# Fiscal Accountability Policy

## I. Purpose

A. The purpose of the Fiscal Accountability Policy is to provide a framework for the Board of Library Trustees (Board) and staff for the fiscal operations of the library to ensure sound fiscal management and to outline responsibilities for management of the library's public funds.

## II. Scope

A. This Fiscal Accountability Policy applies to the financial and investment activities of all funds under the direction of the library. This policy also applies to any new funds or temporary funds placed under the direction of the library.

## III. General

A. The library's financial policies and procedures will be in accordance with Illinois law.
B. As per 75 ILCS 16/30-45, the library's Treasurer shall be bonded or insured in an amount and with sureties approved by the Board. The cost of the surety bond shall be borne by the library.
C. The library will maintain financial records in accordance with the Local Records Act (50 ILCS 205).
D. Roll call action will be taken by the Board on all financial matters where required by law or library policy.
E. Trustees will comply with the Public Officer Prohibited Activities Act (50 ILCS 105).
F. All Trustees, the Executive Director, and selected library staff shall file statements of economic interest with the Cook County Clerk as well as with the Village of Mount Prospect.
G. Fund balances and financial transactions will be reported to the Board for ratification at its regularly scheduled meetings.
H. As per 50 ILCS 310, an outside audit of all library accounts will be conducted annually and reviewed by the Board in a public meeting.

## IV. Budget and Levy

A. The library's fiscal year shall be January 1 through December 31.
B. The total budget by fund will be approved by the Board annually.
C. As per 75 ILCS 5/4-10, the library shall submit to the Village of Mount Prospect a statement of financial requirements of the library for the ensuing fiscal year for inclusion in the appropriation of the corporate authority no less than 60 days prior to when the tax levy must be certified.

## V. Fund Usage

A. Library General Fund
    1. The Library General Fund, also known as the Operating or Corporate Fund, is unrestricted and is primarily used for the library's general expenses.
    2. The library's goal is to maintain an operating reserve at a level equal to 50% to 75% of the annual operating budget (6 to 9 months). General Library Fund balances over the maximum at the end of the fiscal year may be transferred to the Capital Projects Fund with approval from the Board.

B. Capital Projects Fund
   1. The library maintains a Capital Projects Fund, also known as a Reserve Fund, as per 75 ILCS 5/5-8. This fund is restricted and may be expended on constructing, remodeling, repairing, or improving a library building and grounds as per MPPL Ordinance No. 2020-1 and its amendments.
   2. The library will maintain a 10- to 20-year capital improvement plan and incorporate scheduled replacements and/or maintenance in the annual budget.

C. Gift Fund
   1. The library maintains a "Gift Fund" which is funded by donations from the community.
   2. Acceptance of donations is governed by the library's Gift and Donation Policy.
   3. No property tax income is allocated to the Gift Fund.
   4. If the library accepts a restricted donation, it will keep track of and spend the donated funds in accordance with the request of the donor.
   5. Annual expenditures from the Gift Fund will be identified during the annual budgeting process.

D. Working Cash Fund
   1. As per 75 ILCS 5/4-14, the library has created and shall maintain a Working Cash Fund for the sole purpose of enabling the library to have sufficient money to meet demands for ordinary and necessary expenditures.
   2. Working Cash Funds are held in reserve to provide for the operations of the library in the event that there is a delay in receiving anticipated levied tax revenue. In such an emergency the funds may be temporarily transferred to the Library General Fund to cover the costs of operations. Once the delayed taxes are collected, the Working Cash Fund must be reimbursed for any expenditures.
   3. Interest earned on the fund is transferred to the General Library Fund.

## VI. Expenditures and Other Financial Transactions

A. Authorized signatories are the Treasurer and Executive Director.
B. The Executive Director is authorized to approve expenditures and sign contracts, provided that such expenditures are within the limits of the current fiscal year's approved budget.
C. Board approval is necessary for expenditures that exceed the current fiscal year approved budget.
D. Under no circumstances may a signatory sign a document for which that signatory is a payee.
E. A petty cash account is maintained by the library, with no single payment to exceed $100.
F. On an annual basis the library shall identify all checks that have been outstanding for more than six (6) months and a journal entry will be done to deposit the funds into the library's unclaimed liability account.
G. On an annual basis the library will review checks that have been deposited in the unclaimed liability account and send outstanding checks dated three (3) years or older to the State of Illinois, Unclaimed Property Division, per state statute.
H. On an annual basis, vendors that are regularly used for high value transactions (over $1,000) will be verified to confirm payment details to prevent payments to compromised vendor accounts.

## VII. Deposits

A. All revenue received by the library will be deposited to appropriate accounts at least monthly, in accordance with internal control procedures.
B. Deposits in any one institution may not exceed the FDIC insured amount without a signed collateralization agreement.

# VIII. Purchasing/Sale of Goods and Services

A. All purchases for goods and services for the library shall be authorized by the Executive Director through established procedures.
B. For all applicable construction, remodeling, repairing, or improvement projects the Board shall adhere to the competitive bid process as per 75 ILCS 5/5-5 and award the contract to the lowest responsible bidder.
C. For purchases of services, materials, equipment, or supplies, other than professional services, with a value greater than $5,000 two or more quotations will be sought when feasible.
D. The library will dispose of any real or personal property in accordance with 75 ILCS 5/4-16.
E. Applicable public works projects will adhere to the Illinois Prevailing Wage Act (820 ILCS 130).

# IX. Capitalization Guidelines

A. The Capitalization Guidelines are established to safeguard assets and to ensure compliance with GASB 34 for governmental financial reporting.
B. The library capitalizes items according to the following schedule:

| Asset | Useful Life (Years) | Capitalization Threshold |
|---|---|---|
| Land and inexhaustible land improvements | NA | $1 |
| Land improvements | 20 | $50,000 |
| Buildings | 45 | $50,000 |
| Building Improvements, HVAC | 20 | $50,000 |
| Building Improvements, Re-roofing | 20 | $50,000 |
| Building Improvements, Electrical/Plumbing | 30 | $50,000 |
| Building Improvements, Carpet Replacement | 10 | $50,000 |
| Vehicles | 7 | $10,000 |
| Equipment and Fixtures, Generators | 20 | $25,000 |
| Equipment and Fixtures, Office Furniture | 20 | $3,000 |
| Equipment and Fixtures, Office Equipment | 5 | $3,000 |
| Equipment and Fixtures, Phone System | 10 | $3,000 |
| Equipment and Fixtures, Library Equipment | 10 | $3,000 |
| Library materials, physical | 5 | $1 |

C. Depreciation is computed using a straight-line method, with depreciation computed on a monthly basis from the month of acquisition. Additions and improvements will only be capitalized if the cost either enhances the asset's functionality or extends the asset's useful life.
D. Capital assets will be valued at cost or historical costs plus those costs necessary to place the asset in its location (i.e., freight, installation, etc.). In the absence of historical cost information, a realistic estimate will be used. Donated assets will be recorded at the estimated current fair market value.
E. Physical library materials purchases are capitalized on an annual basis using the dollar cost from the physical materials lines of the budget and the library's count of items added in a fiscal year.
F. The library will maintain an inclusive inventory of capital purchases. Asset purchases that fall below the capitalization threshold will not be included in the inventory.

## X. Credit Cards/Accounts

A. The library may maintain a credit card account for use by the Executive Director and staff in conducting library business. Such business must be documented with receipts to support all purchases.
B. The library may maintain credit accounts with suppliers to meet regular operating needs, with authorization of the Executive Director.

## XI. Board of Library Trustees Reimbursement

A. Trustees shall serve without compensation but shall be reimbursed from library funds for their actual and necessary expenses incurred in the performance of their duties as per 75 ILCS 5/4-5.

## XII. Library Staff Reimbursement

A. Employees will be reimbursed for reasonable authorized expenses incurred by them in the performance of their duties. All such expenses must be approved by the employee's supervisor. Purchases made without the appropriate advance approval will not be considered reimbursable.

## XIII. Travel Expenses

A. Travel expenses are those ordinary and reasonable travel, meals, and lodging expenses incurred for the authorized and legitimate purposes of the library.
B. Types of travel expenses eligible for reimbursement include the actual cost of transportation, personal vehicle mileage, lodging, meals, and conference fees.
C. No expenses for entertainment or alcohol will be reimbursed.
D. Mileage expenses are based on the IRS standard rate.
E. Lodging, meals, and incidental expenses are based on the U.S. General Services Administrations per diem rates where appropriate and feasible.
F. Expense reports must be supported by receipts that document travel expenditures.

## XIV. Investments

A. Authority
    1. All investment policies, procedures, and practices of the library will be in accordance with Illinois law. The general authority of the Board to control and invest public funds is defined in the Illinois Public Funds Investment Act (30 ILCS 30/235).
B. Management Program, Internal Controls, and Delegation of Authority
    1. Responsibility for – and management of – the investment policies, procedures, and practices are delegated to the Board's Treasurer acting under the general oversight and authority of the Board. The Treasurer, and by delegation, the Executive Director are responsible for establishing, implementing, and administering the library's investment program.
    2. In addition to the guidelines contained in this policy, the Treasurer shall establish, implement, oversee, and periodically review a system of internal controls and written operational procedures designed to prevent loss, theft, or misuse of funds.

C. Prudent Person Standard
   1. The standard of care applicable to investment of library funds is the "prudent person" standard of care. Using this standard, 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, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.
   2. When acting in accordance with this standard of care and exercising due diligence, the Treasurer and others authorized to act on their behalf, shall be relieved of personal responsibility for an investment credit risk or market price and value changes, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

D. Objectives and Guidelines
   1. In accordance with the Illinois Sustainable Investing Act (PA 101-0473), material, relevant, and decision-useful sustainability factors have been or are regularly considered by the library, within the bounds of financial and fiduciary prudence, in evaluating investment decisions.
   2. It is the Board's policy to place idle funds in relatively risk-averse assets that will provide the highest return possible while meeting the cash flow demands of the library and conforming to statutes governing the investment of public funds.
   3. When selecting financial institutions and investment instruments for library funds, the following general objectives and guidelines should be considered in the order listed:
      i. Legality and Safety. The primary considerations for library investments are their legality under Illinois law and their safety, the standard for which is the preservation of principal. Investments will be made only in securities guaranteed by the United States Government or in institutions insured by the Federal Deposit Insurance Corporation (FDIC). Accounts in banks or savings and loan institutions will not exceed the amounts insured under FDIC coverage, unless they are adequately collateralized.
      ii. Liquidity. The types and lengths of investments should be managed to insure that the library is able to meet the cash flow requirements for ongoing operations and capital expenditures.
      iii. Return on investment. Within the constraints imposed by considerations of legality, safety, and liquidity, every effort should be made to achieve a maximum return on investments. All available funds will either be invested or kept in interest bearing deposit accounts.
      iv. Simplicity of management. The Treasurer, Executive Director, and other designated administrative staff must be able to manage library investments effectively and efficiently within the time constraints imposed by other responsibilities and the limitations imposed by their respective levels of financial expertise.

E. Investment Instruments
   1. Authorized investments will be limited to the instruments listed below:
      i. Treasury bills, bonds, or other securities issued and guaranteed by the United States Government, its agencies, or instrumentalities.
      ii. The Illinois Public Treasurer's Investment Pool.
      iii. Interest bearing NOW (Negotiable Order of Withdrawal) accounts, time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; and Certificates of Deposit with federally insured institutions that are collateralized or insured at levels acceptable to the library in excess of the current FDIC coverage limit.

iv. Other investments that are permitted under Illinois law and satisfy the library's investment objectives provided any such investment is specifically approved and authorized in advance by the Board.

2. Investments may be made only in those savings banks or savings and loan associations, the shares, or investment certificates of which, are insured by the FDIC.
3. Investment products that are considered to be derivatives are specifically excluded from approved investments.

F. Diversification
1. It is the library's policy to diversify its investment portfolio in order to minimize the risk of loss resulting from over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the Treasurer, with the advice and counsel of the Board's Finance Committee.
2. The principle of diversification shall be applied in accordance with the following parameters:
   i. Treasury bills, bonds, or other securities issued and guaranteed by the United States Government, its agencies or instrumentalities – up to 100% of the investment portfolio.
   ii. The Illinois Public Treasurer's Investment Pool – up to 100% of the investment portfolio.
   iii. Interest Bearing NOW accounts, time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act – up to 75% of the investment portfolio.
   iv. Certificates of Deposit with federally insured institutions that are collateralized or insured at levels acceptable to the library in excess of the current FDIC coverage limit – up to 100% of the investment portfolio.
   v. Other investments that are permitted under Illinois law and satisfy the library's investment objectives, provided any such investment is specifically approved and authorized in advance by the Board – up to 25% of the investment portfolio.

G. Collateralization and Safekeeping
1. Time deposits in excess of FDIC insurable limits must be secured by collateral or private insurance. Eligible collateral instruments are any investment instruments acceptable under the Illinois Public Funds Investment Act. The collateral must be placed in safekeeping at or before the time the library makes the investment(s).
2. Third-party safekeeping is required for all collateral. To accomplish this, the securities serving as collateral must be held at one or more of the following locations: [1] a Federal Reserve Bank or its branch office; [2] another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve; [3] an escrow agent of the pledging institution; or [4] the trust department of the issuing bank. Safekeeping will be documented by an approved written agreement that complies with FDIC regulations. Substitution or exchange of collateral held in safekeeping for the library can be approved exclusively by the Treasurer, and only if the market value of the replacement collateral is equal to or greater than that of the collateral being replaced.

H. Authorized Financial Institutions
1. Financial institutions shall be considered and authorized only by action of the Board, upon recommendation of the Treasurer.
2. Any financial institution selected by the library shall provide normal banking services, including but not limited to: NOW accounts, wire transfers, and safekeeping services. The library will not keep funds in any financial institution that is not a member of the FDIC.

3. Any financial institution selected to be eligible for the library's certificate of deposit purchase program must: [1] provide wire transfer and certificate of deposit safekeeping services; and [2] be a member of the FDIC and be willing to and capable of posting the required collateral or private insurance for funds in excess of FDIC insurable limits.

I. Financial and Investment Services Providers
   1. Investment advisors, money managers, and similar service providers may be engaged on an as-needed basis by action of the Board or delegation to the Executive Director.

J. Performance
   1. The Treasurer shall seek to earn a reasonable rate of return on investments consistent with the objectives stated in this policy.

K. Reporting and Review
   1. Investments, fund balances, and the status of such accounts will be reported at each regularly scheduled Board meeting.

L. Ethics and Conflicts of Interest
   1. Officers and employees involved in the investment process shall not engage in personal business activity that could conflict with the proper execution and management of this policy, or that could impair their ability to make any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Except as permitted under the Public Officer Prohibited Activities Act, no officer or employee involved in the investment process shall have any interest in, or receive any compensation from, any investments in which the library invests, or the sellers, sponsors, or managers of those investments.

**Revision History**

This policy incorporates and replaces the previous Capitalization Policy and Guidelines, Credit Card Transaction Policy, Disposal of Surplus Library Property, Financial Policy, Investment Policy, Prevailing Wage Policy, and Travel Expense Policy. Approved 04/17/2025.