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### **Financial Management Policies**

It is the Board's responsibility to oversee the management of the Association's finances.

### **Purchasing and Bill Payment**

1. The Library Director is authorized to purchase items and services needed for the library provided these expenditures are within the scope of the annual budget.
2. Purchases in excess of \$2500 require bidding to multiple providers. If the lowest bid is not accepted, then the reasons for this must be documented.
3. The Library Director will open the bills and approve them. Those bills with questions will be set aside for further investigation.
4. Approved bills will be submitted to the Treasurer. The Treasurer will submit a list of pending bills to the board prior to the monthly meeting.
5. The Board of Directors will approve the pending bills for payment at the monthly meeting.
6. The Treasurer will pay the bills and the checks can be signed by either the Board President or Treasurer.

### **Bequests and Special Gifts**

Avon Free Library often receives bequests and gifts for the improvement and maintenance of the library. The board is authorized to determine the use of the bequests and gifts as stated below.

1. Restricted – Bequests or gifts with specific restriction(s) will be transferred to the Memorial Fund or will be expended according to the directions of the bequest or gift.
2. Unrestricted – Bequests or gifts without restrictions challenge the Board to balance both spending and saving, to balance the library's current needs with the obligation to preserve and improve the Investment Fund. When bequests and special gifts are received, the Board will review high priority recommendations for improving the building, furnishings, equipment or services to determine if any of these could serve as a fitting memorial to the donor and direct the money toward a project or to the Investment Fund. The Board will periodically review its handling of the unrestricted bequest to determine if an appropriate balance has been achieved.

### **Investment Fund**

The Avon Free Library maintains an Investment Fund to provide ongoing revenue and support for library operations. The Board of Trustees has direct responsibility for investment performance and expenditure of the Investment Fund. The Board believes this responsibility is best met by the employment of professional investment managers. The determination of the investment and strategy and selection of

securities should be the responsibility of the investment managers within the guidelines established by the Board.

The Board is responsible for:

1. Setting policy guidelines and investment objectives that will be reviewed on an annual basis.
2. Selecting a qualified investment manager(s) and accepting proposals of investment advice every 5 years beginning in 2013.
3. Maintaining regular communications with and receiving periodic reports from the investment managers.
4. Monitoring investments and investment performance to assure that the policy objectives are being met plus the safety and soundness of the fund are maintained.

The investment manager(s) satisfy their responsibilities by:

1. Managing the assets of the investment fund in accordance with the objectives and guidelines set forth in the policy. The manager(s) are responsible for optimizing the return on assets within the guidelines.
2. Communicating regularly, not less than annually, with the Trustees or Finance Committee of the Board on all significant matters pertaining to the investment fund. The Manager(s) will submit a formal report to the Board not less than annually and upon request.
3. Any variance from these policies must be approved by the Board of Trustees.

#### Investment Objectives

1. To optimize the total return on assets contained in the investment fund. Total return is defined as the interest and dividend income from investments plus appreciation of asset value.
2. To preserve principal value of the fund including appropriate adjustments for inflation.
3. To maintain overall diversification of the fund portfolio so that no single asset shall represent a disproportionate share of the whole.
4. Asset Allocation: The asset mix of the Investment Fund shall fall within the following ranges.

Cash/Cash Equivalents	0-30%
Fixed Income Securities	20-50%
Common Stocks	50-80%

Performance Objectives – Performance of the investment manager(s) should be in the first or second quartile of the respective index. (Prevailing treasury yields, Barclay's US Intermediate Government/corporate bond index, Standard & Poor's 500 composite index, MSCI EAFE index)

#### Restrictions

1. Trading on margin is prohibited.
2. Use of derivatives shall only be allowed upon specific written authority of the Board's Finance Committee and shall be limited to no more than 5% of the fixed income portfolio.
3. Only securities registered with the SEC under the Securities and Exchange Act of 1934 shall be maintained in the portfolio without the express written exception approved by the Board's finance committee. Such exception will be limited to no more than 5% of the aggregate value of the Investment Fund.

#### Expenditures

1. Annually the Board of Trustees may provide in its operating budget an amount needed for operations of the library. This amount shall be withdrawn and placed in the checkbook for library operations as needed during the year.
2. In the event of a financial emergency, the Board may elect to approve an emergency withdrawal from the Investment Fund.

### **Annual Budget**

The fiscal year for the Library will be January 1 through December 31. The Director and Finance Committee will submit an annual budget to the Board for review at the November meeting and for approval at the Board's December meeting.

### **Banking**

The Board will select a bank for the funds of the library. All deposits shall be insured to the maximum amount allowed by law. Checks and cash will be deposited at the bank in a timely manner with the minimum amount of cash retained for necessary day to day operations.

The Treasurer with oversight of the Finance Committee will maintain the necessary checking and savings accounts. The Treasurer and board president will be authorized signers on the accounts. Only one signature will be required to transact business.

The Treasurer is authorized to secure a credit card in the name of the library for the purpose of payment of ordinary business expenses as may be convenient for the director and authorized staff members. Authorized staff members and credit limits shall be recommended by the Director and reviewed by the finance committee. The Treasurer will review credit card charges monthly.

### **Petty Cash**

Petty Cash is available to the Director to purchase items that are needed immediately from a store that is the most cost effective source for them. Receipts will be turned into the Treasurer so that the funds may be accounted for properly.

### **Payroll**

The library will contract with a payroll company to prepare payroll and maintain appropriate payroll records. The Director will review and certify the payroll.

## **Audit**

The Finance committee will arrange for a professional annual review of the Library's financial records. It may schedule a formal audit, at the discretion of the board. It may conduct unannounced reviews of the specific accounts or moneys at its discretion.

Semi-annually the finance committee will audit the treasurer's books. They will pick a random month within the past 6 months and review the transactions for accuracy. The check book, bank account statements, receipts & invoices, plus the accounting transactions will be compared and reviewed.

## **Insurance**

The Avon Free Library will maintain all insurance policies required by law.

The Director will arrange a professional appraisal of the building and contents for insurance purposes every 5 years.

The Director and the Finance Committee will review every 3 years all insurance policies and assess the Library's risk coverage.

## **Contracts**

The Director and the Finance Committee will periodically request competitive bids or proposals from business providing services to the library. Proposals shall be obtained on periodic basis as follows or more often if economic conditions warrant.

Service	Period
Payroll	Annually at the discretion of the Director
Auditing	Annually
Insurance	Every 3 years
Investment Management	Every 5 years

The Director shall maintain a schedule of contract terms and renewal dates so the Finance Committee can conduct a review of expiring contracts and issue, receive, and analyze proposals from service providers prior to renewal of contracts.

The Director is authorized to sign contracts and other legal documents for the Board.

Approved by Board of Directors on August 27, 2012