

To: MHLS Board of Trustees
From: Mark Wilson, Treasurer, MHLS Board of Trustees
Date: March 3, 2022
RE: Transfers to Reserve Accounts

As per our fiscal policies, and on the advice of our accountant, Saran Camara, MHLS Finance Manager & Personnel Officer and I are recommending that the board take action to officially transfer funds into two established reserves.

1. That \$90,000 be moved into the newly created Employee Benefit Accrued Liability Reserve (p. 24): as you will recall the board voted to create this reserve fund in 2021 and move funds into it once we had closed the books on fiscal year 2021.
2. \$50,000 be moved into the MHLS Capital Reserve Fund (p.5) to follow the board's reserve fund policy to fund this reserve in accordance with the board-approved Capital Fund Policy.

This will be on our agenda under "New Business." Please reach out to me with any questions.



FISCAL POLICY MANUAL

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Introduction

This manual has been prepared to document the fiscal policies for the Mid-Hudson Library System (MHLS). Its purpose is to ensure that the assets are safeguarded, that financial statements are in conformity with generally accepted accounting principles, and that finances are managed with responsible stewardship.

All personnel with a role in the management of MHLS's fiscal operations are expected to uphold the policies in this manual. It is the intention of MHLS that this fiscal manual serve as our commitment to proper, accurate financial management and reporting.

Budget Adjustments Policy

Effective Date: 03/24/2014

Revised Date:

Developing a sound budget plan should minimize the need for adjustments but it will not eliminate it. Adjustments to the Board approved MHLS budget should serve the same planning and control purposes adopted in the development of the annual budget.

- Any single budget adjustment to revenue or expense in the amount of more than \$10,000 must be approved by the MHLS Board of Trustees.
- Any single budget adjustment to revenue or expense in the amount of \$10,000 or less may be made by the MHLS Executive Director with the consent of the MHLS Finance Manager.
- All adjustments to the budget will be reflected in the Monthly Financial Report provided to and approved by the MHLS Board of Trustees.

Mid-Hudson Library System (MHLS) - Capital Fund Policy

Effective Date: 9/16/2015

Revised Date: 9/14/2016

I. Background

MHLS owns and operates two buildings on .70 acres.

- A. The MHLS Auditorium, 105 Market Street, is a 3,200 square foot one story brick, masonry and wood building, type 5-a construction, built in 1902. It is used for large and small-group meetings and trainings by MHLS and its member libraries; all meetings and trainings are conducted on its main floor. The main floor includes a stage, a large open meeting hall, handicap-accessible bathrooms and a food/coffee area. The basement is used for storage.
- B. The MHLS Office Building, 103 Market Street, is a 12,720 square foot three-story concrete block building, type 1 construction, built in 1965-66. It is used as administrative headquarters. The main floor includes staff offices, delivery services center, conference room, a food/coffee area, and public restrooms. The second floor includes staff offices, lounge, and restroom. The third floor is used as a work and storage space.
- C. The MHLS Parking Lot is 18,051 square feet with 40 parking spaces. MHLS maintains an entrance/exit to Market Street and an exit drive to Montgomery Street.

II. Philosophy

The establishment and maintenance of a MHLS Board Designated Capital Fund [hereinafter "Capital Fund"] is deemed a high priority by the MHLS Board of Trustees in order to have the capacity to fund facilities and property maintenance, repairs, and improvements. The Capital Fund will enable MHLS to undertake and support strategic planning for activities identified in the Board approved MHLS Capital Plan, as well as, unexpected and/or emergency facilities and/or property costs.

III. Policy

The purpose of this policy is to establish and maintain a Capital Fund, unencumbered and uncommitted, at a level relative to allow MHLS to cover expected and unexpected costs for facilities and property maintenance, repairs, and improvements.

IV. Definitions

- A. Board Designated Operating Capital Fund – The amount reported in the *Capital Funds – MHLS* section of the MHLS Monthly Financial Report.
- B. MHLS Capital Plan - A long-range plan which identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan.

V. Strategies and Procedures

- A. The Capital Fund shall be accounted for separate and apart from the Board Designated Operating Reserve Funds, the Board Designated Operating Contingency Funds, and the MHLS Members Capital Fund.
- B. The MHLS Board of Trustees will have the responsibility for ensuring the management of the Capital Fund assets is in compliance with the laws, rules, and regulations of the State of New York.
- C. The Capital Fund goal will be to achieve and annually maintain in reserve an amount to fund the Board approved MHLS Capital Plan.

VI. Sources

Assets for the Capital Fund may come from any MHLS revenues, as determined by the MHLS Board of Trustees, except the MHLS Members Capital Fund.

VII. Uses

The Capital Fund may support:

- A. Activities identified in the Board approved MHLS Capital Plan;
- B. Any MHLS cost the MHLS Board determines appropriate for funding with Capital Funds.

VIII. Governance

Approving the use of Capital Funds will follow the *Procedures for Budget Adjustments* as adopted by the MHLS Board. These procedures include:

- A. Any single budget adjustment to revenue or expense in the amount of more than \$10,000 must be approved by the MHLS Board of Trustees.
- B. Any single budget adjustment to revenue or expense in the amount of \$10,000 or less may be made by the MHLS Executive Director with the consent of the MHLS

Finance Manager.

- C. All adjustments to the budget will be reflected in the Monthly Financial Report provided to and approved by the MHLS Board of Trustees.

IX. . Maintenance

- A. The status of the Capital Fund will be calculated at the end of each fiscal year and at mid-year based upon the MHLS budget approved by the MHLS Board of Trustees.
- B. The MHLS Finance Committee will consider the adequacy of the Capital Fund amount and will recommend to the MHLS Board any changes as deemed necessary.

X. Policy Review

This policy will be reviewed annually by the MHLS Finance Committee or sooner if conditions warrant. The MHLS Facilities Committee will provide the MHLS Finance Committee with an annual report on the MHLS Capital Plan. Any changes thereto will be forwarded by the MHLS Finance Committee to the MHLS Board of Trustees for consideration and approval by the Board.

Cash Disbursements Policy

Effective Date: 3/10/2011

Revised Date: 12/5/2015

The payment of bills process must be accurate and timely, avoid penalties, use and take discounts, and allocate expenses to the correct account code.

Unused check supplies are kept safeguarded under lock and key. Only individuals responsible for preparing checks will have access. A Check Disbursement Log will be completed at the time checks are printed.

All check disbursements require approved invoices or processing sheets. Payment against monthly statements, without invoices, is not allowed. Vendor invoice must be verified against the purchase order and/or receipt of goods or services prior to payment. The resulting checks and invoices will be audited and approved by the Executive Director or Assistant Director, then signed by the Finance Manager, and mailed or distributed by the Financial Assistant or Administrative Associate. Checks over \$25,000 require two signatures.

The warrant of all payments made will be reviewed and approved by Board motion as is appropriate.

MHLS is exempt from sales tax on the purchase of all goods and services.

Signed checks that have not been mailed or distributed will be put under lock and key at the end of each day.

Cash Receipts Policy

Effective Date: 3/10/2011

Revised Date: 9/12/2018

All mail for the Business Office will be opened and date stamped by the Administrative Associate or Financial Assistant. All checks received will be endorsed and put under lock and key until deposited.

Receipts are deposited to MHLS's General Checking Account on Thursday each week using Remote Deposit software by the Finance Manager and receipted in the accounting program by the Financial Assistant. In the absence of the Finance Manager, the Executive Director will process deposits.

Funds from New York State are received electronically directly to the General Checking Account.

Deposited funds not required for immediate disbursement may be deposited in Certificates of Deposit issued by the bank and secured by a pledge of obligations of the United States of America or obligations of the State of New York.

Check Signing

Effective Date: 3/24/2014

Revised Date:

MHLS checks of \$25,000 or more must be signed by two persons registered with the bank as authorized signers on the MHLS account.

The MHLS Board authorizes the Assistant Director as a third authorized signer on the MHLS account, in addition to the Finance Manager and Executive Director previously authorized.

Credit Cards

Effective Date: 3/24/2014

Revised Date: 9/12/2018

The MHLS Board authorizes two MHLS credit cards, one MHLS card in the name of the Finance Manager with an authorization limit of \$3,000, and a second MHLS card in the name of the Executive Director with an authorization limit of \$5,000.

The Finance Manager is able to view the credit card charges on the Bank website.

Designation of Officers and Staff

Effective Date: 12/10/2016

Revised Date:

In implementing and carrying out the duties, responsibilities and authorities of the MHLS Treasurer as stated in NYCRR TITLE 8 – EDUCATION, &90.6 Financial accounting in cooperative library systems and reference and research library resources systems, the MHLS Board of Trustees, by resolution, delegated the regular and routine administration of the MHLS Treasurer's task to the MHLS Financial Manager.

- Also -

As authorized in NYCRR TITLE 8 - – EDUCATION, &90.6 Financial accounting in cooperative library systems and reference and research library resources systems, the MHLS Board of Trustees, by resolution, appointed the MHLS Executive Director as the MHLS Financial Clerk.

Electronic Funds Transactions/Online Banking Policy

Effective Date: 2006

Revised Date: 3/25/2014

Revised Date: 5/24/2017, 8/12/2019

The Mid-Hudson Library System (MHLS) has entered into a written agreement with TD Bank for electronic transactions and online banking. Unique identifications have been assigned and passwords are secured and changed regularly.

The Finance Manager serves as administrator, and the Financial Assistant is a second administrator of the online account. The Finance Manager reviews the online banking transactions at least once a week for any unusual activity.

All deposit accounts are held at TD Bank. Internal account transfers, check payment stops and certain electronic payments and debits are authorized activities. The following electronic payments and debits are allowed:

- Payroll Taxes and Direct Deposit provided by Paylocity payroll system, debited from Payroll Checking.
- NYS Retirement is authorized to debit from Payroll Checking the employee payroll contributions per the Monthly Retirement Report.
- The NYS Retirement annual invoice is allowed to be paid as an Automated Clearing House (ACH) payment set up internally as a debit to General Checking.
- Delivery Services vendor weekly invoices are allowed to be paid as an ACH payment set up internally as a debit to General Checking.
- Quarterly Medicare Reimbursements to retired MHLS employees are allowed to be paid as an ACH payment set up internally as a debit to General Checking.
- TIAA is authorized to debit from Payroll Checking the employee 403(b) contributions per the bi-weekly report processed online. TIAA is also authorized to debit from General Checking the bi-weekly amount of employee and MHLS contributions to the Voluntary Defined Contribution Program (VDCP) per transmitted report.

The Delivery Services vendor, Medicare Reimbursements and the annual NYS Retirement Invoice are set up directly as ACH payments on the TD Bank website and is a two person operation to set up the payment templates.

MHLS Equipment Control Policy

Effective Date: 9/14/2016

Revised Date:

OVERVIEW

The fundamental objective of the Mid-Hudson Library System's (MHLS) Equipment Control Policy (ECP) is to facilitate proper and timely reporting of equipment transactions and safeguard against loss. The ECP outlines the criteria for including property and equipment covered in the ECP, as well as tagging, inventory, and property disposal procedures and requirements.

MHLS administrative staff is responsible for the implementation and monitoring of the ECP including:

- Reporting acquisitions of property; changes in property status and location; and/or theft and loss of equipment;
- Providing access to property for tagging and inventory functions;
- Participating in maintaining and verifying data included in reports.

I. Equipment Control Procedures for Equipment Items less than \$1,000

For MHLS-owned equipment below the \$1,000 capitalization threshold¹, MHLS will not list the equipment on the MHLS inventory, but, will assign an ownership tag, if possible. The fact that equipment under the threshold does not have to be inventoried under the ECP does not relinquish MHLS's responsibility to safeguard the asset. Tagging all items of equipment with a MHLS ownership tag assists in the establishment of ownership.

For items under the threshold, MHLS will make a distinction between what is considered an equipment item for tagging purposes, and what is considered an item of supply, not tagged. Equipment is generally durable and has a probable life beyond a reporting period of more than one year.

Specific higher risk items under \$1,000 but over \$500, such as computer workstations and laptops, shall be inventoried and tagged.

MHLS will periodically spot-check elected equipment items under \$1,000 to verify their existence and condition.

II. Equipment Control Procedures for Equipment Items \$1,000 or more

¹ "Capitalization threshold": The dollar value at which MHLS elects to capitalize its capital assets for financial reporting.

All MHLS-owned equipment (purchased, donated, or lease-purchase arrangement) with an original unit cost of \$1,000 and above and with a life expectancy of greater than one year will be inventoried and be assigned an ownership tag.

Operating systems and software applications meeting this criteria should be assigned an asset number and recorded as an MHLS asset.

The following is an outline of the procedures to be followed for property acquisitions.

A. Ownership Tagging

Upon receipt, all MHLS owned equipment \$1,000 and above should be tagged with a MHLS ownership tag. The presence of a MHLS ownership tag signifies MHLS ownership and stewardship responsibilities.

Ownership tags should be placed where they will not be damaged and can be accessed for physical inventory. If a tag is missing or damaged, MHLS should assign a new tag. Some property is not suitable for tagging such as software or equipment which may become very hot during operation. For property that cannot be tagged, the record created in the MHLS inventory will note the distinguishing features of the property and that the property has not been tagged.

B. Inventory

The MHLS Business Office will maintain a physical inventory schedule of MHLS-owned equipment and annually reconcile the inventory based on an annual physical inventory.

The MHLS Facilities Manager or designee shall conduct an annual physical inventory of MHLS-owned equipment.

The annual inventory process shall identify equipment that is missing, disposed of, or transferred, as well as equipment location or condition changes, and missing or damaged decals.

Assets not located during physical inventory should be promptly reported to the MHLS Executive Director. MHLS will report the theft, loss or misuse of MHLS assets in excess of \$1,000 (original cost) to the MHLS Board of Trustees. Assets determined to be unaccountable should be retired from the inventory after proper authorization.

MHLS Inventory Elements:

1. Description - Brief description (e.g, laptop, van) to assist with asset identification.
2. Date Received - Month, day and year (MMDDYY) of arrival date at MHLS.
3. Cost - Cost at acquisition will be based upon actual cost, gifts at fair market value, or an estimated cost.
4. Make – A product or line of products bearing a known brand name.
5. Model - Model numbers specified by the manufacturer, if any.
6. Serial Number - A unique number is required serve as an item's identification and its linkage to the MHLS inventory. For example, alpha and/or numeric serial number.
7. Warranty Number (if not Serial #) & Warranty End Date - Manufacturer warranty number, if any; month, day and year (MMDDYY) of asset warranty expiration based upon the warranty terms, if any.

8. Location - The physical location of the asset.
9. Assigned to Staff Member/Used By - The MHLS unit and/or staff member providing stewardship of the asset.
10. Computer Name (if computer)
11. Useful Life (in years) - An estimate of the useful life of the asset.
12. Condition - Based upon asset condition upon receipt, physical inventory, or circumstances affecting condition change, a code should be assigned and/or updated to describe condition of the asset. (N-New; G-Good; F-Fair; P-Poor; S-Scrap)
13. Date of Disposition
14. Comments

III. Equipment Disposition

The MHLS Facilities Manager, in consultation with the MHLS Executive Directors, will determine the appropriate final disposition of surplus equipment. For equipment with a remaining useful life the disposal procedure will be:

1. Offered to MHLS Member Libraries
2. Donate to Local Charity Without Religious Affiliation (e.g., Goodwill)
3. Salvaged for Repurpose (equipment remaining in-house should be labeled “salvage”)
4. Redeemed for Scrap Value
5. Recycle
6. Discard Properly

MHLS Investment Policy

Effective Date: 12/5/2015

Revised Date:

This investment policy applies to all moneys and other financial resources available for

investment on its own behalf or on behalf of any other entity or individual.

The primary objectives of the Mid-Hudson Library System (MHLS) investment activities are, in priority order:

- To conform to all applicable federal, state and other legal requirements
- To adequately safeguard principal
- To provide sufficient liquidity to meet all operating requirements
- To obtain a reasonable rate of return

The MHLS Board of Trustees responsibility for administration of the investment program is delegated to the Executive Director and the Finance Manager.

Any participant in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that places MHLS funds at unreasonable risk. Investment decisions and activities shall be made in conformance with the MHLS Conflict of Interest Policy. The Executive Director and the Finance Manager are responsible for establishing and maintaining an internal control structure to provide assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, are recorded properly, and are managed in compliance with applicable laws and regulations.

In accordance with the provision of General Municipal Law, Section 10, all deposits of the MHLS including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, shall be secured:

- By a pledge of “eligible U.S. securities” with an aggregate “market value” equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy. (See Appendix immediately following this policy.)

Eligible securities used for collateralizing deposits shall be held by the depository bank and/or a third-party bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure the MHLS’s deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for the MHLS, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become the backing for any other deposit or other liabilities.

Mid-Hudson Library System authorizes the Executive Director and the Finance Manager to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts • Certificates of Deposit
- Obligations of the United States of America
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America

- Obligations of the State of New York
- Obligations issued pursuant to Local Finance Law, section 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation
- Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general state statutes governing such entities, or whose specific enabling legislation, authorize such investments

All investment obligations shall be payable or redeemable at the option of the MHLS within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided.

All purchased obligations, unless registered or inscribed in the name of Mid-Hudson Library System, shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the Executive Director or Finance Manager. All such transactions shall be confirmed in writing to MHLS by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal law, Section 10.

MHLS may do business with any Federal Deposit Insurance Corporation insured bank.

Schedule of Eligible Securities (per General Municipal Law Section 10)

1. Obligations issued by the United States of America, an agency thereof or a United States government sponsored corporation or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation.
2. Obligations partially issued or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.

Mid-Hudson Library System - Operating Contingency Fund

Effective Date: 12/6/2014

Revised Date: 9/14/2016

I. Background

MHLS has had projects approved in the budget, at predetermined amounts, however, has encountered unpredictable changes in the project², resulting in additional costs. Additionally, MHLS has had projects³ under development but not ready for a line item adoption at the time the MHLS Board has approved a new fiscal year budget. Also, MHLS has benefited from undertaking projects⁴ during a fiscal year that were not known at the time the MHLS Board approved a fiscal year budget. The need for an operating contingency fund has been demonstrated as a helpful management tool that financially prepares MHLS for conditions unknown at the time of a new fiscal year budget approval, such as cost changes in approved projects and opportunity to implement projects not included in approved budget.

II. Philosophy

The establishment and maintenance of a funded MHLS Board Designated Operating Contingency Fund [hereinafter "Contingency Fund"] is deemed a high priority by the Mid-Hudson Library System (MHLS) Board of Trustees in order to have the capacity to fund services, projects, and/or operations not budgeted at the time the MHLS Board adopts a new annual budget. The Contingency Fund will also enable MHLS to undertake strategic activities and projects not funded at the time of budget adoption.

III. Policy

The purpose of this policy is to establish and maintain a Contingency Fund, unencumbered and uncommitted, at a level relative to allow MHLS to cover unexpected costs and undertake strategic activities/projects not funded in the MHLS annual budget at the time of Board adoption.

IV. Definitions

- A. Board Designated Operating Contingency Fund – Included in the amount reported in the Unassigned Fund Balance section of the MHLS Audit Balance Sheet.
- B. Costs of Funding Services and Operations - MHLS costs for all services, business operations and practices. For the purpose of calculating the total cost of services and

² In 2014, MHLS undertook a Window Replacement Project. With the implement of the project, the presence of asbestos in window caulk and glazing was discovered, resulting in an increased project cost. The increase project cost was not included in the approved 2014 budget.

³ In 2014, MHLS was able to implement an Innovative's 2013 price quote if MHLS committed to funding Encore by January 23, 2014.

The Encore quoted price for a pre January 23 commitment was \$42,875 per year for 3 years plus a onetime \$2,500 setup fee. After January 23, the Encore price is increased to \$54,850 for year 1, \$55,309 for year 2, and \$55,777 for year 3. Encore was not an approved line item in the 2014 budget.

⁴ In 2014, MHLS was able to proceed with architectural services in support of the Board's stated goal for the 3rd floor to "become available for meetings, small-group training and additional office space" and the directions for the Board's Facilities Committee to explore renovation for a possible State construction grant. These architectural services were not included in the approved 2014 budget.

operations, the following expenses are excluded⁵: (1) Library Grants including: Central Library Development Aid, Central Library Book Aid, Local Library Services Aid, and other similar library designated funds (e.g., town/county funds to member libraries); (2) Construction/Capital Projects.

V. Strategies and Procedures

- A. The Contingency Fund shall be accounted for separate and apart from Board Designated Operating Reserve Funds, the MHLS Capital Funds, and the MHLS Members Capital Fund.
- B. The MHLS Board of Trustees will have the responsibility for ensuring the management of the Contingency Fund assets is in compliance with the laws, rules, and regulations of the State of New York.
- C. The Contingency Fund goal will be to achieve and annually maintain in reserve ten (10%) of Program Funding and Operating Costs as defined in Section III.

VI. Sources

Assets for the Contingency Fund may come from any MHLS revenues, as determined by the MHLS Board of Trustees, except the MHLS Members Capital Fund.

VII. Uses

The Contingency Fund may support:

- A. Additional costs incurred for projects approved in the budget at predetermined approved amounts; and/or
- B. Projects under development but not ready for line item adoption at the time the MHLS Board has approved a new fiscal year line item budget; and/or
- C. Projects during a fiscal year that were not known at the time the MHLS Board approved a fiscal year budget; and/or
- D. Any MHLS cost the MHLS Board determines appropriate for funding with Contingency Funds.

VIII. Governance

Approving the use of Contingency Funds will follow the *Procedures for Budget Adjustments* as adopted by the MHLS Board. These procedures include:

- A. Any single budget adjustment to revenue or expense in the amount of more than \$10,000

⁵ Restricted funds are passed through to members for designated services and not available for general MHLS use.

must be approved by the MHLS Board of Trustees.

- B. Any single budget adjustment to revenue or expense in the amount of \$10,000 or less may be made by the MHLS Executive Director with the consent of the MHLS Finance Manager.
- C. All adjustments to the budget will be reflected in the Monthly Financial Report provided to and approved by the MHLS Board of Trustees.

IX. Maintenance

- A. The status of the Contingency Fund will be calculated at the end of each fiscal year and at mid-year based upon the MHLS budget approved by the MHLS Board of Trustees.
- B. The MHLS Finance Committee will consider the adequacy of the Contingency Fund amount and will recommend to the MHLS Board any changes as deemed necessary.

X. Policy Review

This policy will be reviewed annually by the MHLS Finance Committee or sooner if conditions warrant. Any changes thereto will be forwarded by the MHLS Finance Committee to the MHLS Board of Trustees for consideration and approval by the Board.

Mid-Hudson Library System - Operating Reserve Fund⁶ Policy

Effective Date: 12/6/2014

Revised Date: 9/14/2016

Revised Date: 9/14/2021

I. Background

The Mid-Hudson Library System (MHLS) normally receives the payment of State Aid to Public Library Systems from the State of New York seven (7) months after the start of the MHLS fiscal year. Additionally, MHLS has experienced delays in payment⁷ beyond the seven (7) month period. This payment schedule and delays have resulted in MHLS conducting an assessment of the need to maintain an operating reserve fund which allows MHLS and MHLS members to address delayed payments with a minimum disruption to MHLS services.

II. Philosophy

The establishment and maintenance of a funded MHLS Board Designated Operating Reserve Fund [hereinafter "Reserve Fund"] is deemed a high priority by the MHLS Board of Trustees in order to ensure continuity of services to member libraries. The Reserve Fund will enable MHLS to:

- a) Provide services to members without interruption;
- b) Maintain continuity in business operations and practices;
- c) Manage cash flow;
- d) Prepay vendor contracts to take advantage of multi-year discounts;
- e) Minimize the need for borrowing working capital; and
- f) Meet commitments, obligations or other contingencies.

III. Policy

The purpose of this policy is to establish and maintain a Reserve Fund, unencumbered and uncommitted, at a level relative to the annual program funding and the costs of operating and maintaining the organization. The Reserve Fund is to serve a dynamic role and is available

⁶ In nonprofit accounting, an "operating reserve" is the unrestricted cash on hand available to sustain an organization, and nonprofit boards usually specify a target of maintaining a specific number of months of operating cash or a percentage of their annual income.

⁷ In 2010, payments were delayed for 12 months.

to be utilized as determined by the MHLS Board of Trustees.

IV. Definitions

- A. Board Designated Operating Reserve Fund - Included in the amount reported in the Unassigned Fund Balance section of the MHLS Audit Balance Sheet.
- B. Costs of Funding Services and Operations - MHLS costs for all services, business operations and practices. For the purpose of calculating the total cost of services and operations, the following expenses are excluded⁸: (1) Library Grants including: Central Library Development Aid, Central Library Book Aid, Local Library Services Aid, and other similar library designated funds (e.g., town/county funds to member libraries); (2) Construction/Capital Projects.

V. Strategies and Procedures

- A. The Reserve Fund shall be accounted for separate and apart from the Board Designated Contingency Reserve Fund, the MHLS Capital Facilities Fund, and the MHLS Members Capital Fund.
- B. The MHLS Board of Trustees will have the responsibility for ensuring the management of Reserve Fund assets in compliance with the laws, rules, and regulations of the State of New York.
- C. The Reserve Fund goal will be to achieve and maintain no greater than eight (8) months plus an additional 20% (86%) of the Costs of Funding Services and Operations as defined in Section IV.

VI. Sources

Assets for the Reserve Fund may come from any MHLS revenues, as determined by the MHLS Board of Trustees, except the MHLS Members Capital Fund.

VII. Uses

- A. The Reserve Fund is used to fund MHLS expenses as identified in the MHLS Board approved budget and fiscal policies.
- B. The MHLS Board of Trustees may also designate the use of the Operating Reserve Fund to fund:
 - a) An increased allocation to a service(s), project(s), and/or operation/administration;

⁸ Restricted funds are passed through to members for designated services and not available for general MHLS use.

- b) Unexpected organization needs; and/or
- c) Needs resulting from an emergency and/or disaster.

VIII. Governance

The procedure for approving use of the Reserve Funds, will follow the *Procedures for Budget Adjustments* as adopted by the MHLS Board. These procedures include:

- A. Any single budget adjustment to revenue or expense in the amount of more than \$10,000 must be approved by the MHLS Board of Trustees.
- B. Any single budget adjustment to revenue or expense in the amount of \$10,000 or less may be made by the MHLS Executive Director with the consent of the MHLS Finance Manager.
- C. All adjustments to the budget will be reflected in the Monthly Financial Report provided to and approved by the MHLS Board of Trustees.

IX. Maintenance

- A. The status of the Reserve Fund will be calculated at the end of each fiscal year and at mid-year based upon the MHLS budget approved by the MHLS Board of Trustees.
- B. Annually, the MHLS Finance Committee will consider the adequacy of the Reserve Fund amount and will recommend to the MHLS Board any changes as deemed necessary.

X. Policy Review

This policy will be reviewed annually by the MHLS Finance Committee or sooner if conditions warrant. Any changes thereto will be forwarded by the MHLS Finance Committee to the MHLS Board of Trustees for consideration and action by the Board.

Employee Benefits Accrued Liability Reserve

Effective Date: 9/14/2021

I. Background

The Mid-Hudson Library System (MHLS) policy in the “Vacation Benefits” section of the employee handbook page 18 states that employees will be paid for unused vacation earned through the last day of work up to a maximum of twice the annual accrual rate of vacation. To guarantee payment of those accruals time, MHLS has decided to create a reserve. This reserve may only be used to pay for unused accumulated leave time contractually provided to certain groups of employees, normally upon retirement or separation. This typically includes payment for unused vacation pay.

II. Definition

“Employee benefits” for this purpose means the authorized “cash payment of the monetary value of accrued and accumulated but unused and unpaid sick leave, personal leave, holiday leave, vacation time, time allowances granted in lieu of overtime compensation and any other forms of payment for accrued but unliquidated time earned by municipal employees and payable to municipal employees upon termination of service, whether by retirement or otherwise ...” (GML Section 6-p[1][b]).

III. Policy

This reserve may be used when an employee separates from the System by resignation, retirement or dismissal and payment of accumulated leave is required. These transactions flow through the budget via a budget revision with the offsetting revenue coming from the reserve. The Finance Manager & Personnel Officer or designee will recommend to the Executive Director when reserve funds should be used. The Board will be made aware of the use of the reserve. The Finance Manager & Personnel Officer or designee will be the primary monitor of the reserve and will share information annually with the Executive Director and the Board.

IV. Source

This reserve should be funded up to a maximum of 100% of the accrued liability for unused accumulated leave time. This reserve is funded by budgetary appropriations and excess fund balance. The reserve may also be funded by transfers from other reserve funds as permitted by law, and such other funds as the board may legally appropriate.

V. Policy Review

This policy will be reviewed annually by the MHLS Finance Committee or sooner if conditions warrant. Any changes thereto will be forwarded by the MHLS Finance Committee to the MHLS Board of Trustees for consideration and action by the Board.

MHLS Purchasing Policy

Effective Date: 3/10/2011

Revised Date: 9/12/2018

It is the policy of the Mid-Hudson Library System (MHLS) to obtain the maximum value when purchasing goods and services required for the effective operation of the organization consistent with the provisions of this policy, the MHLS Environmental Sustainability Policy, standard business practices, and in accordance with applicable laws and statutes.

MHLS requires competitive bids for certain items and services to keep costs at a minimum; to give interested, qualified suppliers an equal opportunity to supply goods and services to MHLS; and, to guard against favoritism, improvidence, extravagance, fraud, and abuse. This policy sets forth the provisions to ensure compliance with applicable General Municipal Law and MHLS policies.

MHLS is a cooperative library system. It is neither a political subdivision of the State nor a district thereof and is not subject to General Municipal Law except when purchasing for a member library that must comply with New York State statutes.

No purchases of goods and services for MHLS may be made in a manner that violates this policy. Only the Executive Director or his/her designee may make purchases or commit to make purchases on behalf of the Mid-Hudson Library System. Thus, with the few exceptions set forth within, all purchases require advance planning and the preparation of a purchase order.

When MHLS executes procurement actions for itself or member libraries that are required to comply with New York State purchasing regulations, all purchasing actions will be in accordance with applicable General Municipal Law.

When MHLS executes procurement actions for itself or member libraries that are not required to comply with New York State purchasing regulations, MHLS local policies shall apply:

Public Works ¹	Up to \$35,000	Discretion of Executive Director/Designee
Public Works	Over \$35,000	Competitive bidding requirements ²
Other Purchases or Services	Up to \$20,000	Discretion of Executive Director/Designee
Other Purchases or Services	Over \$20,000 to \$49,999	Competitive bidding requirements ³

NYSED/ P-12/SOMS/Educational Management Services/District Management/Purchasing/Purchasing Handbook - Public works contracts apply to those items or projects involving labor or both materials and labor. The law does not cover professional service contracts such as for insurance, electricity, water, or services performed by engineers, architects, and attorneys.

<http://www.p12.nysed.gov/mgtserv/purchasing/handbook3.html>

² <https://www.osc.state.ny.us/localgov/training/modules/caplan/three/bids.htm>

³ Ibid.

For Public Works up to \$35,000 and Other Purchases or Services up to \$20,000:

- For all Public Works or Purchases/Services below \$2,500, quotes will be sought from at least two bidders. Quotes may be verbal and/or in writing. Quotes may be made without public advertisement. MHLS shall make an award based on the most responsible quote that is in the best interest of MHLS.
- For all Public Works or Purchases/Services more than \$2,500 and less than \$10,000, quotes will be sought from at least two bidders. Quotes will be in writing. Quotes may be made without public advertisement. MHLS shall make an award based on the most responsible quote that is in the best interest of MHLS.
- For all Public Works or Purchases/Services more than \$10,000 but below the public bidding limit, quotes will be sought from at least three bidders. Quotes will be in writing. Quotes may be made without public advertisement. MHLS shall make an award based on the most responsible quote that is in the best interest of MHLS.

Competitive bidding may not apply for:

- Purchases through New York State contracts
- Items to be purchased from a “sole source”
- Purchases or public works required in an emergency
- Professional services

Single and sole source purchases are allowed. Single source purchases are those in which other qualified sources may be available but competition would not be beneficial because of prior agreements or technical considerations. Sole source purchases are those in which there are no other qualified suppliers. In the absence of competition, reasonable attempts to negotiate fair and reasonable pricing are required.

Reasonable efforts will be made to ensure suppliers providing goods and services to MHLS are qualified and reputable. It is MHLS policy to purchase goods and services from qualified local sources when prices are fair and reasonable.

The Executive Director and the Finance Manager shall be responsible for establishing procedures that comply with the requirements of this policy and demonstrate efficient controls.

Reviewed: 8/17/2015
8/22/2016
8/30/2017
8/23/2018
9/14/2021