

5 - Financial Management

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

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

5-1 Budget and Appropriation

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).

5-1.1 Levy

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 Library and make such available to public inspection at all times.

(4-9-86, Last Revised 9-12-18, Effective 10-1-18)

5-2 Working Budget

The Executive 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 Executive 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, Last Revised 9-12-18, Effective 10-01-18)

5-3 Tax Revenues

The proceeds of all taxes collected for Library purposes, and all other moneys belonging to the Library, are deposited with the Treasurer of the Library 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 Executive Director and approved by the Board.

Funds involved in accumulations as herein provided, or donations to the Library, 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, Last Revised 9-12-18, Effective 10-01-18)

5-4 Operating Fund Balance

The Library 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 tax levy payouts.

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 Executive 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, Last Revised 9-12-18, Effective 10-01-18)

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, 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 Executive Director, deems consistent with the policies, programs, and interests of the Library, and with applicable laws and statutes, will be accepted.

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

The Board, with advice from the Executive Director and Staff, reserves the right to use any unrestricted donation received by the Library 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 Library 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 Library.

Staff will thank and recognize donors following the donation procedures.

(4-9-86, Last Revised 9-12-18, Effective 10-01-18)

5-7 Investments

5-7.1 Investment Policy

Under this instrument, the Palatine Public Library District's investment policy, it is the policy of the Library to invest all funds under the Library's control in a manner that will provide the highest investment return using authorized instruments, while meeting the Library'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.

The Library will comply with the Illinois Public Funds Investment Act [30 ILCS 235].

5-7.2 Investment Guidelines

The primary objective in the investment of Library funds is managing liquidity to pay the financial obligations of the Library. Safety of principal is the secondary objective. Within those objectives, the Library will seek the highest investment return using authorized instruments.

5-7.2.1 Liquidity

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

5-7.2.2 Safety

Library investments will be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification, as defined in Section 5-7.8 of this policy, is required to ensure that the Library prudently manages market, interest rate, and credit risk.

5-7.2.3 Return on Investment

- 1) The investment portfolio will be designed to obtain the highest available return, taking into account the Library's investment risk constraints and cash flow needs and the Library'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.
- 2) The performance of the Library'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 Finance Manager will report to the Executive Director on an as-needed basis and will provide a written report to the Board at least monthly.

The Finance Committee will make a periodic review, not less frequently than annually, of the Library's investment portfolio; its effectiveness in meeting the Library's needs for safety, liquidity, rate of return, and diversification; and the general performance of such portfolio.

5-7.3 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 Library and will be followed in making investments for the Library and in managing those investments.

5-7.4 Ethics and Conflicts of Interest

Authorized investment officers of the Library 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 that could impair their ability to make impartial investment decisions. Such individuals must disclose to the Library any material financial interests in financial institutions that conduct business with the Library, 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 Library, or who is employed in any similar capacity by or for the Library, may do any of the following:

- 1) have any interest, directly or indirectly, in any investments in which the Library 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 Library is authorized to invest.

5-7.5 Authorized Broker/Dealers and Financial Institutions

The Library 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 Library. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this policy, may request to become a depository for Library funds. The Library 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 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 Collateralization

At all times, in order to meet the objective of safety of capital, the Library will require deposits in excess of the federally insured amount to be collateralized to the extent of 110% and evidenced by an approved written agreement. Approved types of collateralization are found in 30 ILCS 235/6(d).

5-7.8 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.

- 1) The Library will seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions, issuers, and broker/dealers;
- 2) No investment will exceed three years maturity.
- 3) The allocation of assets within investment categories will be approved by the Board of Library Trustees.

5-7.9 Safekeeping and Custody

Third-party safekeeping is required for all securities, as per section 4 of the Public Funds Investment Act [30 ILCS 235/4]. Safekeeping will be documented by an approved written agreement.

5-7.10 Internal Controls

The Treasurer along with the Executive Director and Finance Manager will establish internal controls that 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; or imprudent actions by Trustees, staff, or authorized investment advisors.

5-7.11 Indemnification

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.

5-7.12 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 Library to meet the following conditions:

- 1) To take actions in the exercise of its discretion that in its best professional judgment are in the best interests of the Library and in accordance with this policy. Such actions include but are not limited to (a) the allocation of Library 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 Library at the best net price, using 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 Library.
- 3) Such additional responsibilities as are set forth in such investment advisor's written contract with the Library.

(Section 5-7 Adopted 12-12-73; Last Revised 9-12-18, Effective 10-01-18)

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 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 Library 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 Executive 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 two 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, Last Revised 9-12-18, Effective 10-01-18)

5-9 Expenditures

The Board will abide by all laws and regulations relating to purchases by the Library. 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 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) Checks may be disbursed if authorized by two Trustees, without prior approval of the warrant by the Board, under the following conditions:
 - a. if a regular Board meeting is postponed beyond the second Wednesday of any month, or
 - b. if a delay in disbursing a check may result in an additional charge or delay in service.

Any such payment or purchase will be ratified and confirmed by the Board at its next regular or special meeting.
(4-9-86; Last Revised 9-12-18, Effective 10-01-18)

- 6) The Executive 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 Executive 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, with no single item to exceed thirty-five dollars.

An imprest fund is maintained by the Executive Director in an amount not to exceed \$1500, with no single item to exceed \$200. (4-9-86; reapproved 12-14-16)

5-10 Purchasing Policy

It is the duty and responsibility of the Board, with the assistance of the Executive Director, to establish and approve an annual working budget and ensure adequate funding for all expenditures. The Executive Director administers the budget established by the Board. Approval of the budget by the Board shall be authority for the Executive Director to manage the Library's finances according to the plan without seeking further approval of the Board as long as the expenditures have been previously appropriated.

In order to support the Library's mission and strategic plan, 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.

5-10.1 Purchasing Authority

A. Emergencies

In the event of an emergency, the Library Board may hire/purchase any goods and/or services costing \$25,000 or more in order to resolve the emergency (anything of a life-threatening nature, anything that requires immediate repair, anything that would bring considerable expense if delayed). Such expenditure must be approved by a three-fourths vote at an emergency Board meeting. Any emergency expenditure under \$25,000

would follow section C.2 Items Not Budgeted, below. (Revised 7-11-12, Effective 7-11-12)

B. Competitive Bids/Quotations (Expenditures over \$25,000)

Non-emergency purchases, contracts, and expenditures of funds in the amount of \$25,000 or greater will be awarded following competitive bid procedures as required by Illinois law (Bids For Construction, Improvements, or Equipment Purchases [75 ILCS 16/40-45]). 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]).

C. Expenditures Not Requiring a Competitive Bid Process (Items under \$25,000)

- 1) Budgeted Items—Items previously approved by the Board in the working budget may be approved by the Executive Director or Assistant Director if \$10,000 or over, or by a Department Manager if under \$10,000.
 - a. Renewal or Extension of Contracts –The Executive Director (or designee, in the Executive Director’s absence) is authorized to renew or extend existing contracts for a term not to exceed 3 years. Contract renewals or extensions that would cause expenditures to exceed the budget line must come before the Board for prior approval. The Executive Director will notify the Board prior to renewal or extension of any contract.
 - b. 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 \$25,000 or more must come before the Board for prior approval.
- 2) Items Not Budgeted – Items not approved by the Board as part of the annual budget must be approved by the Executive Director, if under \$10,000, or by the full board, if \$10,000 or over.
- 3) Competitive Pricing—Whenever possible, the Library will seek multiple proposals for large purchases.

- a. For items \$10,000 or more but less than \$25,000, the Library will seek three 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.
- b. For items less than \$10,000, the Library may proceed without competitive proposals but will consult with more than one source whenever possible.
- c. Government Pricing—Where a reputable vendor is able to provide established government pricing, competitive proposals are not necessary.

(Adopted 9/15/10; Last Revised 9-12-18, Effective 10-01-18)

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 that establishes the prevailing rates of wages. Certified copies of our compliance are sent to the Secretary of State and Illinois Department of Labor. (Adopted 12/14/05, Last Revised 9-12-18, Effective 10-01-18)

Policy 5 Comprehensive Review: Adopted 4-9-86; Last Revised September 12, 2018, Effective October 1, 2018.