

# **Finance Policy**

## **POLICY SECTION 4**

### **Introduction**

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The purpose of the Plainfield Area Public Library's Finance Policy is to provide a framework for the Board of Library Trustees and staff for the fiscal operations of the Library, to assure sound fiscal management and to outline responsibilities for management of the Library's public funds. The Board of Trustees and the staff understand it has an obligation to adhere to all Illinois statutes and state-mandated accounting practices.

### **Budget and Reporting**

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The Plainfield Area Public Library has a Board-approved written budget. This budget is developed annually as a cooperative process between the Board's Finance Committee, the Library Director and additional staff members with responsibility for budgetary elements. Each year, the Board of Trustees determines if the Library's revenues are adequate to meet the needs of the community. If the revenues were not adequate to meet the needs of the community, the Board of Trustees would take action.

On a monthly basis, the Library Director presents written reports on library operations to the Board of Trustees. These reports include such areas as finance, library usage, matters of personnel, collection development and programming in addition to any other relevant and pertinent information.

The Library maintains adequate records of library operations in a manner easily understood by the public as well as the Board of Trustees and Library Director. This record of library operations is presented at each Board of Trustees monthly meeting and clearly indicates the financial position of the library. In addition to the general financial position of the library, this record clearly indicates the current position of each budgetary line item including budgeted amount, receipts, monthly and year to date expenditures and remaining budget.

### **Purchasing**

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Purchases of the District are governed by the State of Illinois statutes. It is the policy of the Plainfield Area Public Library Board of Trustees to, in addition to any statutory requirements, use the most responsible business practices in its purchases.

## **PURCHASES UP TO \$5,000**

- Purchases valued up to \$5,000 may be made by designated staff members with attention to lowest possible cost and highest possible quality, performance, and service capacity.

## **PURCHASES \$5,000 TO \$25,000**

- The Library Director will approve or oversee all purchases between \$5,000 and \$25,000 for approved budget line items.
  - Purchases not included in the annual budget that are between \$5,000 and \$15,000 will be made at the discretion of the Library Director.
  - Purchases not included in the annual budget that are between \$15,000 and \$25,000 will be presented to the Board for approval.

These purchases or contracts may be made without competitive bid requirements, but will, whenever possible and required, be based on at least three documented price quotes.

## **PURCHASES EXCEEDING \$25,000**

- Purchases and contracts exceeding \$25,000 require Board approval and a formal competitive bid unless exempt under applicable exceptions.

In an extreme emergency, such as a condition that threatens the safety of the public or staff, or the integrity of the Library's building or other major property, the Library Director may make purchases over

\$25,000 per vendor to restore stability to the situation. The director will document the circumstances surrounding the emergency and the response.

## **Receipts and Disbursements**

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- A. All monies received shall be deposited as soon as is practicable.
- B. Employee expense reimbursements will be submitted, approved, processed and paid via the payroll software/service.
- C. Two (2) of any six (6) designated signers shall sign any check drawn on a Library account.
- D. Disbursement checks may be signed by authorized staff signers although final approval of expenses rests with the Board of Trustees.
- E. The Board of Trustees authorizes electronic payment of regular ongoing expenses, such as medical insurance premiums and utilities.
- F. The Board of Trustees authorizes the following cash balances:
  1. Petty Cash fund in the amount of \$250.
  2. Petty Cash Imprest checking account in the amount of \$1,000.
  3. A Cash Drawer Change fund in the amount of \$400.
- G. The Library Director shall maintain a corporate credit card account for library expenses. Designated staff shall be authorized cardholders, at the Library Director's discretion.

## **Expense Reimbursements**

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All trustee requested reimbursements for any type of expense must be requested on a Travel Reimbursement Request form accompanied by corresponding receipts and subject to the

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Reimbursement Guide for Travel Expenses. Approval must be by a roll call vote by the Board of Trustees.

Employees' reimbursement for any type of expense must be requested through the District's payroll program within 10 working days and accompanied by corresponding receipts. Once approved by the immediate supervisor, the request is processed and payment included in the upcoming payroll run.

## **Guidelines for Expense Reimbursement is as follows:**

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- A. When using privately owned vehicles for library-related business, staff and trustees will be reimbursed for tolls, parking fees and mileage using the IRS-approved rate.
- B. Travel, whether by private or commercial vehicle, shall be done at the lowest possible total cost, with consideration for staff or Trustee time pursuant to the Reimbursement Guide for Travel Expenses.
- C. Cost of lodging will be fully reimbursed at GSA per diem rates, upon presentation of appropriate documentation.
- D. Meal expense will be reimbursed in full, up to the GSA per diem rate, for the following:
  1. Full day events
  2. When lunch is included in registration fee for local events
  2. For overnight stays
- E. The cost of alcoholic beverages shall not be reimbursed.

## **Gifts and Donations to the Library**

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The Library welcomes cash contributions, gifts of real property, stocks and bonds. It is our custom to expend cash gifts on materials, equipment, or a project which is acceptable to the donor. Although it is unlikely, there may be an occasion in which the restrictions set by the donor make it impossible for the Library to accept the contribution. All donations are subject to the approval of the Library Director and the Board of Trustees. Tax-deductible contributions in support of the Library may also be made through the Friends of the Plainfield Library, which is a 501(c)3 organization.

## **Disposal of Surplus Library Materials**

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Library property (i.e., print and non-print materials, equipment, supplies, and/or any personal property Whether purchased by the Library or donated) which in the judgement of the Library Director is no longer necessary or useful for library purposes may be disposed of in the following manner:

- Discarded
- Given to local philanthropic, educational, cultural, government, or other not-for-profit organizations.
- Traded in on new equipment
- Made available for sale

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Items valued \$1,000 or more will be displayed at the Library and/or a public notice of its availability, the date, and terms of the proposed sale posted

## Investments

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### PURPOSE AND SCOPE

The purpose of this policy statement is to outline the responsibilities, general objectives and specific guidelines for management of public funds by the Plainfield Area Public Library. Its scope is all public funds of the Library.

### RESPONSIBILITIES

All Investment policies and procedures of the Plainfield Area Public Library will be in accordance with Illinois law. The authority of the Board of Trustees to control and invest public funds is defined in the Illinois Public Funds Investment Act and the investments permitted are described therein. Administration and execution of these policies are the responsibility of the Treasurer who is acting under authority of the Board of Trustees.

### DELEGATION OF AUTHORITY

Management and administrative responsibility for the investment program is hereby delegated to the Treasurer. The Treasurer, the Finance Manager, and the Library Director are responsible for establishing internal controls and written procedures for the operation of the investment program.

The Board may appoint the Finance Manager and/or Director of The Plainfield Area Public Library responsible for Investing and Transferring funds. Actions taken by the Finance Manager and/or Director with respect to the Library funds shall be subject to review and approval by the Treasurer and the Finance Committee.

The Treasurer will work in consultation with the Finance Manager and Director to recommend changes to investment strategies and allocation. Such changes will be submitted to the Board of Trustees for approval.

### “PRUDENT PERSON” STANDARD

All Library activities shall use a “prudent person” standard of care. This standard shall be applied in the context of managing an overall portfolio and specifies that investments shall be made with judgement and care, under 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 safety of their capital, as well as the probable income to be derived. Investment officers, acting in accordance with this Policy and the written procedures of the Library and exercising due diligence, shall be relieved of personal responsibility for a security’s credit risk or market price/value changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### OBJECTIVES AND GUIDELINES

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered in the priority listed:

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- A. Legality (conforming with all legal requirements) and Safety (reserving capital and including diversification appropriate to the nature and amount of the funds):
1. Investments will be made only in securities guaranteed by the U.S. government, or in FDIC insured institutions including SAIF of the FDIC. Deposit accounts in banks or savings and loan institutions will not exceed the amount insured by FDIC coverage [unless adequately collateralized pursuant to Regulations of the Federal Reserve regarding custody and safekeeping of collateral]. Any credit union accounts would not exceed insured amounts and otherwise would be in complete compliance with the legal requirements for such accounts and institutions.
  2. Authorized investments include and will primarily consist of: Certificate of Deposit, Treasury Bills and other securities guaranteed by the U.S. Government, participation in the State of Illinois Public Treasurer's Investment Pool and any other investments allowed under State law that satisfy the investment objectives of the Library District.
- B. Liquidity (Maintaining sufficient liquidity to meet current obligations and those reasonably anticipated.  
In general, investments should be managed to meet liquidity needs for the current month plus one month (based on forecasted needs) and any reasonably anticipated special needs.
- C. Yield (attaining a market rate of return on investments)  
Within the constraints of Illinois law, considerations of safety and this investment policy, every effort should be made to maximize return on investments made. All available funds will be placed in investments or kept in interest bearing deposit accounts.
- D. Simplicity of management  
The time required by library administrative staff to manage investments shall be kept to a minimum.

## REPORTING

Investments, fund balances and the status of such accounts will be reported at each regularly scheduled meeting of the Board of Trustees and at least quarterly include information regarding securities in the portfolio by class or type, book value, income earned and market value as of the report date. At least annually, the Treasurer shall review this Policy for any needed modifications and report to the Board on the investment portfolio, its effectiveness in meeting the Library's need for safety, liquidity, rate of return, diversification and general performance. These reports will be available to the general public upon request.

## INTERNAL CONTROLS

In addition to these guidelines, the Treasurer shall establish a system of internal controls and written operational procedures designed to prevent loss, theft, or misuse of the funds.

## AUTHORIZED FINANCIAL ADVISORS AND INSTITUTIONS

Any investment advisors, money managers and financial institutions shall be considered and authorized only by the action of the Board of Library Trustees upon recommendation of the Treasurer. The Treasurer will maintain a list of financial advisors and institutions authorized to provide investment services.

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## CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activities that might conflict with the proper execution and management of this investment program, or that could impair their ability to make impartial decisions, or that could give the appearance of impropriety.

## Fund Balance Policy

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The Fund Balance Policy establishes a minimum level at which the projected year-end fund balance of each fund should be maintained. This policy is established to provide financial stability, cash flow for operations and the assurance that the District will be able to respond to emergencies with fiscal strength.

It is the Plainfield Area Public Library's philosophy to support fiscal sustainability as our first priority while also building funds for future needs. Adequate fund balance/net asset levels are crucial in long-term financial planning. If the Board of Trustees adopts a budget that does not meet the parameters of this policy, then the budget will include a plan for adhering to the policy within a three-year period.

The following parameters will be used as a part of the budget process to establish targets for the following funds:

### GENERAL FUND

The General Fund is the general operating fund of the Library. It is used to account for administrative, library, and all financial resources, except those accounted for in another fund. The year-end balance for the General Fund shall represent no less than three months of expenditures. Balances above the maximum or at fiscal year-end may be transferred to the Special Reserve Fund through Board resolution.

### SPECIAL REVENUE FUNDS

These funds (currently, IMRF, FICA, audit and Building, Sites and Maintenance) are provided by a specific annual property tax levy or other restricted and/or committed revenue source. They are legally restricted to the specific purpose of the corresponding fund.

### SPECIAL RESERVE FUND

The Special Reserve Fund shall be maintained in accordance with the last adopted Special Reserve Fund Ordinance. The Board shall update and adopt the Special Reserve Ordinance at regular intervals not to exceed three (3) years. The Special Reserve Fund is 100% committed for projects identified in the Special Reserve Fund Ordinance.

In all cases, deferred property tax revenue will not be included in the year-end fund balance amount.

## Review Procedures

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Unexpected situations may cause the District to fall below the minimum level surplus. The Library Director is responsible for regularly monitoring revenue and expenditures. If, during the year,

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projections suggest that revenue will not meet expectations and fund target(s) will not be met at year-end, then the Director will take one or more of the following actions to reach the goals established in the budget:

- Review expenses with Management Team
- Reduce capital asset expenditures
- Reduce operational expenditures, where appropriate, while maintaining the adopted budget goals, and
- Present to the Board of Trustees other expenditure control options, including those that might modify the goals established in the adopted budget.

This policy will be reviewed every three years.