

## Fiscal Accountability Policy

### Revision Control

- *Fiscal Accountability Policy – Original approved by LPLD Board March 20, 2014. (This policy replaced the previous Library Investment Policy.)*
- *Amendment approved by the Board June 19, 2014.*
- *Amendment approved by the Board March 17, 2016.*
- *Amendment approved by the Board November 27, 2017.*
- *Amendment approved by the Board April 27, 2020.*
- *Amendment approved by the Board June 8, 2021.*

#### I. Purpose

The purpose of the Lincolnwood Public Library District's (LPLD) 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 assure sound fiscal management and to outline responsibilities for management of the Library's public funds.

#### II. Scope

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

#### III. General

- A. LPLD financial policies and procedures will be in accordance with Illinois law.
- B. As per 75 ILCS 16/30-45LPLD's Treasurer shall be bonded or insured in an amount and with sureties approved by the Board. The cost of the surety bond or insurance shall be borne by the Library.
- C. The current and past seven years' financial records of LPLD shall be maintained and kept at the Library. LPLD will maintain records in accordance with the Local Records Act (50 ILCS 205).
- D. LPLD will maintain an inventory of capital purchases.
- E. Roll call action will be taken by the Board on all financial matters.
- F. Trustees with conflicts of interest shall abstain from voting in accordance with the Public Officer Prohibited Activities Act (50 ILCS 105) and any other applicable statutes.
- G. The total budget by fund will be approved by the Board.

#### IV. Deposits

- A. All revenue received by LPLD will be deposited to appropriate accounts at least monthly or whenever receipts total more than \$500, in accordance with internal control procedures.
- B. Deposits in any one institution may not exceed the FDIC insured amount without a signed collateralization agreement (see Section VI. G).

## V. Expenditures and Other Financial Transactions

- A. Authorized signatories are the Board President, Vice-President, Secretary, Treasurer, Library Director and Deputy Director.
- B. Financial transactions for expenses up to a \$2,000 limit require two signatures. Financial transactions over \$2,000 require two signatures, both of which must be authorized Trustee signatories.
- C. LPLD will give the following vendors the option to be paid by ACH credit:
  - Charles Schwab & Co. Inc. – Electronic payments approved up to \$15,000 per invoice.
  - Baker & Taylor – Electronic payments approved up to \$1,000 per invoice.
  - Midwest Tape – Electronic payments approved up to \$1,000 per invoice.
  - Amazon – Electronic payments approved up to \$1,000 per invoice.Electronic payments shall follow the same three-party review and authorization as the paper check process. Invoices exceeding the approved amount will be routed through the standard paper check process. A list of vendors paid electronically will be reported to the Board at its regularly scheduled meetings. The District will keep a record of all vendor relationships, indicating whether the vendor is paid by check, ACH credit, paid online via their website, or by auto-debit from the District’s operating checking account.
- D. The Library Director has the authority to approve and sign routine operating and maintenance contracts up to \$20,000. Contracts for services outside routine operations, such as capital improvements or planning, must be approved by the Board, no matter what the cost. The Board may give the Library Director approval to negotiate and sign the contract documents as long as the Board has approved the service provider and not-to-exceed amount.
- E. Under no circumstances may a signatory sign a document for which that signatory is a payee.
- F. All financial transactions will be reported to the Board at its regularly scheduled meeting.
- G. Personnel-related items will be paid semi-monthly. A payment cycle of no more than once a week will be used for all other financial transactions.
- H. All Library Trustees, the Library Director, and all full-time LPLD staff shall file statements of economic interest with the County Clerk or state authorities.

## VI. Investments

- A. **Authority**

All investment policies, procedures, and practices of the LPLD 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**
  - i. Responsibility for—and management of— the investment policies, procedures, and practices are delegated to the Board’s Treasurer—hereby designated the Chief Investment Officer of the Library—acting under the general oversight and authority of

the Board. The Treasurer, as Chief Investment Officer, and the Library Director are responsible for establishing, implementing, and administering the Library's investment program.

- ii. 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. Such procedures shall include explicit delegation of authority to persons responsible for execution of financial activities under the direction of the Treasurer, including: investment transactions; check signing; check reconciliation; deposits; bond payments; report preparation; and wire transfers.

**C. Prudent Person Standard**

- i. The standard of care applicable to investment of LPLD 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.
- ii. When acting in accordance with this standard of care and exercising due diligence, the Treasurer and others authorized to act on his or her 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**

- i. 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.
- ii. When selecting financial institutions and investment instruments for Library funds, the following general objectives and guidelines should be considered in the order listed:
  - 1. 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.
  - 2. 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.
  - 3. Return on Investment — Within the constraints imposed by considerations of legality, safety, and liquidity, every effort should be made to achieve a

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maximum return on investments. All available funds will either be invested or kept in interest bearing deposit accounts.

4. **Simplicity of Management** — The Treasurer, Library 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.
- iii. **Local Institutions** — Preference will be given to financial institutions located within the Village of Lincolnwood provided that yields are competitive with other institutions for comparable investments.

**E. Investment Instruments**

- i. Authorized investments will be limited to the instruments listed below:
  1. Treasury bills, bonds, or other securities issued and guaranteed by the United States Government, its agencies or instrumentalities.
  2. The Illinois Public Treasurer’s Investment Pool.
  3. 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.
  4. 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.
- ii. 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.
- iii. Investment products that are considered to be derivatives are specifically excluded from approved investments.

**F. Diversification**

- i. 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 and Facilities Committee.
- ii. The principle of diversification shall be applied in accordance with the following parameters:
  1. 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.
  2. The Illinois Public Treasurer’s Investment Pool—Up to 75% of the investment portfolio.

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3. 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. Up to 75% of the investment portfolio;
4. 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 75% of the investment portfolio.
5. 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 15% of the investment portfolio.

**G. Collateralization and Safekeeping**

- i. 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).
- ii. 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**

- i. Financial institutions shall be considered and authorized only by action of the Board, upon the recommendation of the Treasurer.
- ii. The Treasurer will maintain a list of institutions authorized to provide investment services to the Library.
- iii. Demand Deposits: 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.
- iv. Certificates of Deposit: 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.

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I. **Financial and Investment Services Providers**

- i. Investment advisors, money managers, and similar service providers may be engaged on an as-needed basis by action of the Board. This process will be designed and coordinated by the Treasurer and the Board's Finance and Facilities Committee.

J. **Performance**

- i. 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**

- i. Investments, fund balances, and the status of such accounts will be reported at each regularly scheduled Board meeting. At least quarterly, reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date.
- ii. The Treasurer shall review this policy annually and report annually to the Board on the investment portfolio and the portfolio's compliance with this policy.

L. **Ethics and Conflicts of Interest**

- i. 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 impartial decisions. Employees and investment officials shall disclose 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 Practices 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.

**VII. Purchasing/Sale of Goods and Services**

- A. All purchases for goods and services for LPLD shall be authorized by the Library Director through established procedures.
- B. As provided by statute, for constructing buildings, remodeling, repairing, or improving of any existing library building, erecting an addition to an existing library building, or purchasing the necessary equipment for the library when the cost is in excess of \$25,000 (P.A. 100-0338 effective 8/25/17), the Board shall advertise for bids and award the contract to the lowest responsible bidder (75 ILCS 16/40-45).
- C. For other purchases for services, materials, equipment, or supplies, other than professional services, with a value greater than \$5,000, three or more competitive quotations will be sought, whenever feasible.
- D. LPLD will dispose of any real or personal property in accordance with 75 ILCS 16/30-55.32.

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**VIII. Credit Cards/Accounts**

- A. LPLD may maintain a credit card account for use by the Library Director and Department Heads in conducting LPLD business. Such business must be documented with receipts to support all purchases. Credit card use is limited to purchases where a credit account is not available or the vendor is unable to invoice the Library.
- B. LPLD may maintain credit accounts with suppliers to meet regular operating needs, with authorization of the Library Director.

**IX. Board of Library Trustees**

- A. As provided by statute, 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 (75 ILCS 16/30-30).

**X. Library Staff**

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

**XI. Travel**

- A. Mileage for automobile travel shall be reimbursed at the current Standard Mileage Rate as determined by the Internal Revenue Service.
- B. Expense reports must be supported by original receipts that document travel expenditures.
- C. Mileage reimbursement for Library staff should be calculated subtracting the normal workday mileage to and from the Library as appropriate.

**XII. Budget**

- A. Pursuant to 75 ILCS 16/35-40, LPLD's fiscal year shall be July 1 through June 30.
- B. The Library may maintain a Special Reserve Fund pursuant 75 ILCS 16/40-50.
- C. The LPLD Board will review all fund balances on an annual basis in conjunction with the annual budget review.
- D. The Library's goal is to maintain no less than a 6-month operating reserve in the Library Fund, and aims to maintain a 12-month reserve.

**XIII. Audit**

- A. An outside audit of all LPLD accounts will be conducted annually and reviewed by the Board.
- B. As per the Bylaws, every 10<sup>th</sup> year, or sooner at the Board's discretion, the Finance and Facilities Committee shall solicit proposals from at least three auditing firms qualified to conduct an audit of LPLD accounts.