

Henry County Public Library

# Financial Policies and Procedures

Passed: 9/25/14, revised 5/25/17

## Purpose

The policies and procedural guidelines are designed to:

- protect the assets of the Library;
- ensure the maintenance of accurate records of the Library's financial activities;
- provide a framework of operating standards and behavioral expectations; and,
- ensure compliance with federal, state and local legal and reporting requirements

Exceptions to written policies may only be made with the prior approval of the Board of Trustees. Changes or amendments to these policies may be approved by the Board of Trustees at any time. A complete review of the policies shall be conducted every two years by the Board of trustees or its designee. All personnel with financial responsibilities are expected to be familiar with and operate within the parameters of these policies.

## Fraud Prevention

Fraud is defined as 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 are 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 orders, other financial documents, electronic files);
- Improprieties in the handling or reporting of financial transactions;
- Misappropriation of funds, securities, supplies, inventory or any other asset (such as furniture, fixtures, equipment, materials), including assets of the Library, patrons, suppliers, or others with whom there is a business relationship;
- Authorizing or receiving payment for goods not received or services not performed;
- Authorizing or receiving payments for hours not worked or expenses not accrued and documented;
- Profiteering as a result of insider knowledge of Library activities.

Fraud and related misconduct will not be tolerated. Employees found to have participated in such conduct will be subject to disciplinary action, up to and including termination.

Trustees and employees are expected to use their best efforts to recognize risks and exposures inherent to their areas of responsibility and to be aware of indications of fraud and related misconduct. Any Trustee or employee who knows or suspects fraud or related misconduct shall report that to the President of the Board of Trustees or the Library Director.

When fraud or related misconduct is reported, an appropriate investigation and all necessary action will be undertaken. All investigations of alleged wrongdoing will be conducted in accordance with applicable laws and Library policies/procedures. During or following the investigation, the Board may choose to consult with legal counsel and take appropriate steps to minimize recurrence.

## Investment Policy

It is the policy of the Library to invest public funds in a manner which will provide the highest return with the maximum security while meeting cash flow demands.

All investments will conform to all applicable laws and regulations governing the investment of public funds.

### *Objective*

The Primary Objectives of the Library's financial investments are, in priority order:

- Safety of Principal – Safety of principal is the foremost objective. All investments shall be undertaken in a manner that seeks first to preserve capital and second to fulfill other investment objectives.
- Liquidity – The Library's investment portfolio will remain sufficiently liquid to enable the Library to meet all operating requirements which might be reasonably anticipated.
- Return on Investments (Yield) – The Library's investments should generate the highest available return without sacrificing the first two objectives.

## Fund Balance Policy

The following policy has been adopted by the Henry County Public Library in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of Henry County Public Library and jeopardize the continuation of necessary public services. This policy will ensure that adequate fund balances and reserves are maintained 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
- Maintain investment grade bond ratings.

### *Fund Type definitions:*

The following definitions will be used in reporting activity in governmental funds across Henry County Public Library when applicable.

- **The general operating fund** is used to account for all financial resources not accounted for and reported in another fund.
- **Special revenue funds** are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. At this time the Library has no special revenue funds. Should such a situation arise, the Library would create a special revenue fund and associated procedures.
- **Debt service funds** are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest. The Library has no outstanding bonds, loans, or interest on such debt. Should such a situation arise, the Library would create a debt service fund and associated procedures.
- **Capital projects and building funds** are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets or planned or emergency repairs and alterations of the Library building, grounds, and equipment.
- **Permanent funds** are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the purposes of Henry County Public Library. At this time the Library has no permanent funds. Should such a situation arise, the Library would create a permanent fund and associated procedures.

*Fund Balance Categories:*

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

- **Non-spendable fund balance-** includes amounts that cannot be spent because they are either (a) not in a spendable form (such as inventory) or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance-** The portion of a fund that consists of amounts that are subject to externally enforceable legal restrictions or are restricted through legislation adopted by the Library Board.
- **Committed fund balance-** Includes amounts that can be used only for the specific purposes determined by a formal action of the board of trustees. Formal action to commit a fund balance must occur prior to the end of the fiscal year.
- **Assigned fund balance-** includes amounts intended to be used by the library for a specific purposes but do not meet the criteria to be classified as restricted or committed. Intent may be expressed by the Library Board or may be delegated to the Library Director.
- **Unassigned fund balance-** includes the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. These amounts are reported only in the Library General Operating Fund.

The total of the committed, assigned, and unassigned fund balances is the unrestricted fund balance.

*Prioritization of fund balance use*

When expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it shall be the policy of Henry County Public Library to consider restricted amounts to have been reduced first. When expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of Henry County Public Library that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

*Minimum committed fund balance for cash flow*

Henry County Public Library will maintain a minimum committed fund balance in its General Operating Fund sufficient to provide operating cash flow for the library from July 1st through December 15th of each year. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts.

*Replenishing deficiencies*

When fund balance falls below the minimum necessary to ensure sufficient cash flow for operations, the library will replenish shortages/deficiencies by either reducing expenditures and/or increasing fees for services or other funding as soon as reasonably possible. The

strategies and time frame to accomplish the replenishment shall be recommended by the Director to the Board of Trustees for review and approval.

#### *Surplus fund balance*

Should there be surplus unassigned fund balance, the library will use such fund balance surpluses for one-time expenditures that are nonrecurring in nature or to supplement the operational transfers to the Capital Projects and Building Fund.

#### *Delegation of Authority*

The Director and Treasurer shall implement the investment program and establish investment procedures consistent with this policy. No person may engage in an investment transaction except as provided under the terms of this policy.

#### *Deposit Requirements*

The Library's Board of Trustees shall designate its public depositories. Any eligible financial institution that has offices within the State of Kentucky may become a public depository of the funds of the Library.

#### *Reporting*

The Library Director or Treasurer shall provide the Board of Trustees with monthly reports which clearly provide the following information regarding the investment portfolio:

- types of investment and cash position
- depository institutions,
- principal balances,

#### *Ethics and Conflicts of Interest*

Those involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the Library investment program, or that could impair their ability to make impartial decisions.

#### *Implementation and review*

Upon adoption of this policy, the board of trustees authorizes the Library Director to establish any standards and procedures which may be necessary for its implementation. The Board of Trustees shall review this policy at least annually.

### *Electronic Transfers*

The following type of transactions may be conducted by electronic transfer between financial institutions in order to expedite the transfer of funds as well as maximize interest earnings:

- Direct deposit of telecom tax funds and credit card receipts
- All investment transfers for certificates of deposit and savings accounts authorized by the Treasurer of the Library
- Payroll for Library employees and fees associated with payroll processing
- Health insurance payments for library employees
- Utility payments, Internet and telecom service payments
- Purchasing card payments (after invoice review by the Board of Trustees)
- Other services with a monthly subscription cost or contract payment as approved by the Board of Trustees
- To satisfy long-term bond or debt obligations when required by a depository trust company

The Treasurer or Director will maintain appropriate documentation of the transactions so these may be audited as required by statute.

### *Personal Use of District Assets*

Neither the Director nor any Board member will use or permit the use of Library funds, vehicles, equipment, telephones, materials or property for their own personal benefit or profit. Neither the Director nor a Board member will ask or require a Library employee to perform services for the personal benefit or profit of a Board member or the Director. The Director and all Board members will safeguard Library property, equipment, moneys and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

### *Segregation of Fiscal Duties and Internal Controls*

No one person should control or perform all key aspects of a transaction or financial event. Segregation of duties is an important internal control activity that helps detect errors in a timely manner and deters improper activities. Internal controls instituted by the Library will assist the board in maintaining adequate fiscal oversight of the expenditure of funds.

## Purchasing Policy

The Henry County Public Library establishes this purchasing policy in order to comply with generally accepted auditing standards and the principles of responsible fiscal management.

Only the Director or another person designated by the Board of Trustees may commit the Library to make purchases. Further, with the few exceptions described herein and those purchases requiring action to secure the immediate safety of employees or the public, all purchases require advanced planning and the adherence to the processes outlined in this policy and procedures established by the Director and Treasurer.

Materials, equipment, supplies, and services purchased by the Library shall be of a quality and quantity required to serve the functions of the Library in a satisfactory manner.

It is the responsibility of the Director or another person designated by the Board of Trustees to secure the required bids or to investigate alternative suppliers to ensure the most economical purchase of required items. The process of securing quotes and/or bids is further described in this policy.

All purchases will have a budgetary appropriation. All budgetary transfers will be reported to the Board of Trustees and their approval documented.

### *Purchasing Procedure*

The Director, in consultation with the Library's auditors and with their approval, shall be responsible for establishing and updating procedures for the proper and cost-effective documentation of purchases.

The Director may purchase goods or services with a value up to \$2000 and which are included in the library's annual budget or in an approved capital plan. Other staff members may purchase up to \$500. Documentation is to include:

- Original itemized receipt including an itemized description of the purchase, the quantity ordered and the vendor.
- When applicable, a copy of the packing list attached, initialed, and dated by the person checking in the shipment.
- Hard-copy print-out of items ordered on-line.

### *Requirements for Obtaining Quotes and Bids*

With the understanding that purchases for library materials are often available through statewide or national discount programs for libraries, the Board of Trustees establishes the following policy related to bids:

Library Materials:

Books, magazines, A/V, and other such materials intended for patron use are generally purchased from vendors offering volume discounts or vendors offering a State contract discount program. Materials available only from the publisher are generally purchased with little or no discount.

Capital and One-Time Purchases:

The following schedule is related to capital or one-time purchases of non-library materials (i.e., equipment, furniture, etc.) where individual items are at the stated prices and for which there are sufficient budget appropriations. All involved in the purchase process shall be aware of prevailing state contracts or other previously arranged discount programs that the library is eligible to participate in.

The following is a list of purchase amounts and requirements:

- Purchases by authorized staff up to, and not exceeding, \$500 require the Director's approval.
- Purchases by the Director up to \$2000 will be reviewed by the Board.
- Purchases from \$2000 to \$10,000 require prior Board approval.
- Purchases from \$10,000 to \$20,000: an effort will be made to obtain multiple written quotes, if applicable.
- Purchases over \$20,000 require a formal bid process approved by the Board of Trustees, in accordance with the Kentucky Local Government Model Procurement Code, KRS 45A.345–460.

Items not subject to bid:

Professional services such as an auditor, attorney, architect or engineer, which involve specialized expertise, use of professional judgment, and/or a high degree of creativity.

Emergencies arising from an accident or other unforeseen occurrence, a situation in which public buildings, property, or residents are at risk, or immediate action is required that cannot await competitive bidding.

## Deposits

### *Cash deposits for fine and fees*

In order to provide segregation of duties in the accounting function, cash income from Library operations (fines, fees, and similar payments) are handled by the Library Director (or designee).

Other circulation staff may also be involved in the actual counting of “day end” receipts. The staff member on supervisory desk duty at the close of the day is responsible for ensuring that the daily receipts match the records that are provided in the Library’s automated cash drawer system. Any discrepancies are noted on the Library’s *Cash Drawer Report* printout from Square. Two people must count the drawer at the end of day and initial the *Drawer Report* form. Daily deposits are sealed in an envelope with the *Drawer Report* and slid under the locked back office door or the locked Director’s door.

Deposits are made weekly. A record of deposits is sent to the Library Director.

### *Credit card deposits for fines and fees*

Credit card payments are made from the Library’s automated cash drawer system, currently *Square*. Payments are processed through this system and then deposited directly into the Library’s banking account less any processing fees that have been incurred.

Payments made by credit card are recorded by the Library Director in the Library’s accounting software for monthly review by the Board.

### *Other deposits*

All other cash and checks (taxes, grants, donations, and other similar income) are recorded by the Library Director in the accounting software listing:

- Date received;
- Payer;
- Type of Income;
- Amount;
- Date of deposit.

A deposit slip is prepared by the Library Director (or designee) and appropriate copies for documentation are made.

The Library Director (or designee) reviews and compares deposits with log and initials deposit slip indicating the deposit totals agree with the log.

The Library Director (or designee) completes deposit transactions with the bank(s) and maintains records of those transactions.

## Disbursements

### *Review of invoices*

All invoices for supplies and library materials are reviewed by the department which placed the order and receiving the materials. The invoices are compared with the order's documentation and packing slips to verify the material was ordered by the Library, received in good condition, and the charges are correct.

Two members of the Library Board approve all invoices for payment.

The Library Director prepares checks for payment and records these transactions in the Library's accounting program.

### *Check signatories*

Check signing ability is vested with the Library Board. The Library Board may designate check signing ability as necessary to its individual members. Generally, check signers will include two of the following: Board President, Board Treasurer, or Board Secretary. The remaining two Board Members may sign checks as well, if necessary to keep business processes functioning.

(Due to the separation of duties, the ability to sign for payments may not be given to the Library Director.)

All payments are accompanied by an invoice or other documentation indicating the purpose of the payment and filed for audit. The two signing Board Members verify that the charged amount equals the check amount and initials the documentation indicating it was reviewed.

A staff member or Board Member is not authorized to sign checks in which s/he would be the recipient of the funds expended.

## **Refunds to patrons**

When a patron erroneously makes payment (including credit card payments) to the Library for lost materials, staff members are authorized to issue a refund in amounts less than \$50 in cash. If the payment was originally made by credit card, then a refund is submitted on the credit card by the Library Director.

When a refund is required that exceeds \$50, a check is issued and mailed to the patron.

Charges for lost materials that are returned in the Library's outside item returns, or otherwise returned with the patron not present, will have the value credited to the patron account.

## **Bank Statements and Reconciliation Reports**

The Library Director compares bank statements monthly with interest earned, deposit records, and cancelled checks. A reconciliation report in the accounting program is prepared. The statement and reports are reviewed and approved by the Library Director (or designee).

The Board reviews and approves a monthly log of all account balances, a record of checks issued during the previous month, and a monthly update of income/expenditures as compared to the Library's annual budget.

## **Construction or Other Major Projects**

Major projects may have a budget and bank account separate from the Library's general budget and bank account. Any separate budgets or bank accounts are subject to the same policies and procedures as the Library's general accounts.

Upon completion of the project, these accounts may be audited separately from the Library's annual audit as required.

## Operations Income

### *Fines and Fees*

Documentation from the Library's automation system is provided to the Library Director to verify receipts and deposits for all fines and fees collected by the Library. A receipt for all payments or waivers is always given to the patron.

### *Cash Drawer*

Each day the cash drawer begins with a standard amount of money. After the close of business each day, the money in the cash drawer is counted and restored to the standard amount. All excess cash is recorded and totals are compared to the daily *Cash Drawer Report* from Square. Any significant shortages are noted and investigated as needed. Daily deposits are sealed in an envelope with the drawer report and slid under the locked back office door or the locked Director's door.

Once a week, envelopes are opened one-by-one and the cash amounts in each are verified by the Director (or designee). These amounts are recorded in the weekly *Deposit Record*. The Director (or designee) counts the total deposit, notes any discrepancies, and prepares the deposit slip for the week. A second staff member then verifies totals from each *Cash Drawer Report* and counts the total deposit and initials the *Deposit Record*. The cash is prepared for bank deposit and deposit is made. Deposit slip receipt, *Deposit Record*, and *Cash Drawer Reports* are forwarded to the Library Director for review and recording in the Library's accounting software.

### *Waivers*

All staff members are authorized to make waivers up to \$10.00. Waivers over \$10.00 are referred to the Library Director, Circulation Supervisor, or the desk shift supervisor. The Director will investigate any suspected abuse of waivers by Library staff.

## **Staff Reimbursement for Purchases**

Staff members may occasionally need to purchase materials for the Library with their personal funds. Staff may submit itemized receipts for these purchases to the Director and pending Director and Board Approval a reimbursement check will be issued within 30 days.

## **Staff Reimbursement for Travel Expense**

Employees will be reimbursed for travel expenses incurred in the performance of their work. Any cost incurred should be the most economical with the Library's best interest.

Any employee of the Library incurring expenses for Library related business shall be reimbursed as follows:

- Official travel in privately owned vehicles shall be reimbursed in accordance with the rates as set forth in the Commonwealth of Kentucky's Travel Regulations.
- Air travel shall not be first class unless other rates are unavailable. Under reasonable circumstances, or for necessary expediency, the Board may authorize other travel means.
- Lodging shall be reimbursable at the actual expense. Receipts must be provided for all lodging.
- Parking, tolls, and public transport shall reimbursable at the actual expense. Receipts must be provided for all parking, tolls and public transport.
- Conference and registration fees shall be approved in advance by the Director, and may be prepaid when necessary and appropriate.
- Use of rental vehicles is allowed when more feasible than other types of available transportation.
- The Library will reimburse an employee for meals at required training sessions. A per diem rate of \$10 for lunch is allowed. A rate of \$10 per breakfast and \$15 per dinner will only be reimbursed if overnight stay is required. All expenses should be reported on the Travel Expense Reimbursement Form and submitted for Director and Board Approval.
- Other necessary expenses which were unforeseeable prior to travel may be approved by the Board upon presentation of documentation of the need for such expense.

Expenses not in compliance with the travel expense policy will not be reimbursed or paid by the Board, such as costs incurred by family members or staff attendance at events not approved by the Director or the Board.

## **Review of Director's Expenses**

The Board of Trustees is responsible for reviewing the expenses of the Library Director.

Expenses for the Director's travel on library business will be approved by the Board as a part of the regular budgeted annual expenses of the Library.

The Library-issued credit card for the Director is intended to be used in the conduct of the Library's business. The charges made upon the Director's Library-issued credit card are reviewed each month by the Treasurer.

All reimbursements and expenses for the Director are reviewed by the Library's independent auditor each year.

## **Petty Cash**

Petty Cash is used to exchange large bills out of the cash drawer so the library can continue to make change for payments. In exceptional circumstances, the Petty Cash fund may be used for small purchases or for purchases to solve an immediate need when a Library-issued credit card is not available or is not practical to use.

The Library will maintain a Petty Cash fund of \$100.00 made up of small bills in its safe. Only the Library Director, Circulation Supervisor, or desk shift supervisor should access these funds. Transactions should be reimbursed only with a receipt. At any time total cash and receipts will equal \$100.00.

The Library Director can request funds equal to the total amount of receipts to replenish the Petty Cash fund. The request is made by completing a Petty Cash Request form and submitting it with receipts to the Board Treasurer (or designee.)

The Library Director or Board Treasurer may conduct an unscheduled check of all Petty Cash funds to insure proper handling.

## Library-Issued Credit Card Procedures

Credit cards are issued to staff members who frequently make purchases for Library events, have frequent travel expenditures, or who order supplies and equipment for the Library. The expenditure must be within the guidelines of the particular activity of the approved budget. The card is not to be used for any personal expenses. Prior to initial receipt of any card, each individual must agree to and sign the Credit Card Use Procedures.

The amount of available credit on each card is determined by the Library Director and Board of Trustees. Purchases may not exceed the assigned credit limit. There are no exceptions.

Balances on credit cards are paid in full by the Library each month. Payments on the monthly statement must be made in a timely fashion so that finance charges are not incurred. Timely payment requires staff incurring the charges properly complete transactional paperwork relation to the Library's accounting functions.

Staff members who use Library credit cards maintain all receipts for expenditures. Proper documentation will include an original itemized paid receipt indicating the amount paid, the vendor, and the itemized description of the purchase. Unacceptable documentation includes non-itemized cash register receipts or handwritten requests for reimbursement without receipts or other verification. If a staff member loses a receipt, they may sign a notarized document stating where the funds were spent, what for, and the date of purchase. Any staff member that cannot provide valid receipts on a regular monthly basis, or who cannot provide a receipt for a purchase over \$20, will be subject to disciplinary action and/or possible termination.

An individual statement is prepared for each credit card. The statement is sent to the staff member holding the card. The staff member checks all expenditures listed on the statement against his/her receipts. If the charges listed and receipts match, the statement is initialed and dated. The statement and receipts should then be sent to the Library Director for payment. Receipts should note which particular budget line item each item applies to. In the event that a Library issued card is used for an employee's personal expense, the employee is responsible for that expense and will reimburse the Library within that statement period for those charges. Disciplinary or legal action may result depending on the circumstances surrounding the use of the card.

Charges on Library-issued credit cards are reviewed each month by the Director and the Board Treasurer. The Director reviews the master list of credit card charges after the individual statements are reviewed/approved by the cardholder. Charges on the Director's Library-issued credit card are reviewed by the Board Treasurer each month.

A report will be generated each month in the Library's accounting software and all purchases will be reconciled.

## **Agreement for Use of Library-issued Credit Card**

This card is issued to you on a temporary basis, and remains the sole property of the bank from which it was issued. The right to use this card may be revoked at any time without warning by the issuing bank authority or by the Henry County Public Library.

By accepting this card it is understood that you are personally responsible for any unauthorized or inappropriate use of the card.

I have read and understand and accept my personal responsibilities and liabilities involving the use of the bank credit card issued to me. I further understand that any inappropriate use of this card may result in disciplinary action and possible garnishment of my wages.

Card Issued: \_\_\_\_\_

Card #: \_\_\_\_\_

Card Holder Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of Witness: \_\_\_\_\_

Date: \_\_\_\_\_