

Wisconsin Valley Library Service

Finance Manual

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Purpose

The guidelines in this finance manual are designed to:

- Protect the assets of the System;
- Ensure the maintenance of accurate records of the System'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 procedures may only be made with the prior approval of the Board of Trustees. Changes or amendments to these procedures may be approved by the Board of Trustees at any time. A complete review of the WVLS Finance Manual every two years by the staff and Board of Trustees is recommended. All personnel with financial responsibilities are expected to be familiar with and operate within the parameters of these procedures.

Fraud Prevention

Fraud is defined as a wrongful or criminal deception intended to result in financial or personal gain. All fraudulent acts or related misconduct include, but are not limited to, such activities as:

- Embezzlement, theft, misappropriations 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 System, Libraries, other Public Library Systems, 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 or System 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.

Staff and Board of Trustees 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 staff or trustee who knows or suspects fraud or related misconduct shall report that to the President of the Board of Trustees or the System 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 WVLS policies and procedures. During or following the investigation, the Board of Trustees may choose to consult with legal counsel and take appropriate steps to minimize recurrence.

1. Structure

The Wisconsin Valley Library Service (WVLS) is a multi-county federated public library system in Central Wisconsin that encompasses Clark, Forest, Langlade, Lincoln, Marathon, and Taylor Counties. WVLS is headed by a Director that reports to the Board of Trustees.

2. Function

WVLS operates independently from counties and local municipalities with respect to financial matters and legal status. WVLS is classified as a local government for the purposes of intergovernmental relations and participation in the Wisconsin Retirement System (WRS). WVLS is responsible for its deposits, payments, payroll, and employee benefits, as well as long-term financial planning. WVLS financials are audited annually by an independent third-party accounting firm.

3. Cash-Flow Accounts

3.1. People's State Bank

WVLS maintains a checking account with People's State Bank. This account is utilized as the primary account for all library system payroll, check, and electronic payments.

WVLS also maintains a money market account with People's State Bank. This account is the primary location for the Wessler Trust funds.

The checking and money market accounts house the Wessler Scholarship and Wessler investment respectively.

3.2. Associated Bank

WVLS maintains a money market account with Associated Bank. This account is used for the primary purpose of library system state aid and LSTA grant deposits.

WVLS also has system-issued credit cards with Associated Bank.

3.3. Co-Vantage Credit Union

WVLS maintains a savings account with Co-Vantage Credit Union. This account is used for the purpose of maintaining use of a credit card for the LEAN WI partnership.

3.4. PayPal Account

WVLS maintains a PayPal account. The primary purpose of this account is to collect payments made by library users for overdue fines and lost/damaged items. The

Business Manager tracks and allocates these payments to appropriate member libraries. WVLS shall reimburse the member libraries semiannually.

4. Investment Accounts

WVLS maintains several investment accounts in the form of certificates of deposit with area banks. The primary purpose of these accounts is to have higher interest-bearing accounts for funds in excess of cash flow needs. These accounts are reviewed upon maturity to determine if the funds are needed in a more liquid account.

5. Bank Account Reconciliation

- 5.1. WVLS checking and money market accounts are reconciled monthly by the Business Manager. Account statements are compared to the bank register in QuickBooks and reviewed to ensure accuracy.
- 5.2. Bank Reconciliations are reviewed and approved by the Board Treasurer.
- 5.3. Copies of all monthly check reconciliations containing all relevant documentation are maintained by the Business Manager and shared with an independent third-party accounting firm as part of the annual audit.

6. Budget

Per Wis. Stats. 43.17(3), the WVLS fiscal year is January - December.

The WVLS annual budget process typically starts in July. The budget for the upcoming year is prepared by the Business Manager and the Director with input from staff and the Board of Trustees, WVLS Library Advisory Committee and member libraries. The Board of Trustees shall approve the budget in September. Once approved, the anticipated revenues and expenditures budget for the for the upcoming year is submitted to the WI Dept. of Public Instruction by its deadline in October.

6.1. State Aid

Most of the operating expenses of WVLS are funded by state aid. State aid levels are set every two years by the Wisconsin Legislature as part of its biennial budget process and disbursed to library systems by the WI Dept. of Public Instruction in two annual payments.

According to Wis. Stats. 43.24(3), WVLS shall receive 75 percent of appropriation before December 1 immediately preceding the year for which aids are to be paid. On or before July 1 of the current year, WVLS shall receive the remaining 25 percent of the appropriation.

6.2. County Funding

Member counties - Clark, Forest, Langlade, Lincoln, Marathon, Oneida, and Taylor - are invoiced annually as part of their membership in the system. Invoices are prepared by the Business Manager and sent to the clerks in each member county in March. Wis. Stats. 43.11(3) and 43.13(1) indicate that counties included in systems must provide adequate funds to implement their county plans. Some county plans include financial support of system services. Some systems retain county funds for internal projects (as does WVLS), some earmark them for specific services. The Board of Trustees decides the county appropriation each year as part of the budget process. This fee has remained flat for several years due to the challenges of some of our counties to fully reimburse their home libraries for the services they provide to the county's nonresidents. The amounts assessed to each has been based on a formula that includes three factors: county population, the latest equalized full value of all real and personal property of each county; and the latest total corporate and individual income taxes paid from each county to the State of Wisconsin. Updates to the formula and amounts assessed to WVLS counties are updated when the system aid formula is updated.

6.3. Grants

WVLS routinely participates in Federal and local grant programs. Grant transactions are itemized in WVLS Financials Reports and reported in the WVLS Budget when appropriate.

The grant funds will be used exclusively for the purposes specified on grant documentation provided by the WI Dept. of Public Instruction or other funding source/s.

6.4. Funds for Designated Purposes

An important role of WVLS is serving as the fiscal agent for cooperative purchasing activities on behalf of member libraries and public library systems. Examples include bulk purchases of computers and equipment, library automation software, software licensing, and digital resources. The cooperative nature of purchasing results in significant savings and economies of scale for participating member libraries and library systems. Upon approval by participating library boards of trustees and collaborating public library systems, funds are generally committed for a specific purpose, and are not used for system operating expenses.

6.5. Pass-Through Funds

WVLS maintains pass through expenditure and revenue accounts to record the purchase of items or services made on behalf of public libraries and public library systems that in turn are invoiced out.

7. Preparation of Annual Budgets

Annual budget spreadsheets are prepared by the Business Manager, Director, ILS Administrator, CIO, and Administrative Assistant. A draft budget of anticipated revenues and expenditures for the upcoming year is presented to the Board of Trustees and Library Advisory Committee in August. A final budget is submitted to the Board for approval in September.

8. Budget Revisions

Periodic budget revisions may be prepared and presented for approval by the Board of Trustees as determined by the Director.

9. Unspent Funds

The chief purpose of public library systems in Wisconsin is to utilize state aid to provide regional services that benefit member libraries and library users throughout the system area. Therefore, it is the policy of the system that unspent funds will be committed for specific purposes upon the close of each budget year.

9.1. Reserves

The purpose of the reserves funds is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The WVLS has two operational reserve funds that will be maintained at 10-20% of state aid. **See Appendix A, WVLS Reserve Funds Policy.**

9.2. Special Projects

The purpose of special project funds is to support projects as identified by the Director and approved by the Board of Trustees. Examples of projects include WVLS Library Legislative Day Grants, Summer Library Program Performer Grants, WVLS Innovation/Collaboration Grants and other one-time projects related to WVLS's mission and goals.

9.3. Encumbrances

Also known as pre-expenditures funds, encumbrances act as a reserve fund to account for expenditures beyond the approved budget. Examples of accounts that are frequently on the annual list of encumbrances include special projects, payroll liabilities, library materials and staff travel.

An annual encumbrance list of accounts and account balances is developed by the Business Manager and the Director and presented to the Board of Trustees in February.

9.4. COLA Funding Adjustments

To maintain quality staff and competitive wages, a Cost-of-Living Adjustment (COLA) for staff, a recommended rate increase is prepared by the Director and presented to the Board of Trustees during its first meeting of the year.

10. Equipment and Furniture Inventory

10.1. Equipment and Furniture

An inventory of WVLS and LEAN WI-owned equipment and furniture with values exceeding \$500 is maintained by the Business Manager. This inventory list is updated annually to record each item's date of purchase, cost, location, and date of removal.

10.2. Supplies and Other Outlay Items

An inventory of WVLS-owned supplies and Outlay items with values less than \$500 is maintained by the Administrative Assistant. This inventory list is updated annually to record each item's date of purchase, cost, location, and date of removal.

10.3. Inventory lists may be shared upon request with an independent third-party accounting firm as part of the annual audit.

11. Audit

The WVLS financial statements are audited annually as required by the WI Dept. of Public Instruction.

11.1. Auditors

Audits are performed by an independent third-party accounting firm approved by the Board of Trustees.

11.2. Audit Process

The audit of WVLS's financial records is usually conducted in April.

All audit preparation and contact with an independent third-party accounting firm is handled by the Business Manager.

Auditors request a wide range of documentation from WVLS. This documentation typically includes check registers, bank statements, payroll reports, receivables backup, payables backup, documentation of checks paid in the audited year, health insurance documentation, board meeting agendas and minutes, WVLS financial reports, sick leave

and vacation schedules, an inventory of assets and a random selection of check disbursement backup.

The annual audit report of WVLS financial records is shared with the Board of Trustees and approved in May. A digital copy of the board-approved audit is then submitted to the WI Dept. of Public Instruction and is included in the audit of its records.

12. Segregation of Fiscal Duties and Internal Controls

WVLS ensures that no staff member performs all key aspects of a transaction or financial event. Assigning 4-5 staff with financial aspects of the operation, and broadly segregating financial reporting helps detect errors in a timely manner and deters improper activities. Internal controls instituted by staff assist the Board of Trustees with maintaining adequate fiscal oversight of the expenditure of funds. **See Appendix B, WVLS Segregation of Duties Chart.**

13. Chart of Accounts

13.1. Purpose

The purpose of the chart of accounts is to maintain accurate records and reporting of revenues and expenses using Generally Accepted Accounting Procedures (GAAP) as dictated by the WI Dept. of Public Instruction, and an independent third-party auditor WVLS selects to perform its annual audit of financial records.

13.2. Maintenance

The chart of accounts is maintained by the Business Manager. New accounts are created as needed. All accounts are reviewed annually for inactivity. Any accounts that have gone two years with no activity are made inactive. **See Appendix C, WVLS Chart of Accounts.**

14. Accounts Receivable

14.1. Invoices

Invoices are prepared by the Business Manager, and tracked by the Director, Administrative Assistant, ILS Administrator, Database and ILS Support Specialist and CIO. Invoices are sent out as needed. Copies of invoices are available through the accounting software used by WVLS.

14.2. Cash

All cash monies received are recorded by the Administrative Assistant prior to being passed on to the Business Manager.

14.3. Deposits

Cash deposits are done on an as-needed basis by the Business Manager. These deposits contain any coin, paper cash, or checks that are owed to WVLS.

14.4. Deposit Entry

All monies deposited into WVLS financial institutions are entered into the appropriate accounts in the accounting software used by WVLS by the Business Manager.

15. Purchasing

15.1. Purchase decisions are made within the constraints of the annual WVLS budget and plan.

15.2. Purchasing decisions are made by project managers with oversight from the Business Manager and Director.

15.3. Purchases for items not itemized in WVLS budget accounts may not be made without prior approval from the Director.

16. Accounts Payable

16.1. Overview

The payment of invoices is conducted by the Business Manager and is usually done on a bi-weekly basis. All printed checks require two hand-signed signatures. The Director and the Board Treasurer, and one other staff member (not the Business Manager) are authorized to sign checks. Invoices are paid within 30 days of when they are due.

16.2. Authorized Signers on Checks and Financial Accounts

When a new Board Treasurer is appointed, bank signers on file with financial institutions need to be updated. The Director and new Board Treasurer shall visit the appropriate financial institutions to establish them as an authorized signer on WVLS bank account(s).

In the event the Board Treasurer or Director is not available to sign checks during the week of a bill run, the Database and ILS Support Specialist has authority to sign checks. If the Board Treasurer is not available to sign checks, they are given a check detail report to review and sign the next time they are in the office.

16.3. Invoice Receipt and Entry

Prior to payment, invoices are inspected by the Business Manager and coded to the appropriate account/s. Any additional information or documentation needed to complete a voucher for payment may be requested from staff that requested the item or the vendor requesting payment.

16.4. Bill Runs

When the batch of invoices to be paid in a bill run are accurate, the Business Manager enters invoice information into the accounting software used by WVLS, prints physical checks, and runs payment vouchers and other bill run reports.

The Board Treasurer is then contacted to set up a time to review invoices and to sign checks. Once signed, the checks and payment vouchers are forwarded to the Director for their review and signature.

Payments are then sorted, sealed, and mailed by the Business Manager. Copies of checks and vouchers with backup are then scanned and filed. The supply of blank checks is monitored by the Business Manager and replenished as necessary with approval from the Director.

16.5. Electronic Transfers

To expedite the payment of invoices, funds from WVLS financial accounts may occasionally be deposited to a vendor or third party's financial account. Examples of transactions that are conducted by the electronic transfer of funds include:

- Bi-weekly payroll for employees and payroll processing
- Bi-weekly payroll tax payments on behalf of WVLS and employees
- Other bi-weekly payroll liabilities (WI Deferred Compensation Program, Flexible Spending Accounts, etc.)
- Monthly health and dental insurance, and WI Retirement payments on behalf of WVLS and employees

16.6. Petty Cash

A petty cash lock box totaling no more than \$100 is maintained by the Business Manager and Administrative Assistant. The lock box is kept in a locked cabinet when not in use.

16.7. Reimbursement of Employee Expenses

WVLS reimburses employees for certain expenses related to the performance of duties including mileage, lodging, meals, and continuing education registration fees. Any

reimbursements of employee expenses are subject to the conditions outlined in the WVLS Travel Reimbursement Policy. **See Appendix D, WVLS Travel and Reimbursement Policy and Request for Reimbursement Form.**

16.8. Credit Cards

Upon approval by the Director, an employee may receive a system issued credit card in his/her name for the purpose of purchasing authorized work-related goods or services. Credit card statements are reviewed monthly by the Business Manager, Director, and Board Treasurer. Credit card transactions are reported in monthly finance reports reviewed by the Board of Trustees. Usage of WVLS-issued credit cards is subject to the WVLS Credit Card Policy. **See Appendix E, WVLS Credit Card Policy.**

17. Payroll

17.1. Overview

The WVLS work week is Sunday through Saturday.

All employees, regardless of exemption status, are required to log all paid and unpaid time off. All employees are paid bi-weekly on the Friday following a completed pay period.

In the event a pay date falls on a bank holiday, employees will be paid the day prior to the holiday. All employees are required to have a direct deposit account set up for payroll purposes.

17.2. Payroll Procedure

Payroll is typically processed every two weeks on the Monday following a completed 2-week pay period, and 4 workdays prior to the payroll deposit date. Employees' timesheets may not be changed after 9:00 a.m. on the Monday when a payroll is being processed.

Completed timesheets and payroll data are reviewed by the Business Manager and Director for accuracy. Payroll information is entered into the accounting software used by WVLS and into the direct deposit portal of the financial institution selected by WVLS for this purpose, by the Business Manager.

17.3. Quarterly Reports

Employers quarterly federal tax returns (Form 941) and WI contribution report (UC-101) are completed by the Business Manager and submitted to the appropriate agencies.

Copies of these reports are shared with an independent third-party accounting firm as part of the annual audit of WVLS financial records.

18. End-of-Month Accounting Procedures

18.1. Overview

At the end of each month, the Business Manager and Director shall prepare all required financial statements and reports.

18.2. Journal Entries

Once all financial activity for the month has been completed, all regular and any needed corrective journal entries will be made by the Business Manager. Once completed, journal entries are shared with the Board Treasurer and the Director for review and approval.

18.3. Monthly Financial Reports

After journal entries are completed, month-end reports are completed by the Business Manager, Director, ILS Administrator and CIO. Monthly reports, including Bills for Approval, Schedule of Receipts, Budget Reports and General Ledger Balances, are reconciled for accuracy.

WVLS monthly reports are shared with the Board of Trustees and require their approval.

Should adjustments to accounts be necessary after financials for the month are closed, the Business Manager will make general journal entries to correct account balances. A general journal entries adjustment report will be shared with the Board Treasurer and Director and future financial reports that are shared with the Board of Trustees will reflect these transactions.

19. End-of-Year Accounting Procedures

19.1. Overview

The WVLS fiscal year is from January 1 through December 31. Once all financial activities have been completed for the fiscal year, the year can be closed, and the next fiscal year can be opened.

19.2. Payroll

Federal tax forms W-3 and W-2's, State Tax Withholding form WT-7, ETF Annual Retirement Reconciliation Report are completed by the Business Manager and submitted to the appropriate agencies.

These reports are shared with an independent third-party accounting firm as part of the annual audit of WVLS financial records.

19.3. Accounts Receivable

A year-end review is conducted to determine if there are any uninvoiced receivables. Corrections are made (if any).

19.4. Accounts Payable

A year-end review is conducted to determine if there are any unreceived payables. Corrections are made (if any).

Federal Form 1096 and 1099-MISC are generated by the Business Manager and sent to appropriate agencies and unincorporated businesses or taxpayers who received at least \$600 or more in non-employment income during the year.

19.5. General Journal Entries

Most year-end journal entries are entered in January after the year has been closed. The chart of accounts is reviewed for discrepancies and corrections are made (if any).

Similar to what is done when corrections need to be made to monthly financial reports after a month is closed, the Business Manager will make general journal entries to correct account balances. A general journal entries adjustment report will be shared with the Board Treasurer and Director and revised financial reports that reflect these transactions will be shared with the Board of Trustees.

20. WVLS Annual Report

The WVLS Annual Report is intended to provide a general description of the system and the services it provided during the report year. According to Wis. Stat. 43.17 (5), WVLS is required to complete an annual report and file it with the WI Depart. of Public Instruction by March 31 each year. Library system annual report data is used to check member library annual reports, compile state statistics, and determine system funding levels as required in the state budget process.

20.1. Section V. Public Library System Income of the WVLS annual report is completed by the Administrative Assistant. Information to complete this section of the annual report is

derived from reports generated by the accounting software used by WVLS, monthly bank statements, and monthly financial reports and WVLS Treasurer's Report shared with the Board of Trustees.

- 20.2. Section VI. Public Library System Expenditures of the WVLS annual report is completed by the Administrative Assistant and Business Manager. Information to complete this section of the annual report is derived from reports generated by the accounting software used by WVLS. Data in this section is reconciled with data in section X. Public Library System Annual Program Expenditures and the Treasurer's Report.
- 20.3. Section X. Public Library System Annual Program Expenditures of the WVLS annual report is completed by the Business Manager. Information to complete this section of the annual report is derived from reports generated by the accounting software used by WVLS. Data in this section is reconciled with section VI. Public Library System Expenditures and the Treasurer's Report.
- 20.3. If WVLS received funds from or pays funds to public libraries or other systems, a listing of these transactions by library or system must be included with the system annual report. Reports of these transactions are generated by the accounting software used by WVLS, reviewed by the Administrative Assistant, and further verified by the Business Manager.

21. Storage of Financial Information

21.1 Overview

WVLS financial records are maintained in accordance with the General Records Schedule in Wisconsin's Public Libraries and Public Library Systems and Related Records that was approved by the Public Records Board (June 2017) and Board of Trustees (May 2019). See **Exhibit F, Notification of General Records Schedule Adoption** that was submitted to the Wisconsin Historical Society and Public Records Board.

21.2 Record Retention Processes

All WVLS records for the preceding year are maintained until completion of the audit of WVLS financial records for that year.

Records that are to be maintained for a year or longer are scanned by the Business Manager or Administrative Assistant and stored on a drive on the WVLS network.

Records to be deleted are shredded by the Business Manager or Administrative Assistant.

21.3 Backup of Financial Software Transactions

A backup of the financial software used by WVLS is conducted weekly and archived on the WVLS network.

22. Revision History

Draft Presented to Board of Trustees; March 16, 2024

Adopted:

Revised:

DRAFT