



FINANCIAL POLICY

I. FINANCIAL MANAGEMENT

The Palos Heights Public Library's fiscal year shall be the first day of January thru the last day of December. 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 Palos Heights 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 Palos Heights Public Library to ensure the financial integrity of the Palos Heights Public Library.

II. LEVY

The Library's levy is prepared by the Library Director and the Budget and Finance Committee. The levy is then presented for approval by the full Board of Trustees before being sent to the City of Palos Heights for inclusion in its levy. The City 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 deposited directly into its bank account.

The City of Palos Heights 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 City 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. Any increase above this threshold will be reduced by Cook County to meet this threshold.

III. BUDGETING

An annual operating budget for the coming fiscal year shall be prepared by the Director and presented to the Board for approval at the September Board Meeting prior to the new fiscal year. The budget shall reflect the cost of carrying out the programs and services of the Palos Heights Public Library for the coming fiscal year. This budget shall also reflect the anticipated revenues of the Palos Heights Public Library.

The budget shall be viewed by the Board as its financial plan for the Palos Heights Public Library, and approval of the budget by the Board shall be authority for the Director to manage the Palos Heights Public Library's finances according to the plan without seeking further approval of the Board as long as the expenditures have been previously budgeted. However, the Director shall keep the Board well-informed of the ongoing status of the state of the Library's finances and shall not make expenditures outside the budget without seeking Board approval to amend the budget. Amendments to the budget shall be presented to the Board for approval for any of the following reasons:

- Palos Heights Public Library enters into contracts that were not included in the approved budget;
- Management proposes a major expenditure that was not included in the approved budget;
- Significant unanticipated revenues are received or expenses are higher than projected.

IV. AUTHORITY TO SPEND

The Director or designee is authorized to pay all budgeted expenditures and all invoices for contracts and agreements previously approved by the Board subject to the following qualifications:

- The Director is authorized to spend up to \$5,000 on any single item without prior approval of the Board of Trustees.
- For purchases in excess of \$5,000 but less than \$25,000, every effort will be made to secure at least three quotes before selecting a vendor unless there is a specific reason for choosing that particular vendor of that particular product or service. If unbudgeted, purchases in this amount require approval of the Library Board.
- Purchases in excess of \$25,000 will be subject to an open, competitive bidding process as required by statute. In certain circumstances, the Library Board may waive compliance with the competitive bidding process, as allowed under relevant statutes. All purchases in this amount require approval of the Library Board.
- In the event of a bona fide emergency for which waiting to convene an emergency board meeting would put the library at substantial risk of closure or monetary loss, the Director is authorized to spend not more than \$25,000 to mitigate said emergent conditions without prior authorization from the Board.

V. SPECIAL RESERVES EXPENDITURES

The Director is authorized to make any expenditures necessary for the day-to-day operations of the Library within the annual budget as approved by the Board of Trustees.

Expenditures for the procurement or maintenance of capital assets of the Library that do not fit within the scope of the annual budget of a given budget cycle may be purchased using funds from the Library's Special Reserve Fund, as outlined in the Library's Special Reserve Fund Policy.

Special Reserves expenditures in excess of \$25,000 must be approved by the Board of Trustees in advance of procurement.

Special Reserves Expenditures of less than \$25,000 may be procured at the discretion of the Director. The full Board will ratify such payment at the next regularly scheduled meeting of the Board.

VI. ACCOUNTING

The accounting system used by the Palos Heights 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 Palos Heights Public Library shall allow for adequate management of the 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 shall include all accounts of the Palos Heights Public Library. The library has a separate Board from that of the City of Palos Heights and provides services to residents within the geographic boundaries of the City.

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.

VII. FUNDS AND FUND BALANCES

The Library maintains the following funds:

- The General 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 Reserves Fund holds monies that are legally restricted to expenditures for capital purposes.
- The IMRF Fund is used to make payments toward the Library's pension obligations.
- The Social Security Fund is used to pay for the Library's Social Security obligations.
- The Audit Fund is used to pay for the library annual Audited Financial Reports.
- The Workers Compensation Fund is used to pay for the Library's annual workers compensation insurance policy.

SPECIAL RESERVES FUND

The Palos Heights Public Library maintains a working capital reserve fund known as the Special Reserves Fund, which was created by resolution in accordance with 75 ILCS 5/5-8 for the purposes authorized by statute. The Board 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.

FUND BALANCE

At the close of the fiscal year, the Library Board shall authorize the transfer of excess monies from the General Fund to the Special Reserves Fund. The amount of the transfer shall be determined according to the Library's Fund Balance Policy. Provided the fund balance at the end of the previous fiscal year is equal to or greater than 45% of the budgeted expenditures for the previous fiscal year, the net difference in fund balance shall be transferred to the Special Reserves Fund.

VIII. FINANCIAL REPORTS AND AUDITS

Reports reflecting the financial condition of the Palos Heights 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 the Library's finances in accordance with current legal requirements and generally accepted accounting principles (GAAP). The auditor will issue a comprehensive Annual Financial Report for the prior fiscal year no later than the end of May of the following year.

IX. DISBURSEMENTS

The disbursements for the month are approved at the Board meeting before most 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 Director. In the event of an administrative expense, the invoice shall be signed by the 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 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 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 signed by two persons, the Director and either the Treasurer or President of the Board. 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 Palos Heights 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 authorized by the Board of Trustees. A list of anticipated major capital expenditures should be included with the annual budget.

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. All petty cash purchases will be verified against appropriate receipts.

CREDIT CARDS

The Director, Business Manager, and other selected staff members shall be issued a Palos Heights Public Library credit card at the discretion of the Director. The list of staff credit cards and spending limits shall be documented in Administration. Each card shall only be used for appropriate Palos Heights Public Library business, and all uses shall be properly documented. The Palos Heights Public Library credit card shall not be used for personal expenditures. The Board of Trustees will maintain a list of all cards issued on behalf of the Library. Monthly credit card bills shall be documented in the accounts payable approval listing for the Board each month.

X. CAPITAL ASSETS

DEFINITION

Capital assets are the Library's major assets that typically benefit the Library for more than a single accounting period. They include such items as land, buildings, furnishings and equipment, and any vehicles owned by the Library. Due to the nature of the Library's mission and the dollar amount it invests in them, books, publications, and audio-visual materials are also considered capital assets of the Library.

THRESHOLDS

The Library will capitalize all assets with an estimated useful life in excess of one year and an individual unit cost of \$5,000 or more (with the exception of books and materials). All books, publications, and

audio-visual material purchased and owned by the Library with a useful life of more than one year will be capitalized as a group without regard to purchase price.

With regard to asset repairs and improvements, costs incurred in the amount of \$5,000 or more will be capitalized if the repair or improvement extends the useful life of the asset by more than 25% or significantly increases the service capacity or usefulness of the asset.

ESTIMATED USEFUL LIVES

"Estimated useful life" means the estimated number of years that an asset will be able to be used for the purpose for which it was intended when purchased. Estimated useful life is used to allocate the cost of the asset over the period in which the Library is expected to receive benefit from the asset. The periodic charge of the benefit is called "depreciation expense" and is reported in the Library's government-wide financial statements each year. The following table sets forth the typical useful life of each category of capital asset that is depreciated:

Category	Estimated Useful Life
Building	40 years
Building Improvements	10-30 years
Furniture	5-20 years
Equipment	8 years
Books and Other Library Materials	7 years
Audiovisual Materials	3 years

RECORDING CAPITAL ASSETS

Capital assets are to be reported and depreciated in the government-wide financial statements. All assets that meet the above definitions and thresholds will be recorded at historical costs or estimated historical cost. In the case of a donated asset, it shall be recorded at its estimated fair value at the time of acquisition.

DEPRECIATION

Assets subject to depreciation will be depreciated using a straight-line method. Depreciation for assets acquired during the year will be prorated based on the month the asset is put into service.

STEWARDSHIP

All capital assets will be inventoried on an annual basis. All such assets will be tagged and cataloged as appropriate to ensure proper tracking of the items through their service lives. The inventory list will include the location, initial value, depreciated value, and other relevant information for tracking each item. Library administration will be responsible for keeping the inventory list up to date.

DISPOSAL

The Library will attempt to retain capital assets until the end of their expected useful life or until they become obsolete or unrepairable. Library staff will attempt to sell all surplus Library property at its true current fair market value. If it is not economically prudent to sell the asset, or if no willing buyer is found, the property can be disposed of at the discretion of the Board or the Director.

For property with a current fair market value of less than \$1,000, the Director shall have the authority to dispose of or sell it as they deem it to be in the Library's best interest, provided the provisions of this policy statement are adhered to.

For property with a current unit value of \$1,000 to \$2,499, the Director shall attempt to sell said property through a competitive process by posting the notice of sale in the building and as appropriate online. The Director will also consider other means of obtaining the best possible price for the property, such as advertising in the local newspaper or on-line auction houses.

For property with a current unit value of \$2,500 or more, the Director shall sell such property through an advertised sealed bid process pursuant to Statute.

OTHER INVENTORY

This policy is intended to address those capital assets that must be tracked for external financial reporting purposes. There are other assets that do not need to be included in external financial statements but do need to be inventoried for internal control purposes. Although a lot of other equipment will fall below the dollar threshold for capitalization, Library staff is to maintain a separate inventory of other equipment to improve internal control and safeguard these assets.

XI. Chart of Accounts

The Library maintains the following accounts to track its revenues and expenditures:

3000 GENERAL REVENUES

3100 REAL ESTATE TAXES

3200 MISCELLANEOUS RECEIPTS

3300 INTEREST EARNED

4000 GENERAL EXPENDITURES

4300 PERSONNEL SERVICES

4400 CONTRACTUAL SERVICES

4406 BUILDING MAINTENANCE

4440 INSURANCE

4470 UTILITIES
4500 SUPPLIES
4600 GENERAL CAPITAL EXPENSES
4700 MEDIA/LIBRARY MATERIALS
4900 REIMBURSABLE EXPENSES

7000 CAPITAL PROJECT EXPENSES

ADOPTED: September 17, 2020

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