

# LINCOLN TRAIL LIBRARIES SYSTEM FINANCE AND INVESTMENT POLICY

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## I. Purpose

The Purpose of the Lincoln Trail Libraries System Finance Policy is to provide a framework for the fiscal operations of the System, to assure sound fiscal management and to outline responsibilities for management of the System's public funds.

## II. Scope of Policy

This Finance and Investment Policy applies to the financial and investment activities of all funds under the direction of the Lincoln Trail Libraries System. This Finance and Investment policy will also apply to any new funds or temporary funds placed under the direction of the Lincoln Trail Libraries System. The Illinois State Statutes will take precedence except where this Policy is more restrictive, wherein this Policy will take precedence.

## III. General

- A. The System's financial policies and procedures will be in accordance with requirements and intents as outlined in Illinois law.
- B. All members of the Executive Committee of the Board, the Executive Director, the Associate Director, the Business Manager and all other administrative staff members who are in direct contact with System funds shall be bonded for at least 50% of the annual Illinois State Library System Area and Per Capita Grant.
- C. All members of the Board and all employees of the System shall be bonded with a dishonesty bond of at least \$100,000 and insured against lawsuit, as per the errors and omissions liability insurance carried by the System.
- D. The current and past seven years' financial records of the System shall be maintained and kept at the System headquarters, except in cases when the temporary removal of such records is required by law or by auditing procedures. The system will maintain records at least as long as and in accordance with conditions required by the Illinois State Records Act (5 ILCS 160). Older records may be stored in offsite storage.
- E. An inventory of System capital assets will be maintained. A capital asset is defined as real property or as equipment whose cost per unit at the time of purchase is \$5,000.00 or more.
- F. Roll call action will be taken by the Board of Directors on all financial matters. Directors with economic conflicts of interest shall abstain from voting, in

accordance with the LTLS Board of Directors Conflict of Interest Policy and the Illinois Governmental Ethics Act.

- G. The total budget by fund will be approved by the Board of Directors. After the Board of Directors adopts the budget, the Executive Director is authorized to make line item budget adjustments up to a total of \$15,000 per line item within each fund.

#### **IV. Deposits and Transfers**

- A. All income received at the System will be deposited to appropriate accounts at least weekly or whenever the amount of receipts totals more than \$500, in accordance with appropriate internal control procedures involving two or more individuals.
- B. Deposits in any one institution may exceed \$100,000, with a signed collateralization agreement with the institution and with assets of the agreement to be held by a third party in the System's name.
- C. Financial transactions involving the transfer between System accounts may be conducted by the System's Business Manager with written authorization of the System Executive Director. In the Director's absence, any member of the Executive Committee may transfer funds between System accounts. All investments are subject to federal and state regulations.

#### **V. Expenditures and Other Financial Transactions**

- A. Authorized signatories are by title the President, Vice-President, Secretary, Treasurer, and Executive Director, who is the Deputy Treasurer of the System.
- B. Financial transactions involving expenditure of System funds require one authorized signature. These expenditures include all transactions for budgeted expenses up to a \$10,000 limit. Those expenditures over \$10,000 require two authorized signatories with the exception of certain transactions related to the management of the ILLINET/OCLC contract. Those transactions will be expenditures to the vendor OCLC and will require one authorized signature. All financial transactions will be reported to the Board of Directors at their regularly scheduled meeting. Personnel related items are paid every other week or 26 times annually. A payment cycle of no more than three times per month will be used for all other financial transactions. One signature is also authorized on the checking account used to reimburse LTLS for Grant Expenditures.
- C. Board of Director members, the Executive Director, and all employees who have direct supervisory authority over or direct responsibility for contracts entered into by the System in the amount of \$1,000 or greater shall be required to file statements of economic interest with the appropriate county clerk or state authorities.
- D. The Executive Director is authorized to close out grant accounts in the Special Revenue Fund and to transfer funds not to exceed \$1,000 per grant from the General Fund when necessary to complete the grant activities.

#### **VI. Investments**

- A. The objective in the investment of LTLS funds is the safety of principal by ensuring preservation of capital, liquidity to meet all operating requirements which might be

reasonably anticipated and return on investment by obtaining the highest available return taking into account the safety and liquidity constraints and to comply with the Illinois Public Funds Investment act (30 ILCS 235/2.5).

- B. The System Board of Directors will have the sole responsibility to select which financial institutions (IPTIP, banks, savings and loan, credit unions and other non-banks) will be depositories for Lincoln Trail Libraries System. Any financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this policy, may request to become a depository for Lincoln Trail Libraries System funds. Lincoln Trail Libraries System will take into consideration security, size, location, financial condition, service, fees, competitiveness, and the community relations involvement of the financial institution when choosing depositories. . The Executive Director shall authorize investment of funds in such institutions. Those System funds not currently needed for operating expenses shall be invested as permitted by law.
- C. Investments and the status of such accounts will be reported at each regularly scheduled meeting of the Lincoln Trail Libraries System Board of Directors and include interest earned as of the report date.
- D. The System Board of Directors and employees of the System acting in accordance with this policy and procedures as have been or may be established and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market changes.

#### **VII. Grant Contracts**

- A. The Executive Director of the System is authorized to sign contracts for receipt of funds for grants that have been awarded by the Illinois State Library or for other grant sources that have been authorized by the Board of Directors of the System.

#### **VIII. Borrowing Funds**

- A. For the purpose of meeting temporary cash shortages, the President, Vice-President, Secretary, Treasurer, and Executive Director may, with signatures of two of the above-named positions, borrow sums of money in amounts not to exceed the total of three payroll periods and one month's average Board expenditures.
- B. The Board of Directors may authorize further borrowing of funds to meet additional temporary shortages for the operation of the System, as well as for long-term building, repair, maintenance, or lease/purchase purposes.

#### **IX. Purchasing/Sale of Goods and Services**

- A. All purchases for goods and services for the System shall be authorized by the Executive Director with purchase orders through established procedures. The System may utilize educational and special discounts, which benefit the System.
- B. The System will utilize a written procurement procedure for purchases of items or services that are in excess of \$10,000.00 and whose product or service can be received from more than one responsible vendor as determined by the Executive Director.
  - 1. Intent to purchase will be brought to the attention of as many vendors as possible.

2. When competitive procurement is authorized or required, the purchase will be made on the basis of the lowest proposal received from a responsible vendor or service provider who meets the competitive purchase specifications and whose record of service indicates satisfactory performance. If the lowest proposal is not accepted, a letter of deviation shall be prepared. Further, the System reserves the right to reject any and all proposals.
3. In the event purchases are made through the joint purchasing program of the Department of General Services, State of Illinois, or other intergovernmental cooperative purchasing activity, which activity awards its purchases on the basis of competitive proposals or quotations, the requirements above are waived.
4. Competitive purchase proposals are not required in the following cases:
  - a. Salaries and wages of employees.
  - b. Library materials.
  - c. Purchases and contracts for the use, purchase, delivery, movement, or installation of automation equipment, software or services and telecommunications equipment software and services.
  - d. Where the services required are for legal counsel, professional engineering and architectural services where Quality Based Selection guidelines apply, for artistic skills or for professional services pursuant to a written contract.
  - e. Maintenance or service contracts for equipment or software where the work will be best performed by the manufacturer or installer, or by the authorized agent for the manufacturer or installer.
  - f. Other exceptions to competitive purchases requirement specifically enumerated in the Illinois Purchasing Act (30 ILCS 505/etseq).
5. Any purchase or service contract which has been approved by the Board as part of the System budget or by other Board action may be renewed by waiving the competitive purchase procedure, at the discretion of the Executive Director and in consultation with the Executive Committee.
6. The System will advertise for sale of obsolete or other equipment. Terms of competitive purchase acceptance and removal of such equipment will vary from situation to situation and in accordance with the Illinois Library System Act (75 ILCS 10/16). In all cases, the system reserves the right to accept or reject any or all bids.

#### C. Credit Cards/Accounts

1. The System will maintain no more than five (5) credit card accounts for the purchase of gasoline and emergency automotive supplies/repairs when System vehicles are in use. The Executive Director will authorize employees who may sign for purchases on these accounts.

2. The System may maintain credit accounts with office supply, catering, department stores, and other services to meet needs of the System, with authorization of the Executive Director.
3. The System may maintain credit card accounts for use by the Executive Director when conducting System business. Such business will include travel of the Director, Board of Directors and staff, food, expenses and other necessary System expenses.

#### **X. Board of Directors**

- A. The members of the Board of Directors of the System shall serve without compensation but their actual and necessary expenses shall be covered.

#### **XI. Travel**

- A. The Board of Directors will annually establish a per diem rate for travel expenses and a mileage reimbursement rate for Board members, staff, and others. Usage of these rates will be governed by the Annual Budget and Work Plan of the System.
- B. Whenever possible and cost-efficient, System business travel arrangements will utilize governmental entity discount rates.

#### **XII. Fees and Charges**

- A. There are no fees for membership in Lincoln Trail Libraries System and no fees for services allocated to the General Fund. There are fees for services that are allocated as part of the Internal Services Funds, e.g. Cooperative Service (Continuing Education and Training, Cooperative Purchase), Automation (LINC and Cataloging Center), and other similar funds. Those fees will be assessed in accordance with the Finance and Investment Policy.
- B. Internal Service Fund programs costs may be shared with the General Fund; however, LTLS will assess fees to cover the actual and indirect costs of programs allocated to the Internal Service Fund. LTLS will determine the charges and fees for Internal Service Fund services as part of the development of the Annual Budget for each Fiscal Year.
- C. Sharing of Internal Service Fund costs between members should be based on formulas that are fair and equitable to all participants and use standard statistics that are available to LTLS through the Annual Profile Summary (APS) and other data sources in order to derive cost sharing formulas. Examples of such statistics are: population served; full time equivalent staff; circulation; holdings; items added to LINC; materials budget, and other similar statistics. LTLS should make every effort to make the formulas simple and easy to understand. If certified statistics such as the APS are not received in accordance to published deadlines, LTLS will use the last known certified statistics available increased by 25% in order to report Internal Service Fund costs between members on a timely basis.
- D. LTLS may assess a fee for customization of services for the Automation program that are not part of the general fee structure. LTLS may also assess an administrative support fee for cooperative purchase programs where LTLS coordinates the purchase and coordinates the billing and collection of funds from member libraries.

### **XIII. Payments**

- A. Member libraries are responsible for prompt payment of any financial obligations incurred as part of shared cost programs such as shared automation costs, educational events, cooperative programs and other obligations. Other organizations outside of Lincoln Trail Libraries System will be held to the same standard.
- B. Payments for invoices are due within thirty days from the statement date. After thirty days, invoices are considered overdue. The staff of Lincoln Trail Libraries System is primarily responsible for collecting overdue invoices.
- C. Overdue invoices will be considered delinquent after 90 days from the statement date on which the obligation was first billed. Finance charges will be assessed on delinquent invoices at a rate of 1.5% per month or 18% per annum. Finance charges will be assessed from the original due date of the invoice.
- D. Reasonable costs incurred in collecting delinquent invoices will also be charged. Such costs include, but are not limited to, the following: (1) the cost of preparing and mailing demand letters, (2) legal expenses incurred, and (3) collection agency expenses incurred. These costs will also be subject to the same finance charge assessed on delinquent invoices.
- E. Delinquent Invoices will be considered in arrears after 120 days from the statement date. Alternatives such as service restriction, third party action, and membership termination will be pursued if an invoice is considered to be in arrears. Service restriction would be the cessation of services enjoyed by Lincoln Trail members such as, but not limited to: (1) CE events, (2) delivery services, and (3) automation privileges. Third party action would include, but not be limited to, the use of an outside service such as an attorney or collection agency to collect invoices in arrears. If service restrictions are imposed, the service restrictions will be targeted to the extent possible to the service billed on the delinquent invoice.
- F. A member library may request a deferred payment plan if it is unable to meet its current financial obligations to the System. A deferred payment plan request must be submitted in writing for approval. Any deferred payment plan entered into will be for the purpose of assuring that the best interests of the System are served. The System does not have any obligation to accept deferred payments or partial payments on account. Failure of the member library to comply with an approved payment schedule will give the System the right to immediately continue the collection process without further notice to the member library.

### **XIV. Donations**

- A. Donations of money, real property, library books or other materials, equipment, or services to Lincoln Trail Libraries System may be accepted when such a gift or its acceptance:
  - 1. Contributes to the achievement of the System's Long Range Plan.
  - 2. Does not conflict with System policies.
  - 3. Does not impose any restriction on the System as a condition of the donation, unless such restriction is formally accepted by Board action.

4. Is not likely to be perceived as an endorsement of an individual, a product, or a service.
  5. May be used or disposed of at the discretion of the System, unless otherwise mutually agreed to by the donor and the Board at the time of the donation.
- B. Donations made in accordance with these guidelines may be accepted by the Executive Director. All donations of significance will be appropriately acknowledged and recognized by the Board.
  - C. Unless otherwise provided, arrangements for and the cost of an appraisal of a donation in the interest of a donor will be the donor's responsibility prior to the conveyance of the donation to the System.

#### **XV. Budget**

- A. The fiscal year for the System shall be July 1 through June 30.
- B. The Annual Budget and Work Plan of the System will be prepared by the System Budget and Finance Committee upon recommendations of the System Executive Director and administrative staff.

#### **XVI. Audit**

- A. An outside audit of all System and grant accounts will be conducted and reviewed by the Board annually.
- B. The Budget/Finance Committee will annually review with the Executive Director and administrative staff the service performance of the auditor and the Executive Director will, at least every 5 years, solicit bids from at least three auditing firms based on recommendations of the Committee.
- C. Audits of System and grant funds will be submitted to the Illinois State Library in accordance with Illinois Library System Act and grant guidelines.
- D. The Executive Director shall establish an annual independent review for internal control, which assures compliance within the investment policy. This will be accomplished with external auditors. As part of the system of internal controls, two or more signatures as designated by the System Board of Directors should be authorized to sign on financial accounts of the System. Authorized signatories are not permitted to reconcile bank accounts at any time.