

5 - Financial Management

Adequate financial support is necessary to operate the Palatine Public Library District (District) and to provide a quality program of service. Sound budgeting, accounting, and reporting procedures contribute to the effective use of District funds.

Efficient methods of business management and effective controls are employed by the Director for business practices and support services. Complete and accurate records of all transactions are kept for audit purposes.

5-1 Budget and Appropriation Ordinance

The Board of Library Trustees (Board) will, within the first quarter of each fiscal year (July 1-June 30), and no later than the fourth Tuesday of September, prepare and enact a budget and appropriation ordinance pursuant to the provisions of the Illinois Public Library District Act (75 ILCS 16/30-85).

A certified copy of such ordinance will be published once, and the Board will then ascertain the total amount of the appropriation made for all purposes permitted by this Act, and the total amount of moneys necessary to be raised therefore. The Secretary files a certified copy of the Budget and Appropriation Ordinance with the County Clerk within 30 days of its adoption (along with the Treasurer's Estimate of Revenues).

By the first Tuesday in December, after publication of the appropriation ordinance, the Board will enact a levy ordinance incorporating the appropriation ordinance by reference, and will levy not to exceed the total amount of such appropriation, taking into consideration moneys to be raised from other than tax sources, upon all property subject to taxation within the Library District as that property is assessed and equalized for state and county purposes for that year.

The Secretary will file, on or before the last Tuesday in December, a certified copy of each levy ordinance with the County Clerk of each county affected by the levy.

The Secretary will also file, on or before the last Tuesday of December, certified copies of the appropriation and levy ordinances with the library or libraries operated by the District and make such available to public inspection at all times. (4-9-86, revised 10-11-95, revised 12-9-09; revised 7-11-12, effective 7-11-12; reapproved 10-8-14; reapproved 12-14-16)

5-2 Working Budget

The Director presents a working budget for approval by the Board. This budget clearly identifies each category to support the amount requested. Managers submit requests to the Director for consideration and possible inclusion in the working budget. The Board may transfer funds in the established working budget from one line item to another. (4-9-86, revised 10-11-95, reapproved 12-9-09; revised 7-11-12, effective 7-11-12; reapproved 10-8-14; reapproved 12-14-16)

5-3 Tax Revenues

The proceeds of all taxes collected for District purposes, and all other moneys belonging to the District, are deposited with the Treasurer of the District and kept by him/her in separate funds. The Treasurer will establish a library fund and one or more such separate funds as he/she deems necessary and as may be required by law, but no part of any such fund or funds may be expended by him/her except upon warrants certified as correct by the Director and approved by the Board.

Funds involved in accumulations as herein provided, or donations to the District, may be kept in separate and interest bearing accounts in one or more banks or savings and loan associations in which public funds may be deposited, or invested as provided by law. (4-9-86, revised 10-11-95, reapproved 12-9-09; revised 7-11-12, effective 7-11-12; reapproved 10-8-14; reapproved 12-14-16)

5-4 Operating Fund Balance

The District maintains adequate fund balances for operational purposes in order to provide residents throughout the service area with continuous, sustained library service.

Funds are held in reserve to avoid, insofar as possible, the need for short-term borrowing due to the known unpredictability of the timing of receipt of funds. Tax levy payouts typically begin no sooner than the third month of the fiscal year and have begun as late as the fifth month of the fiscal year.

The Board will seek to retain a reserve balance in the operating fund equal to an amount needed to continue library operations for a period of six months. At the end of each fiscal year (June 30th), the Director will project the minimum amount needed to operate the library for a six-month period and an assessment of the fund balance will be made at that time.

If the operating fund balance falls below the amount needed to operate the library for six months, any unexpended balance of the proceeds received from the previous fiscal year's public library taxes up to the amount needed to reach the six-month operating figure will generally remain in the operating fund balance. Any additional amount of unexpended funds from the previous fiscal year may be transferred to the Library's special reserve fund. The Board will consider any anticipated need for capital expenditures in the upcoming fiscal year when making a decision about retaining funds in the operating fund balance or transferring allowable funds to the special reserve fund (75 ILCS 16/40-50).

In any case of reduction in the amount of funding available to the Library, funds will be allocated to cover operational expenses in order to make every attempt to fulfill the Library's mission as stated in the Board-adopted Mission Statement. While the Library seeks to maintain a six-month or greater operating fund balance, unforeseeable expense increases may prevent attainment of that goal.

The Library makes information pertaining to budget establishment and management available to the public and posts the Library's working budget online. (approved 11-12-08, reapproved 12-9-09; revised 7-11-12, effective 7-11-12; reapproved 10-8-14; reapproved 12-14-16)

5-5 Grants

Upon receipt, grant funds will be deposited in an approved financial institution. When appropriate, separate accounts for grants will be maintained. Disposal of items purchased with grant funds is subject to the specific grant provisions as well as to the provisions of the Library District Act (75 ILCS 16/30-55.32) relating to the sale or disposition of library property. (4-9-86, revised 12-9-09, reapproved 7-11-12; reapproved 10-8-14; reapproved 12-14-16)

5-6 Gifts, Memorials, and Bequests

The District may, by action of the Board, accept gifts, grants, donations, memorials, bequests, and titles to property. Only those gifts that the Board, with advice from the Director, deems consistent with the policies, programs, and interests of the District, and with applicable laws and statutes, will be accepted.

The responsibility for the selection of memorial materials rests with the Director following consultation with the donor. Memorial plates may be attached to items, or suitably displayed.

The Board, with advice from the Director and Staff, reserves the right to use any unrestricted donation received by the District in any manner it deems appropriate. Unless a donor requests anonymity, names of donors may be publicized.

Once accepted, donations are the property of the Palatine Public Library District.

The District may replace any donation with an in-kind item or may dispose of any donation at any time it no longer remains consistent with policies, programs and interests of the District. (4-9-86, revised 10-11-95, revised 9-10-08, revised 12-9-09; reapproved 7-11-12; reapproved 10-8-14; reapproved 12-14-16)

5-7 Investments

5-7.1.0 Investment Policy

Under this instrument, the Palatine Public Library District's Investment Policy, it is the policy of the District to invest all funds under the District's control in a manner which will provide the highest investment return using authorized instruments, while meeting the District's daily cash flow demands and in conformance with all State statutes governing the investment of public funds.

This Policy applies to all investments entered into on or after the effective date of this instrument. Until the expiration of investments made prior to the effective date of this Policy, such investments will continue to be governed by the policies in effect at the time such investments were made.

5-7.2.0 Investment Guidelines

The primary objective in the investment of District funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the District, and providing the highest investment return using authorized instruments.

5-7.2.1 Safety

The safety of principal is the foremost objective of the investment program. District investments will be undertaken in a manner which seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification, as defined in Section 5-7.9.0 of this Policy, is required to ensure that the District prudently manages market, interest rate and credit risk.

5-7.2.2 Liquidity

The investment portfolio must remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably projected.

5-7.2.3 Return on Investment

The investment portfolio will be designed to obtain the highest available return, taking into account the District's investment risk constraints and cash flow needs and the District's desire to promote fiscal responsibility. The portfolio will be structured to obtain the highest investment return using authorized investments during budgetary and economic cycles as mandated in Section 5-7.1.0 of the Investment Policy.

The rate of return achieved on the District's portfolio will be measured against relevant industry benchmarks at regular intervals to determine the effectiveness of investment decisions in meeting investment goals.

5-7.2.4 Periodic Review of Investment Portfolio

The Treasurer will make a periodic review, not less frequently than monthly of the District's investment portfolio, its effectiveness in meeting the District's needs for safety, liquidity, rate of return, and diversification, and the general performance of such portfolio. The Finance Manager will report to the Director on an as needed basis, and will report to the Board at least monthly.

5-7.3.0 Prudence

Investments are made with the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived. This "prudent person" standard will be used by all investment officers of the District and will be followed in making investments for the District and in managing those investments.

5-7.4.0 Ethics and Conflicts of Interest

Authorized investment officers of the District and employees in policy-making positions must not engage in personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals must disclose to the District any

material financial interests in financial institutions which conduct business with the District, and they must further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals must subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales. In any case, the Public Officer Prohibited Activities Act (50 ILCS 105 3 (a)) must be followed.

No person acting as Treasurer or financial officer for the District, or who is employed in any similar capacity by or for the District, may do any of the following:

- 1) have any interest, directly or indirectly, in any investments in which the District is authorized to invest.
- 2) have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
- 3) receive, in any manner, compensation of any kind from any investments in which the District is authorized to invest.

5-7.5.0 Authorized Broker/Dealers and Financial Institutions

The District Board has the sole responsibility to select which financial institutions (Illinois Funds, banks, savings & loan, credit unions, and other non-banks) will be depositories for the District. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this policy, may request to become a depository for District funds. The District will take into consideration security, size, location, financial condition, service fees, competitiveness, and the community relations involvement of the financial institution when choosing depositories along with any additional requirements of the Public Funds Investment Act (30 ILCS 235/6).

5-7.6.0 Authorized and Suitable Investments

As of the effective date of this Policy, the list of authorized investments will include all those as authorized by Section 2 of the Public Funds Investment Act (30 ILCS 235/2).

5-7.7.0 Investment Restrictions

- 1) Authorized investment officers must not invest in tri-party repurchase agreements or derivative products, and will not leverage assets through reverse repurchase agreements.
- 2) Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, the District will not purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of the District unless the instruments and the transaction meet the requirements of Section 2(h) of the Public Funds Investment Act (30 ILCS 235/2(h)).
- 3) Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the District's established standards, which will include a mutual execution of a Master Repurchase Agreement adopted by the District.

5-7.8.0 Collateralization

Collateralization will be required above depository insured amounts on two types of District investments:

- 1) Deposit Collateralization: Collateral securities approved by the District with a market value equal to at least 110% of deposits in excess of \$250,000 (or the maximum amount insured by the FDIC) per institution will be required. The collateral will be marked to market and adjusted, if necessary, to the 110% level on at least a weekly basis. Insured certificates of deposit, share certificates, surety bonds and letters of credit with a value of at least 102% of deposits in excess of \$250,000 (or the maximum amount insured by the FDIC) per institution will be required.
- 2) Repurchase Agreement Collateralization: Direct treasury securities with a market value equal to at least 102% of the value of the repurchase agreement will be maintained at all times. Repurchase agreement collateral will be marked to market at the time of execution and daily thereafter.

5-7.9.0 Diversification

The investment portfolio will be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of District assets, the portfolio will not

exceed the following diversification limits unless specifically authorized by the District:

- 1) The District will seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers;
- 2) The investment portfolio will not hold timed deposits constituting more than 10% of any single financial institution's total deposits;
- 3) No investment category will exceed 40% of the District's portfolio, with the exception of cash equivalents and treasury securities as defined in Section 5.0 of this Policy; and
- 4) The District will invest the majority of District funds in authorized investments of less than one year maturity. No investment will exceed two years maturity.

5-7.10.0 Safekeeping and Custody

Third party safekeeping is required for all collateral. To accomplish this, collateral will be held at a safekeeping depository as approved by the Board. Safekeeping will be documented by an approved written agreement. Substitution exchange or release of securities held in safekeeping may be done upon two days prior written notice to the Treasurer. When collateral is extended, the Treasurer will receive a copy of the financial institution's board minutes, indicating the Board of Directors' approval as well as records and agreements documenting the nature of the collateralization.

5-7.11.0 Internal Controls

The Treasurer along with the Director and Finance Manager will establish internal controls, which will be documented in writing and filed with the Board for review. The controls will be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by Trustees, staff, or authorized investment advisors.

5-7.11.1 Asset Allocation

The allocation of assets within investment categories authorized under Section 5-7.5.0 of the Investment Policy will be approved by the Board of Library Trustees.

5-7.11.2 Competitive Bidding

Authorized Trustees and staff will obtain competitive bids from at least three (3) broker/dealers prior to executing the purchase or sale of any authorized investments.

Certificates of deposit will be purchased by authorized Trustees and staff on the basis of a qualified financial institution's ability to pay a required rate of interest to the District set on a daily basis. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

5-7.12.0 Limitation of Liability

The standard of prudence to be used by authorized investment officers will be the "prudent person" standard as stated in Section 5-7.3.0 above, and will be applied in the context of managing an overall portfolio. Authorized Trustees and Staff acting in accordance with written procedures and this Policy and exercising due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and necessary action is taken to control adverse developments.

5-7.13.0 Reporting

All investment transactions are recorded by the Finance Manager. A report will be generated, at least monthly, listing all active investments, location of investments, maturity of investments, interest rate, and other pertinent information deemed necessary and reviewed by the Treasurer. This report will be submitted monthly to the Board.

5-7.14.0 Delegation of Authority

The Board may employ one or more investment advisor(s) possessing superior capabilities in the management of assets of governmental bodies. The Board will require the investment advisor(s) selected and working on behalf of the District to meet the following conditions:

- 1) To take actions in the exercise of its discretion which in its best professional judgment are in the best interests of the District and in accordance with this policy. Such actions include but are not limited to (a) the allocation of District funds among alternative types of investments; (b) specific investment opportunities regarding the acquisition, retention, or disposition of investments; and (c) the recommendation of the addition, deletion, or modification of authorized investments.

- 2) To execute all investment transactions on behalf of the District at the best net price, utilizing such approved brokers and dealers as it deems appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy, at the lowest cost to the District.
- 3) Such additional responsibilities as are set forth in such investment advisor's written contract with the District.

The District's investment advisor(s) will be responsible for establishing the internal controls in written procedures for the operation of the District's investment program as set forth in this Policy.

In the absence of a contracted investment advisor, the Board retains responsibility for the implementation of the investment program set forth in the Investment Policy.

5-7.15.0 Reservation of Rights

The District reserves the right to amend this Policy at any time upon the advice and consent of its Board.

(Section 5-7 Adopted 12-12-73; revised 12-8-99, revised 12-9-09; revised 7-11-12, effective 7-11-12; revised 10-8-14, effective 10-8-14; reapproved 12-14-16)

5-8 Sale of Real and Personal Property

The Board is empowered to sell or otherwise dispose of real or personal property deemed no longer necessary or useful for Library District purposes under such terms as the Board deems best but in no event on contracts extending over a period of more than 20 years (75 ILCS 16/30-55.30). The Board may lease to others any real property not immediately useful to the District for which plans for ultimate use have been adopted.

Such property may be sold or disposed of at a public sale as follows:

- 1) Personal property having a value of \$1,000 or less may be disposed of by the Director.
- 2) Personal property having a unit value of more than \$1,000 but less than \$2,500 may be displayed on the Library's website and/or at the Library and a public notice of its availability and the date and the terms of the proposed sale will be posted.

- 3) In all other cases, the Board will publish public notice of the availability and location of the real or personal property and the date and the terms of the proposed sale, giving the notice once each week for 2 successive weeks.
- 4) On the day of the sale, the Board will proceed with the sale and may sell the property for a price determined by the Board, or to the highest bidder.
- 5) Where the Board deems the bids inadequate, it may reject the bids and re-advertise the sale.

(75 ILCS 16/30.55.32)

(4-9-86, revised 10-11-95, revised 12-9-09; revised 7-11-12, effective 7-11-12; reapproved 10-8-14; revised 12-14-16, effective 1-1-17)

5-9 Expenditures

The Board will abide by all laws and regulations relating to purchases by the Library District. The purchases of goods and services will be accomplished in accordance with sound business practices.

The Board has the exclusive control of the expenditures of all Library District funds. Procedures for expenditures are as follows:

- 1) Funds may be disbursed for goods and services by check.
- 2) All outstanding bills must be checked by a member of the Board prior to the meeting at which the bills are presented for payment.
- 3) A warrant of bills and salaries to be paid is prepared by the Business Office for each monthly period.
- 4) Such warrant will be presented to the Board at its next regularly scheduled meeting.
- 5) If a regular Board meeting is postponed beyond the second Wednesday of any month or if early approval of any payments becomes necessary, checks may be disbursed if authorized by two Trustees, without prior approval of the warrant by the Board. If a delay in disbursing a check may result in an additional charge or fee, that check may be authorized by two Trustees without prior approval of the warrant by the Board. Any such payment or purchase will be ratified and confirmed by the Board at its next

regular or special meeting. (4-9-86; rev. 7-1-94, 11-10-95, 1/14/04, reapproved 12-9-09; revised 7-11-12, effective 7-11-12; reapproved 10-8-14)

- 6) The Director is authorized to make purchases deemed necessary by him/her for the fluent operation of the District. The Director is authorized to hire/purchase any goods and/or services needed to resolve an emergency (anything of a life threatening nature, anything which requires immediate repair, anything which would bring considerable expense if delayed). Any such hire/purchase will be ratified and confirmed by the Board at its next regular or special meeting. Should the expenditure NOT be an emergency or not be included in the approved budget, then the proposed purchase will be presented to the Board for approval. (Revised 7-11-12, effective 7-11-12)
- 7) The Director will establish all staff salaries within the framework of the salary schedule established by the Board.

All Trustees will be authorized to sign checks. Each check must have two Trustee signatures. The Director or designated staff member signs Imprest Fund checks.

A petty cash account is maintained by the Finance Manager or designee in an amount to be determined by the Treasurer.

An Imprest fund is maintained by the Director in an amount not to exceed one thousand five hundred dollars, with no single item to exceed two hundred dollars. (4-9-86; revised 7-1-94, 11-10-95, revised 12-9-09; revised 7-11-12, effective 7-11-12; reapproved 10-8-14; reapproved 12-14-16)

5-10 Purchasing Policy

It is the duty and responsibility of the Board, with the assistance of the Director, to establish and approve an annual working budget and ensure adequate funding for all expenditures. The Director administers the budget established by the Board. In order to support the Library's Mission and Long Range and Strategic Plans, staff will seek to obtain quality products and services at the lowest possible cost while also considering durability, performance, compatibility, delivery, service, and vendor location.

A. Competitive Bids/Quotations

Certain purchases of the District are governed by the State of Illinois statutes. It is the policy of the Board to follow the most responsible

business practices when purchasing goods and services in addition to complying with any statutory requirements. Statutory requirements will supersede policy provisions (Local Government Prompt Payment Act (50 ILCS 505/1), and Bids For Construction, Improvements, or Equipment Purchases (75 ILCS 16/40-45)). Purchases, contracts, and expenditures of funds in the amount of \$20,000 or greater will be awarded following competitive bid procedures as required including awarding such to the lowest responsible bidder considering conformity with specifications, terms of delivery, quality, and serviceability. However, bidding is not required in the following cases:

- 1) Where the goods or services to be procured are able to be obtained from only one source;
- 2) Where the services required are for professional skills or services;
- 3) In emergencies involving public health or safety or where immediate expenditure is necessary due to the situation at hand;
- 4) Contracts for the maintenance or servicing of equipment which are made with the manufacturers or authorized service agents of the equipment;
- 5) When the goods or services are procured from another governmental agency (Government Joint Purchasing Act, 30 ILCS 525/01 et seq.);
- 6) Contracts which by their nature are not adapted to award by competitive bidding, such as contracts for printing and for utilities;
- 7) Purchases of less than \$20,000;
- 8) Any other exception permissible under applicable law.

B. Expenditures Not Requiring A Competitive Bid Process

- 1) **Renewal or Extension of Contracts** - Through the approval of the annual working budget, the Director (or designee, in the Director's absence) is authorized to renew or extend existing contracts for a term not to exceed 3 years. Contract renewals or extensions which would cause expenditures to exceed the budget line must come before the Board for prior approval. The Director will notify the Board prior to renewal or extension of any contract.
- 2) **New Contracts** - Entirely new contracts for products or services requiring a new budget line, or in excess of the current budget line, or

in an amount \$20,000 or more must come before the Board for prior approval.

- 3) Single Item Purchases of \$10,000 or More - A purchase of any single item in an amount of \$10,000 or more must come before the Board for prior approval.
- 4) Single Item Purchases Less Than \$10,000 and More Than \$5,000 - A purchase of any single item in an amount less than \$10,000 and more than \$5,000 may be made by staff acting pursuant to the Director's authority and instruction in the open market and will, whenever possible, be based upon a minimum of three (3) competitive proposals received in writing from potential vendors. If three proposals cannot be obtained, a listing of all vendors contacted for proposal requests will be maintained noting price quotes from responsive vendors.
- 5) Single Item Purchases Less Than \$5,000 - A purchase of any single item in an amount less than \$5,000 may be made by staff acting pursuant to the Director's authority and instruction without competitive proposals but will be made in consultation with more than one source whenever possible.
- 6) Government Pricing - Where a reputable vendor is able to provide established government pricing, competitive proposals are not necessary.
- 7) Emergency Contracts and Expenditures - A competitive proposal process is not required in an emergency situation (Policy 5-9 Number 6). At the earliest opportunity, typically at the next regularly scheduled Board meeting, Trustees will ratify and confirm contracts and purchases as described in provision 5-9.

(Adopted 9/15/10; effective 10/4/10; reapproved 7/11/12; reapproved 10-8-14; revised 12-14-16, effective 1-1-17)

5-11 Establishment of Prevailing Wage

In accordance with Illinois law and the Illinois Department of Labor regulations, the Board will annually adopt and file an ordinance which establishes the prevailing rates of wages. Certified copies of our compliance are sent to the Secretary of State and Illinois Department of Labor. A newspaper publication notifying area residents is also made. (Adopted 12/14/05, reapproved 12-9-09; reapproved 7/11/12; reapproved 10-8-14; reapproved 12-14-16)