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Finance/Personnel Committee Meeting  
Minutes  
Thursday, September 19, 2010, 10:00am  
Story Time Room Lower Level

Attending: Treasurer Joe LaManna, Trustee Jeff Finlay, Trustee Mary Foster, Executive Director Lynn Elam

Also attending: Assistant Village Manager and Finance Director Darrell Langlois

The meeting was called to order at 10:08 am

**Capital Expenditures Definition Policy**

The Facilities Committee created a policy that mimics the Village's Policy. The question of whether to use a \$3,000 or \$5,000 capital equipment expenditure threshold was discussed. Assistant Village Manager and Finance Director Darrell Langlois reported to the committee that the number made no difference to the Village or Library's audit as the audit is an opinion of the entire Village. Langlois explained the requirements of the GASB 34 statement which requires fixed assets and depreciation on balance sheets. Langlois noted that different accounting systems and practices are put into place to control assets rather than to record assets.

Langlois further noted that the Library is creating negative equity because of bond payment structure.

Staff was directed to: delete the paragraph beginning "Major outlays for capital assets...though the end of the document.

**Investment Policy**

The policy was reviewed by Langlois. He noted that the policy did not reflect actual Village practices and revised the document accordingly.

Specifically, he noted that the Village does not have a list of eligible brokers, banks and investment instruments. Library money is managed by taking advantage of pooled funds. The Village and the Library uses Illinois Funds which provides professional management and liquidity.

Langlois further noted that there are extremely low returns on Treasuries, CD's and other agencies. He remarked that the current market is not a bidding environment and the Library has small investment placements.

Langlois' overall recommendation for the policy is that it should be flexible enough to work through a variety of economic conditions.

Other revisions noted for the committee:

Internal Controls: External auditors do not give assurances that the investment policy has been followed. They will review, but not assure.

Diversification (1): 40% limit of holdings is currently being exceeded. .The Library has more than 40% of its income with Harris. Langlois recommended changing the limit to 50%.

Diversification (3): Brokered Cd's shall not exceed 50% of the Library's investment portfolio rather than currently stipulated 30%.

By consensus, the committee agreed with these recommendations and asked Langlois to make revisions.

### **Investment Report:**

Langlois discussed the Investment Report with the Committee. He explained that IMET (Illinois Metropolitan Investment Fund) is a pooled fund that was created ten years ago. IMET functions in the same way as IRMA (Illinois Risk Management Association). HPL money is in this fund. IMET currently manages \$800,000,000 and is AAA rated. IMET captures the returns of 1-3 year Treasury bills more effectively than on the private market. The current return is 1.89% ending April 30, 2010. This exceeded the 90 day Treasury bill benchmark by 20 basis points.

Langlois noted to the committee that IMET is a mark to market fund. The Library may see a month with negative interest, but the Village works on a macro basis with a goal of keeping the funds from principle erosion.

Langlois recommended consolidating the Merrill Lynch Fund and putting the money into Illinois Funds, Harris or IMET funds. The Library does not have enough diversification value to keep current accounts. The committee agreed and requested that Langlois place funds that will give the best returns.

Langlois will send to Elam the information on the funds in the Harris Money Account.

### **Audit:**

Langlois reviewed the audit for the committee. He noted that the Library's actual expenditures were \$232,894 below budget.

Langlois noted that the Library has 50% operating reserves on hand which is beyond the typical range of standards.

Langlois noted to the committee one special item in the audit which is shown as a negative change in assets of 2.8M. This reflects the bond sale and renovation project. In previous audits, the assets were given to the Library and liability given to the Village. The correction is noted on this year's audit. The Library is receiving the bond liability.

**Authority to Spend Policy:**

Recommended changes to the Policy:

- Section 2 – Purchase Authority: Authority to Spend: Change *purchases up to \$5,000* to \$3,000
- Change \$5,000 to \$3,000 in all other applicable sections
- Where applicable insert "or designee" following "Executive Director"
- Delete all reference to renovation activities

Elam will make requested changes and submit policies to the Board for review at the October board meeting.

There being no further business before the Committee, the meeting was adjourned at 11:40am.