

XVI. Financial Policies

XVI-A: Budget and Finances

The Mahomet 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 are not adequate to meet the needs of the community, the Board of Trustees will take action to increase the library's revenue.

The Mahomet Public Library spends a minimum of 12% of its operating budget on materials for patrons, per *Serving Our Public: Standards for Illinois Public Libraries, Rev. Ed., Core Standard #25*. Materials include books, electronic books, audiovisual materials, and periodicals. Costs related to the installation and maintenance of a local area network or a shared or standalone bibliographic database are not included.

On a monthly basis, the Library Director presents written reports on library operations to the Board of Trustees. These reports cover finances, library usage, matters of personnel, collection development, programming, and 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 total budgeted amount, monthly and year-to-date receipts and expenditures, and remaining budget.

Authority to Spend

- The Library Director is authorized to spend up to \$5,000 on any single item without prior Board approval.
- The Library Director is authorized to spend up to \$10,000 on any single item with the approval of the Board's Finance Committee.
- The Library Director is authorized to spend up to \$20,000^[1] on any single item only with the approval of the full Board.
- The library may spend in excess of \$20,000 only after completing the formal bid process as described in Illinois Law.
- In extreme emergency, the Library Director may spend up to \$20,000 with approval of any two Library Board members so long as the amount does not exceed the threshold requiring a formal bidding process.

^[1]This is the statutory maximum amount that cannot be exceeded without completing the formal bid process as described in Illinois Law.

Purchasing Policy

The State of Illinois statutes govern purchases of the Library District. In addition to any statutory requirements, it is the policy of the Library Board of Trustees to use the most responsible business practices in its purchases. It is the policy that all purchases, contracts, and expenditure of funds over \$20,000 shall be awarded to the lowest responsible bidder considering conformity with specifications, terms of delivery, quality, and serviceability. However, bidding is not required in the following cases:

- Where the services required are for professional skills
- In emergencies involving public health, public safety, or where immediate expenditure is necessary
- Where the contracts for the maintenance or servicing of equipment are made with the manufacturers or authorized service agents of that equipment
- Where the goods or services are procured from another governmental agency
- Where purchases or contracts are for the use, purchase, or installation of data processing software
- For contracts which by their nature are not adapted to award by competitive bidding, such as contracts for printing, tax anticipation warrants, and other evidences of indebtedness, or contracts for utility services such as water, light, heat, or telecommunications

The staff, as required by Board directive, shall seek bids (or quotations if bids are not specifically required) from the widest possible array of contractors, suppliers, and material men that time permits. This practice will produce the most competitive offers and terms available from the widest number of interested firms or individuals.

Under normal circumstances, for purchases or services costing \$10,000-\$20,000 the Director will obtain three quotations except as indicated by the Board. When the library has an existing relationship with a vendor that is exemplary, the library may continue the relationship with that vendor without seeking further quotes.

Reimbursement for Travel Expenses

Employees and trustees are eligible for reimbursement for travel expenses related to attending training classes, library-related meetings, and professional conferences. The travel event must be approved in advance:

- By the library director, for all employees;
- By the library board of trustees, for travel by the library director that exceeds the maximum allowed travel cost;
- By the library board of trustees, for all travel by members of the board of trustees.

The library uses the per diem rates established by the following governmental agencies to determine the maximum reimbursement rates for food, lodging and incidentals:

- The GSA (General Services Administration) for travel in the continental United States.
- The Department of Defense for travel to Alaska, Hawaii, and US Territories and Possessions.
- The State Department for foreign travel.

Expenses that are expected to exceed these levels must be approved ahead of time.

Transportation Expenses

Travelers are expected to use the most cost-effective means of transportation available.

- **Personal Car.** The use of a personal car will be reimbursed at the current IRS mileage reimbursement rate.
- **Air, Train, or Bus Travel.** Tickets for air, train, or bus travel must be approved before purchase.
- **Car Rental.** Car rental reservations must be approved before travel. If the traveler intends to extend the trip beyond the business purpose and use the rental car for personal travel, the portion of the expenses that will be reimbursed must be approved before travel.
- **Tolls, Parking, Taxis, and Taxi Alternatives.** Tolls and parking related to the trip will be reimbursed at actual cost. Taxi and taxi alternatives will be reimbursed with receipts or other proof of payment and explanations of the business-related purposes for the rides.
- **Parking Tickets, Moving Violations, and Accidents.** The driver will be responsible for all parking tickets, moving violations, and accidents.

Lodging Expenses

Employees other than the director must approve lodging reservations with the director prior to travel. All travelers (employees or trustees) must have approval by the board of trustees for lodging that exceeds the maximum per night cost established by the board.

When employees travel together, room sharing is preferred, but this requirement may be waived at the discretion of the director.

Meals

Travelers who stay overnight will qualify for meal reimbursements at the per diem rate established by the board of trustees.

Travel Advances

Employees may request travel advances to cover trip expenses, to be approved by the director. Travelers are responsible for keeping accurate records and receipts and returning any unused portion of the advance.

Requesting Reimbursement

To receive reimbursement for travel expenses, travelers must complete the Travel Reimbursement Form and attach receipts for all expenses. (Mileage claims may be documented by an online map application such as Google Maps.)

Routine Banking Procedures

The Library Director of the Mahomet Public Library is authorized to make deposits into appropriate library accounts. Such deposits include, but are not limited to, the deposit of accumulated fees and fines, gifts, donations, grants, and tax receipts.

The Library Director is authorized to transfer funds from one library account to another library account for payment of monthly bills that have been approved by the Board of Trustees.

The Library Director is not authorized to sign checks or receive cash from library accounts except when the Board of Trustees authorizes such action through the approval of checks to reimburse petty cash.

XVI-B: Investment of Public Funds

The purpose of this policy statement is to outline the general objectives, responsibilities, and specific guidelines for management of all public funds by the Mahomet Public Library District

Responsibilities

All investment policies and procedures of the Mahomet Public Library District will be in accordance with Illinois Law. The authority of the Library Board of Trustees to control and invest public funds is defined in the Illinois Public Funds Investment Act [30 ILCS 235] and the investments permitted are described therein. Administration and execution of these policies are the responsibility of the Treasurer, who is hereby designated as the Chief Investment Officer of the library, acting under the authority of the Board of Trustees.

Delegation of Authority

Management and administrative responsibility for the investment program is hereby delegated to the Chief Investment Officer. The Chief Investment Officer, and by designation, the Library Director, are responsible for establishing internal controls and written procedures for the operation of the investment program.

“Prudent Person” Standard

All library investment activities shall use a “prudent person” standard of care. This standard shall be applied in the context of managing an overall portfolio. It specifies that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs. The portfolio is not for speculation, but for investment, considering the probable safety of the capital, as well as the probable income to be derived. Investment officers, acting in accordance with their 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

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

- **Legality.** Conforming with all legal requirements
- **Safety.** Preserving capital and including diversification appropriate to the nature and amount of the funds
- **Liquidity.** Maintaining sufficient liquidity to meet current obligations and those reasonably to be anticipated
- **Yield.** Attaining a market rate of return on investments
- **Simplicity of management.**

Guidelines

The following guidelines should be used to meet the general investment objectives:

Legality and Safety

- 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).
- Authorized investments include and will primarily consist of: Certificates of Deposit, Treasury Bills and other securities guaranteed by the U.S. Government, participation in the State of Illinois Public Treasurer's Investment Pool (Illinois Funds), and any other investments allowed under State law that satisfy the investment objectives of the library district.

Liquidity

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.

Yield

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.

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 library Board 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 Chief Investment Officer shall review this Policy for any needed modifications and report to the Board on the investment portfolio and 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 Chief Investment Officer, and by designation, the Library Director, shall establish a system of internal controls and written operational procedures designed to prevent loss, theft or misuse of funds.

Authorized Financial Dealers 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 the recommendation of the Chief Investment Officer. The Chief Investment Officer will maintain a list of financial dealers and institutions authorized to provide investment services.

Conflict 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.

Approved January 9, 2017

XVI-C: Cash Management Policy

Cash Management Authorizations

Financial oversight of the library is the responsibility of the entire library Board of Trustees with administrative assistance from the Library Director. The Library Board has established a Finance Committee to assist with oversight of the Library's financial reporting, cash management, and budgeting. The Finance Committee reports to the Board.

The Library Board engages an outside bookkeeping firm to record financial transactions, prepare checks for payroll and payables, make transfers between funds, make online payments to specific accounts authorized by the Board, prepare financial reports, and assist with the annual audit.

The Library Board employs a Business Manager to maintain accurate payroll and benefits records, do financial forecasting, review bank statements and investment reports, assist with budget preparation, and assist the auditors.

The Library Board employs a certified financial planner to maximize investment of the Library's building bond fund and operating tax income.

The Library Director is responsible for drafting the budget, providing support for the auditors and the financial planner, keeping the Board informed of the library's financial position, and providing administration of the daily cash and investment responsibilities, making bank deposits and transfers from bank to bank, as well other financial responsibilities delegated by the Board of Trustees.

Finance Committee

The library Board president shall appoint at least two Trustees, including the Board Treasurer, to serve as members of the Finance Committee.

The finance committee's responsibilities include, but are not limited to, the following:

1. Establish library checking and savings accounts as necessary
2. Maintain oversight of investment accounts in accordance with Illinois Law and the library's policy on Investment of Public Funds. The library Board may delegate administrative responsibility for the investment program to the Library Director.
3. Review monthly financial reports and check registers and verify that transfers have been made as authorized.
4. Review monthly investment reports from the Financial Planner
5. Recommend to the Board president up to two other library Trustees who, in addition to the Board treasurer, may act as authorized signers for library checks.
6. Participate in the budgeting process. Review the library's draft budget with the Library Director and Business Manager, and make budget recommendations to the full Board.
7. Review budgets related to capital projects
8. Access the bank safe deposit box as needed

Signing Authority

The Board of Trustees authorizes the issuance of checks for payment of goods or services upon the signature of one of the authorized trustee signers. Authorized signers include the Board Treasurer and up to two other Library Trustees. Library checks are normally signed by the Board Treasurer, or, in the Treasurer's absence, another authorized trustee signer. The same persons will be authorized signers for bank transfers and investment accounts.

The Library Board authorizes the Library Director to be the authorized signer for the employer's quarterly state and federal income tax returns and the employer's contribution and wage reports to the Illinois Department of Employment Security (IDES). The Library Director is designated as the library's Illinois Municipal Retirement Fund (IMRF) authorized agent.

Cash Management Controls

Accounting duties are performed in a private office in the library. Blank checks are stored in the locked business office and access is limited to the library's bookkeeper, Business Manager, and the Library Director.

Regular Bank Accounts

The Library Director, Business Manager, and Bookkeeper may access regular bank accounts online, but they are not authorized to modify/add/delete data or initiate transactions.

A designated employee other than the Library Director opens and reviews the bank statements and cancelled checks. The sequence numbers are reviewed and the statements are scanned for missing checks and unauthorized signatures. The employee initials the statement and then places it in the bookkeeper's file. Bank reconciliations of all accounts are performed by the bookkeeper on a monthly basis. The Library Director and the Board of Trustees review the bank reconciliations and the Trustees approve them at their monthly meetings.

Online Accounts

The library maintains an online PayPal account for the purpose of receiving credit card payments from patrons. The Library Director and Business Manager have access to this account, with the following limitations:

- The account may be used to make purchases online when no other form of payment (e.g., a credit card) is accepted by the vendor. Purchase amounts under these conditions may not exceed \$500.
- At least monthly, money must be moved from the PayPal account into the library's regular checking account so that the PayPal account balance does not exceed \$1000 at the end of the month.

Segregation of Duties

Cash receipts are counted weekly by both the Business Manager and another employee and are deposited the same day. Various library employees pick up the mail daily. The mail is sorted and business mail is placed in the Director's box. The Director and/or the Business Manager prepare deposit slips and make bank deposits. The Director (or, in the Director's absence, the Business Manager) codes invoices and puts them in the bookkeeper's file. The bookkeeper prepares all checks, transfers, and financial reports. The Director or the Business Manager review the checks and initial the invoices. An authorized signer reviews the invoices and checks, initials the list of checks, signs the checks, places the checks in their envelopes and seals them. Employees stamp the envelopes and put them in the outgoing mail box.

The bookkeeper's job description includes preparing the transfers and the checks; recording the deposits; and reconciling bank balances and investment statements to the general ledger. The Business Manager reviews fund transfers and bank reconciliations.

Investment Controls

The library has a policy on Investment of Public Funds which specifies that all investment policies and procedures will be in accordance with Illinois Library Law. The policy delegates management and administrative responsibility for the investment program to the Board Treasurer or by designation the Library Director.

The library Trustees have authorized an investment consultant to manage investment of the general obligation bond proceeds as well as donations and the library's operating tax income. The advisor recommends the opening or closing of investment instruments within the guidelines of the library's investment policy, initiates the investments, and records the activity in a monthly investment report. Investment transactions are provided to the Trustees monthly for Board review, and their acceptance for filing is recorded in library Board minutes. The library Director and the Business Manager may access online investment accounts for reporting purposes but are not authorized to modify/add/delete data or initiate transactions.

Conflict of Interest

The library's investment policy states that, "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."