library 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 Library Cooperative's managed telecommunications services. (See Administration Policy AD8.)

4.4.2 Banking Policies

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

AD5 Accounts Receivable Policies

AD5.1 Payment by Member Libraries

5.1.1 Invoice Terms

All invoice payments are due at the Lakeland Library Cooperative thirty (30) days from invoice date. A member library shall notify the Lakeland Library Cooperative Director immediately if payment will not be made by the due date.

5.1.2 Invoice Disputes

A member library which disagrees with an invoice or an item on it shall contact the Lakeland Library Cooperative Director immediately. The Lakeland Library Cooperative 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 Lakeland Library Cooperative Board for mediation. The Lakeland Library Cooperative Board's decision is final.

5.1.3 Unpaid Invoices

When an invoice payment is sixty-one (61) days overdue, a late fee of 1% of the total due on the invoice will be charged for each month it is overdue. Invoice payments five months overdue will be brought to the Lakeland Library Cooperative Board's attention by the Lakeland Library Cooperative Director with a recommendation of appropriate action which shall be related to the unpaid invoice and the service on which it was based. 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 Lakeland Library Cooperative Board's attention by

the Lakeland Library Cooperative 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 Lakeland Library Cooperative Director's attention. The Lakeland Library Cooperative Director may decide not to add the interest charges, set a timeline for payment of an outstanding invoice, or to recommend adjusting services. Libraries which have appealed a charge to the Lakeland Library Cooperative Board (under 5.1.2) will not be penalized pending the results of the Lakeland Library Cooperative Board's decision. If the Lakeland Library Cooperative Board finds the charge to be legitimate, the library will pay the original invoice and all accrued interest within thirty (30) days of the Board decision.

AD5.2 Returned Checks

The Lakeland Library Cooperative may charge the maker of any check deposited and subsequently returned by Lakeland Library Cooperative's bank unpaid a fee of \$20.00 in addition to any banking charges. Lakeland Library Cooperative 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 Lakeland Library Cooperative Board handles or delegates these functions to ensure public funds are being managed according to rules, regulations, and Lakeland Library Cooperative Board actions.

6.1.1 Finance Committee

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

6.1.2 Financial Reports

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

6.1.3 Annual Review of Policies

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

6.1.4 Audits

The Lakeland Library Cooperative 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 Lakeland Library Cooperative Board.

6.1.5 Purchases

The Lakeland Library Cooperative Director (or designee) is authorized to make all purchases. Prior approval of the Lakeland Library Cooperative Board is required for the purchase of individual items where the cost per item is \$10,000 or more and in compliance with the Lakeland Library Cooperative's Administrative Policies.

6.1.6 Compliance

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

6.1.7 Youth Services and Continuing Education Committee Funds

1. At the November Advisory Council meeting the YS and CE Committees will each present an annual report that includes workshops given in that fiscal year, workshop attendance, fees that were charged to workshop participants, breakdown of how funds were spent by line item, and beginning/ending money in their Lakeland financial accounts.

AD6.2 Internal Controls and Accounting Functions

6.2.1 General

The Lakeland Library Cooperative Director is responsible for handling all cash and assets of the Lakeland Library Cooperative and shall comply with applicable policies and Lakeland Library Cooperative Board actions. The Lakeland Library Cooperative 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 Lakeland Library Cooperative Director (or designee) shall make all deposits and create a record of all such transactions.

6.2.4 Purchases

The Lakeland Library Cooperative 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 Lakeland Library Cooperative 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 Lakeland Library Cooperative 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 Lakeland Library Cooperative employee or an officer of the Lakeland Library Cooperative Board; the other shall be an officer of the Lakeland Library Cooperative Board. At the discretion of the Lakeland Library Cooperative Director, two authorized staff 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 Lakeland Library Cooperative, one of which shall be that of an authorized Lakeland Library Cooperative employee or an officer of the Lakeland Library Cooperative Board; the other shall be an officer of the Lakeland Library Cooperative Board. At the discretion of the Lakeland

Library Cooperative 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 Lakeland Library Cooperative's best interest, disbursements may be made via ACH transactions. All such transactions shall fully comply with applicable Lakeland Library Cooperative 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 Lakeland Library Cooperative employee or an officer of the Lakeland Library Cooperative Board; the other shall be an officer of the Lakeland Library Cooperative Board. At the discretion of the Lakeland Library Cooperative Director, two authorized staff 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 Lakeland Library Cooperative Director (or designee) shall be responsible for recording all transactions. These transactions are subject to review at any time by the Lakeland Library Cooperative Finance Committee and the Lakeland Library Cooperative Board.

6.2.11 Mailing Checks

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

6.2.12 Automated Financial System

The Lakeland Library Cooperative 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 Fund Balance Accounts 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 Accounts

- Unspendable fund balance
- Restricted fund balance
- Committed fund balance
- Assigned fund balance
- Unassigned fund balance

6.3.3 Fund Balance Definitions

- NONSPENDABLE FUND BALANCE – Includes amounts that which cannot be used to liquidate current liabilities because the related assets are either not in

spendable form (e.g. prepaids, inventory, and long-term receivables), or because the related assets are required to be maintained intact (e.g. the corpus of an endowment).

- **RESTRICTED FUND BALANCE** – Includes amounts that are restricted to use by externally imposed requirements or enabling legislation.

- **COMMITTED FUND BALANCE** - Includes amounts that can be used only for the specific purposes determined by a formal action of the Lakeland Library Cooperative Board by formal resolution. Such formal action must take place prior to year end in order to qualify in the following fiscal year.
 - o **Building Improvements** - This fund is for major repairs, improvements, or renovations to the Lakeland Library Cooperative headquarters building and grounds.
 - o **Technology Upgrades** – The fund purchases items that are of interest to member libraries and to purchase or upgrade hardware and/or software for the wide area network. It is used rather than dividing the costs to member libraries participating in the Lakeland Shared ILS. The ILS Council recommends purchases from this fund to the Lakeland Finance Committee and then to the Board for approval.
 - o **Delivery** – This fund purchases items that are unplanned delivery activities and for the replacement of vehicles.
 - o **Cataloging** – This fund proportionately credits participating libraries for their menu service contributions to the Cataloging Department that were not spent in the previous fiscal year to the next fiscal year.
 - o **Employee Liability** - This fund is for current liability for accrued employee sick leave and for accrued employee vacation leave.

- **ASSIGNED FUND BALANCE** – Includes amounts that are intended to be used for specific purposes, but do not meet the stricter definitions of restricted or committed and are determined by a formal action of the Lakeland Library Cooperative Board either before or after year end.

- **UNASSIGNED FUND BALANCE** – Represents the residual or any deficit amount in the general fund.

6.3.4 Policy Guidelines

1. A fund balance of not less than \$250,000 as of September 30 annually will be maintained in the UNASSIGNED FUND BALANCE as approved by the Lakeland Library Cooperative Board.
2. The guidelines and annual allocations will be reviewed by the Lakeland Library Finance Committee annually and approved by the Lakeland Library Cooperative Board. Such formal action must take place prior to year end in order to qualify in the following fiscal year.
3. The use of all Fund Balance Accounts will be determined and approved by Lakeland Library Cooperative Board action.

PPS Draft: 9/21/99	PPS Action: 09/15/06	PPS Action: 10/15/09	PPS Action: 11/18/10
Adoption: 10/14/99	First Reading: 10/19/06	First Reading: 11/12/09	First Reading: 12/9/10
Adoption: 11/11/99	Adoption: 11/09/06	Adoption: 12/10/09	Adoption: 01/13/11
Finance Rev.: 09/09/04	PPS Action: 03/19/09	Finance Rev: 02/02/10	PPS Action: 08/18/11
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PPS Review: 02/16/12	Finance Review: 05/08/12	Finance Review: 02/28/13	Finance Review: 02/24/15
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First Reading: 05/10/12	Adoption: 10/11/12	PPS 2 nd Review: 08/15/13	Adoption: 05/14/15
Adoption: 06/14/12		First Reading: 09/12/13	
		Adoption: 10/10/13	

Finance Review: 04/15/15	Finance Review: 02/01/16	Finance Review: 04/19/17	Finance Review: 2017 multiple meetings Fund Bal
PPS Review: 08/20/15	PPS Review: 02/18/16	PPS Review: 04/20/17	Adoption: 08/10/17
First Reading: 09/10/15	First Reading: 03/10/16	First Reading: 05/11/17	
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