



FINANCE POLICY

ARTICLE I - FINANCIAL MANAGEMENT

The La Grange Public Library's fiscal year shall be the first day of May to the last day of April. Financial resources are ultimately the responsibility of the Board of Trustees. The Board shall:

- Have a clear plan for acquisition of financial resources to pay for the programs and services provided by the La Grange Public Library;
- Provide guidelines for management and allocation of financial resources which shall produce optimum benefit for those it serves;
- Monitor and evaluate the financial plans and guidelines of the La Grange Public Library to ensure the financial integrity of the La Grange Public Library.

ARTICLE II - LEVY

Since the Library is a village library, the levy is prepared by the Board of Trustees and sent to the Village of La Grange Board of Trustees each year. The Village of La Grange is a "tax-capped" community, meaning that it is subject to the Illinois Property Tax Extension Limitation Law (PTELL). This means that each year, the Village (and by extension the Library) is limited to a maximum property tax increase less than or equal to the amount of the consumer price index from the year prior or 5%, whichever is less.

The levy is prepared by the Executive Director and the Finance Committee. The levy is then presented for approval by the full Board of Trustees before being sent to the Village Board. The Village includes the Library's levy as part of their levy to Cook County every December. The Library receives the proceeds from the levy, which are automatically deposited. After the close of the fiscal year, the Board prepares a preliminary levy request and an appropriation for the upcoming fiscal year that identifies the amounts that will be spent from the operating budget and other Library funds.

ARTICLE III - BUDGETING

An annual operating budget shall be prepared by the Director and presented to the Board for final approval at the April board meeting. The budget shall reflect the cost of carrying out the programs and services of the La Grange Public Library for the fiscal year. This budget shall also reflect the anticipated revenues of the La Grange Public Library.



The budget shall be viewed by the Board as its financial plan for the La Grange Public Library, and approval of the budget by the Board shall be authority for the Director to manage the La Grange Public Library's finances according to the plan without seeking further approval of the Board as long as the expenditures have been previously appropriated. However, the Director shall keep the Board well informed of the ongoing status of the financial plan and shall not make expenditures outside the budget plan without seeking Board approval to amend the budget. Amendments to the budget shall be presented as necessary to the Board for discussion and approval.

ARTICLE IV – EMERGENCY EXPENDITURES

In the event of an emergency, the Executive Director, or designee, may spend up to \$20,000 for any unbudgeted expenditures with the approval of any two officers of the Board of Trustees. An emergency is defined as an unforeseen event that threatens the safety of the public or staff, or that risks damage to Library property.

Note: Where possible, competitive price quotes should be obtained.

ARTICLE V - ACCOUNTING

The accounting system used by the La Grange Public Library shall utilize generally accepted accounting principles (GAAP) that are required by regulatory agencies for government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting practices and procedures used by the La Grange Public Library shall allow for adequate management of the La Grange Public Library's revenues and expenditures and shall provide adequate systems of monitoring by the Board of Trustees as well as outside auditors.

Reporting Entity

As required by generally accepted accounting principles (GAAP), the financial statements include all accounts of the La Grange Public Library. The library has a separately elected Board from that of the Village of La Grange and provides services to residents within the geographic boundaries of the Village.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the library are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of



accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental funds are used to account for the library's general governmental activities. The Library shall use the modified accrual basis of accounting, wherein revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Library recognizes property taxes when they become both measurable and available in the year intended to finance. A one-month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

ARTICLE VI – FUNDS AND FUND BALANCES

The Library maintains the following funds:

- The Operating Fund is the library's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Special Building Fund holds monies that are legally restricted to expenditures for capital purposes.
- The Working Cash Fund is used for the sole purpose of enabling the Library to have sufficient money to meet demands for ordinary and necessary expenditures.
- The Tyler Duelm Memorial Fund is a gift fund assigned for children's programs.
- The Malone Fund is a materials endowment with a principal of \$20,000. Interest earned on the principal may be utilized for materials purchases as stated in the Mary Malone Trust Estate documentation.



SPECIAL BUILDING FUND

The La Grange Public Library maintains a capital reserve, known as the Special Building Fund, in accordance with 75 ILCS 5/5-8 for the purposes authorized by statute. The Board of Trustees in conjunction with its annual budget determination shall specify for what purposes these special funds are being accumulated. The Board also reserves the right to continue to reserve funds pursuant to 75 ILCS 5/5-8 without making any expenditure until such time as the Board determines the specific expenditures to be appropriate. Any interest earned remains within the fund.

WORKING CASH FUND

The La Grange Public Library maintains a working cash fund in accordance with 75 ILCS 5/4-13 for the purposes authorized by statute. The working cash fund shall be maintained in a special and separate fund, as per law. The principal shall be utilized only in anticipation of tax collection when necessary. The fund shall be reimbursed once taxes are collected, as per law. Best efforts will be made to maintain a balance no greater than \$200,000 with any excess funds transferred to the Operating Fund.

FUND BALANCE

After the close of the fiscal year, the Library Board may authorize the transfer of excess monies from the Operating Fund to the Special Building Fund. The amount of the transfer shall be no more than the "net change in fund balance" at the conclusion of the annual audit.

ARTICLE VII - FINANCIAL REPORTS AND AUDITS

Reports reflecting the financial condition of the La Grange Public Library shall be presented to the Board monthly. These financial reports shall include:

- Monthly revenue and expenditure statements for the month and year-to-date with comparison to the budget in all funds;
- Payroll distribution summary;
- A statement of current cash and investments.
- A statement of disbursements (bills) for the month.

An independent auditor appointed by the Board shall conduct an annual audit of La Grange Public Library's finances in accordance with the law and generally accepted accounting principles (GAAP). The scope of those audits shall be determined from time to time by the Board.



ARTICLE VIII - DISBURSEMENTS

INVOICES

The disbursements for the month are approved at the Board meeting before checks are distributed to the vendors. Payments to regular vendors (e.g. utilities or insurance) are pre-issued before the Board meeting and approved at the meeting.

Each disbursement shall be supported by an invoice or other evidence of the propriety of the disbursement. Each invoice shall be signed by two persons: the appropriate department head and the Executive Director. In the event of an administrative expense, the invoice shall be signed by the Executive Director or the Business Manager. One copy of the invoice shall be filed at the Library.

ACCOUNTS PAYABLE APPROVAL LISTING

An accounts payable approval listing, itemizing all disbursements for each accounting period, will be signed by the Executive Director, and copies will be submitted to the Treasurer and all trustees for review prior to the regular meeting of the board. The original copy of the accounts payable approval listing shall be approved by majority vote of a quorum of the board, signed by all trustees present, and filed at the Library.

If a quorum of the Board is not available or a regular monthly meeting is cancelled, management is authorized to review and authorize payment of all routine bills that are within the Budget. The full Board will ratify such payment at the next regularly scheduled meeting of the Board.

CHECKS

Disbursements (other than petty cash) made from library funds, of which the Treasurer of the Library Board is custodian, shall be made by check or electronic funds transfer (EFT). All disbursements require one authorized signature. Authorized signatures include those of the Board Treasurer, and Executive Director. All disbursements are reviewed by the Board Treasurer or President prior to payment and are subject to ratification by the Board at the Board's next regular meeting.

It is the responsibility of the Director to ensure that signatures are procured from appropriate signatories so that payment can be made on obligations of the La Grange Public Library. It is also the responsibility of the Director to establish adequate controls and safeguards to ensure disbursement of funds only for proper purposes.



It is the responsibility of all check signers to ensure that there is adequate documentation, consistent with good internal controls, for valid payment of checks they sign.

SPENDING AUTHORIZATIONS

The Director may make expenditures consistent with the Board-approved budget without further Board approval. However, expenditures that are not within the Board approved budget must be formally approved by the Board of Trustees.

Expenditures above \$25,000 must be put out for bid, as per 65 ILCS 5/8-9 and 30 ILCS 520.

A list of anticipated major capital expenditures should be included with the annual budget and the yearly updated long range plan that are submitted to the Board for approval.

PETTY CASH AND CREDIT CARDS

Petty Cash

The Library shall maintain petty cash to be accountable to the Board and to be used only for those items that are impractical to use a credit card or check. Normally each transaction should be less than \$20.

Credit Cards

The Director, Business Manager, and other selected staff members shall be issued a La Grange Public Library credit card at the discretion of the Executive Director. The list of staff credit cards and spending limits shall be documented in Administration. Each card shall only be used for appropriate La Grange Public Library business, and all uses shall be properly documented. The La Grange Public Library credit card shall not be used for personal expenditures.

Monthly credit card bills shall be documented in the accounts payable approval listing for the Board each month.

ARTICLE IX - INVESTMENT AND CASH MANAGEMENT

SCOPE & PURPOSE

This policy applies to all funds of the "Library". The purpose of the Investment and Cash Management Policy (Policy) is to provide a clear and concise statement of objectives by the Board of Trustees of the Library as to management of Library funds.

OBJECTIVES

1. Safety of principal: The Library shall maintain funds in a financial institution only if that institution is a member of the FDIC system or SIPC. No funds



shall be invested in any financial institution in excess of the amount covered by any applicable insurance plan.

2. Liquidity: The investment portfolio shall remain sufficiently flexible to enable the Executive Director to meet all operating requirements for three months, which may be reasonably anticipated in any fund.
3. Return on Investment: The investment portfolio shall be designed to maximize returns consistent with risk limitations identified herein and prudent investment principles.
4. Sustainability: Investment decisions will be evaluated considering material, relevant, and decision-useful sustainability factors within the bounds of financial and fiduciary prudence, consistent with the Illinois Sustainable Investing Act, 30 ILCS 238.

INVESTMENT SELECTION

Except for monies set aside for operating expenses, the Board may invest in any of the following types of investment instruments:

1. Interest bearing savings accounts, interest bearing certificates of deposit, interest bearing time deposits, interest bearing money market instruments or any other investment constituting direct obligations of any bank that is insured by the Federal Deposit Insurance Corporation (FDIC).
2. Direct obligations of the federal government and any agencies thereof with maturities of one year or less.
3. Illinois Funds
4. Any other instruments deemed appropriate by the Board.

PRUDENCE

Investments shall be 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 shall be used by the Finance Committee of the Library and shall be followed in making investments for the Library and in managing those investments.

FINANCIAL INSTITUTIONS

The Board shall approve all financial institutions on an annual basis, and will conduct periodic reviews of investment advisors and money managers. The Board will also periodically review the nature and purpose of invested funds.



DIVERSIFICATION

The investment portfolio shall 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.

INTERNAL CONTROLS

The Library's Finance Committee shall establish a system of internal controls, which shall be documented in writing and filed with the Library's Board of Library Trustees for review. The controls shall 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 authorized investment officers.

ENFORCEMENT

The Executive Director, under the policy oversight of the Board, is responsible for enforcement of this policy.

REPORTING

The Executive Director shall develop appropriate procedures for the legal and financial review and approval of all documents entered into to implement the Policy. Investments, fund balances, and the status of such accounts will be reported at least quarterly at Board Meetings and will include information regarding securities in the portfolio by class or type, all income earned, and market value as of the report date.

ETHICS AND CONFLICTS OF INTEREST

Authorized investment officers of the Library and employees in policy-making positions shall refrain from 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 shall disclose to the Library any material financial interests in financial institutions which conduct business with the Library, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

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.

COMPLIANCE

The Policy shall at all times comply with all applicable laws and statutes, By-laws and Resolutions of the Board.

COLLATERAL

It is the policy of the La Grange Public Library to require that funds on deposit in excess of FDIC or FSLIC limits be secured by some form of collateral. The library shall accept any of the following assets as collateral:

- U. S. Government Securities;
- Obligations of Federal Agencies;
- Obligations of Federal Instrumentalities;
- Obligations of the State of Illinois;
- General Obligation Bonds of Illinois Municipalities rated "A" or better;
- Any other collateral identified in Illinois Compiled Statutes as acceptable for use by the Treasurer of the State of Illinois.

The amount of collateral provided shall be not less than one-hundred-ten percent (110%) of the fair market value of the net amount of public funds secured. Pledged collateral shall be held by the Library or in safekeeping and evidenced by a safekeeping agreement.

INDEMNIFICATION

The individual who has performed his or her duties responsibly should not be held personally liable for any loss. Individuals acting in accordance with the Policy shall be relieved of personal responsibility for unforeseen fluctuations in the value of the portfolio of investments resulting from, but not limited to, changes in credit standings or market conditions, provided that such deviations are reported in a timely fashion and appropriate actions taken to control adverse developments.

PROCEDURES

1. Procedures defined herein are not all inclusive, therefore the Executive Director is authorized to develop additional procedures where deemed appropriate to implement the Policy.
2. For the investment of new dollars or for the roll-overs of maturing certificates of deposit with new terms, the Executive Director shall consult when necessary with the Treasurer or the Chairman of the Finance Committee with



a recommendation as to what instruments and where the investment should be placed.

3. Such recommendations shall include a comparison of applicable rates at various financial institutions, one of which should be a local financial institution.
4. The investment portfolio will be reviewed every two years by the Finance Committee.

ARTICLE X - FIXED ASSETS

PURPOSE

The purpose of the Fixed Asset Policy of the La Grange Public Library is threefold:

1. To facilitate the accounting for fixed assets;
2. To maintain fiduciary responsibility for these assets;
3. To maintain a list of the particular projects and needs for expenditures from the Capital Improvement Fund.

Depreciation of the La Grange Public Library fixed assets is not required under generally accepted accounting principles, since the Library is categorized as a governmental fund type. Thus, depreciation is not addressed in this policy.

CRITERIA FOR CAPITALIZATION

All fixed assets that are purchased shall be recorded as expenditures in the fund that paid for the fixed asset. Those fixed assets equaling or exceeding \$5,000 shall be capitalized and recorded in the Library's asset replacement schedule on a timely basis.

The library shall maintain detailed asset records, listing the following information:

- Fixed asset category;
- Brief description;
- Date of acquisition;
- Purchase price;
- Life expectancy.

However, it is understood that for assets acquired earlier, all the above information may not be available. Every effort shall have been made to acquire or estimate the information.

Library books and other library audiovisual material are not capitalized in the asset replacement schedule.



DEFINITIONS/DESCRIPTIONS OF FIXED ASSET CATEGORIES

Each fixed asset capitalized in the asset replacement schedule shall be classified in the following categories for financial reporting purposes:

- Land;
- Building Improvements;
- Office Equipment;
- Furniture and Fixtures.

ACCOUNTING FOR DISPOSALS/RETIREMENTS OF FIXED ASSETS

When the Board of Trustees has determined to sell or otherwise dispose of fixed assets that it deems no longer necessary or useful for library purposes, the library shall adhere to 75 ILCS 5/4-16 in the sale or disposition of such property. As fixed asset items are disposed of or retired, they shall be eliminated from the asset replacement schedule on a timely basis.

RECONCILIATIONS

On a periodic basis, at least annually, the asset replacement schedule shall be reconciled. To assure that the reconciliation process is properly completed, the Library shall take a physical inventory comparing the fixed assets per the asset replacement schedule to what actually exists at the library. Adjustments to the asset replacement schedule shall be made as appropriate.

ARTICLE XI - INSURANCE/BONDING PROTECTION

In compliance with 75 ILCS 5/4-9, the Director shall recommend to the Board all necessary bonding of Board and staff members who handle La Grange Public Library funds and also any appropriate insurance protection to protect the finances of the La Grange Public Library.