



## **FINANCIAL MANAGEMENT POLICY**

Adequate financial support is necessary to operate and fulfill the mission of the Highwood Library & Community Center (HLCC) and to provide quality service to the community. Sound budgeting, accounting, and reporting procedures contribute to the effective use of HLCC funds.

Efficient methods of business management and effective controls are employed by the Executive Director for business practices and support services. Complete and accurate records of all transactions are kept for audit purposes.

### **FISCAL AUTHORITY**

The Board of Trustees for the HLCC authorizes the Library to make purchases and procurements in a manner that upholds and provides responsible stewardship of public funds and that aligns with the strategic vision of the Library. The Board Finance Committee develops an annual budget and proposed tax levy. The Board approves the annual budget and presents an annual tax levy request to the City of Highwood City Council for approval.

Purchase and procurement are under the authority of the Executive Director. The Executive Director may make purchases according to the approved budget without specific approval for each purchase. The Executive Director is authorized to spend up to \$2,500 on any single item without prior Board of Trustees approval. The Executive Director is authorized to spend up to \$5,000 on any single item with the approval of the Finance Committee. The Executive Director is authorized to spend up to \$10,000 on any single item only with the majority approval of the Board of Trustees. In case of extreme emergency, the Executive Director may spend \$15,000 with the approval of any two library Board of Trustees members so long as the amount does not exceed the threshold requiring a formal bidding process, as specified in the Competitive Bids section of the Purchasing Policy.

The staff has authority to spend as determined by the Executive Director.

### **SEGREGATION OF FISCAL DUTIES AND INTERNAL CONTROLS**

No one person should control or perform all key aspects of a transaction or financial event. Segregation of duties is an important internal control activity that helps detect errors in a timely manner and deters improper activities. An individual should not be in a position to initiate, approve, and review the same action. The authorization of transactions, the recordkeeping for receipts and payments and cash management should be separated among employees and members of the Board of Trustees.

The Executive Director must consider segregation of duties when designing and defining job duties. The Executive Director must implement processes and control procedures that, to the extent feasible, segregate duties among employees and that include effective oversight of activities and transactions.



When these functions cannot be separated, more reliance must be placed on administrative oversight. Internal controls instituted by the HLCC will assist the Board in maintaining adequate fiscal oversight of the expenditure of funds.

## **INVESTMENTS**

The Board of Trustees creates and maintains a Fund Balance to provide financial stability, ensuring cash flow for ongoing operations while building monetary reserves for future projects. The fund balance is the unreserved, unencumbered, and/or unrestricted cash remaining at the completion of a fiscal year.

While there is not a statutory minimum amount for a fund balance, the Board of Trustees strives to maintain three (3) months of the Library's operating expenditures. Funds over the three (3) month maximum may be transferred to the Library's Reserve Account through Board motion.

Monthly, the Executive Director monitors revenue, expenditures and cash availability, reporting to the Board of Trustees if projections indicate revenue is below or expenditures above anticipated amounts. If the unreserved, unreserved fund balance amount falls below three (3) months, the Executive Director and Board of Trustees must take steps to reduce expenditures and/or obtain additional revenue within (3) months.

## **PURCHASING**

All purchases are conducted in adherence with applicable federal and state laws and regulations. The process of selecting vendors, managing contracts and agreements shall be subject to ethical standards and embody the value of stewardship of the public's investment. All hired contractors are required to ensure that sub-recipients adhere to the details outlined in this policy. Contractors will do a risk assessment for sub-recipients. If risk is high, they will enhance monitoring per 2CFR 200.207.

Written procedures for procurement transactions must incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured.

Purchase and procurement activities shall be administered in a manner that provides maximum practicable open competition appropriate to the type of product or service to be acquired and support the goals of cost efficiency and quality. Contractors who develop or draft specifications, requirements, statements of work or Request for Proposals are not allowed to compete for those procurements.

If an audit is initiated and findings identified, the response will be issued within 180 days in accordance to Generally Accepted Government Auditing Standards (GAGAS).

## **GRANTS, GIFTS, MEMORIALS, AND BEQUESTS**



The following policies and procedures are set forth: (a) to spell out hereinafter the working rules for the acceptance of gifts and pledges for the HLCC (the Library) (b) to protect the Library, its Board of Trustees (the Board), staff, and volunteers from inappropriate or undesirable gifts and pledges; and (c) to inform the Library's donors and prospective donors. The Library Board will review this policy regularly to ensure accurate reflection of current gift acceptance procedures.

The Friends of the Highwood Public Library (the Friends) is an established 501(c)(3) whose purpose is to raise funds for the Library. Any gifts/commitment of funds that flow to the Library from the Friends are governed by this policy.

### **1. General Procedures and Guidelines**

The Library welcomes expressions of interest and financial support, regardless of size or form, from any individual, family, business, corporation, foundation, or similar source. Any donations or gifts to the library must be consistent with the library's policies, goals and objectives.

The Library accepts both restricted as well as unrestricted gifts providing that donor restrictions do not significantly diminish the value of the gift.

The Executive Director and Board Members are available to meet with any prospective donor(s) and their financial advisors, without obligation, to discuss areas of interest, the plans of the Library, types of gift commitments, options for payment, estate planning, and the tax planning consequences of a possible gift commitment so as to provide every possible assistance to a prospective donor. However, unrestricted gifts of cash or negotiable securities are the forms of donor commitment that will have the greatest impact on the Library and its future plans.

Gifts to the Library should be made in the name of the Highwood Public Library and will be taken, held and administered by the Board. All gifts to the Library should be directed to the Library Director where they will be accepted, tax-acknowledged, and administered in accordance with the policies of the Board. When donations require a 501(c)(3) status, the gift can be made through the Friends of the Highwood Public Library, covered by these same policies.

No solicitation of donations or gifts of funds or real property for the benefit of the Library shall be made by anyone without the approval of the Executive Director, Board of Trustees, or their designated representatives. Donations to the Friends will always be approved by the Executive Director following the guidelines of this policy.

Commitments to the Library and/or payment of same may take the form of one, or a combination, of the following:

- Cash
- Multi-year pledges
- Appreciated securities or other personal assets



- Deferred or planned gifts including: trusts; annuities; insurance policies; gifts of residence with or without a retained life interest; and bequest intentions
- Other forms as approved by the Executive Director

Requests by donors for anonymity will be honored.

The Board, and/or the Executive Director reserve the right to accept (or, in cases where absolutely necessary, to decline) any commitment that is offered to them. They also reserve the right to determine how any commitment will be credited and/or how such commitments will be recognized.

## **2. Pledges**

Pledges should be made in writing and should commit to a specific dollar amount that will be paid according to a fixed time schedule. The recommended maximum pledge period is three years.

## **3. Planned Giving**

The Board President or Executive Director or a designate shall have authority to sign planned giving agreements on behalf of the Library. Any agreement that does not meet the requirements of the current guidelines shall require the approval of the Board. The Library will use the accepted IRS formula (and accounting rules) for determining present value of future planned gifts.

## **4. Matching Gifts**

A donor whose gift is matched by his/her company will be recognized for the total amount of his/her individual gift plus the matching portion on their gift record. They will receive recognition for the amount of their personal gift and they will receive the recognition associated with the matching gift for the total amount.

## **5. Gift Reporting**

All gifts and pledges that fall under the basic principles listed above will be reported to all internal and external constituencies of the Library on an on-going basis according to the gift acceptance policies herein.

## **6. Tangible Personal Property**

Outright gifts of tangible personal property for which donors qualify for a charitable gift deduction under current IRS rules will be credited, recognized and/or commemorated at the appraised value of the property at the time it is transferred to the Friends of the Library.

The donor should make the gift offer in writing to the Executive Director with a detailed description of the gift.

## **7. Expenses Associated with Gifts**

Generally, the Library's acceptance of gifts cannot involve significant additional expense for their present or future use, display, maintenance, or administration. All gifts that will, or may, require expenditure of funds either at the time of the gift or at some future date (e.g., non-performing assets



gifted to fund a charitable trust or charitable gift annuity, bargain sales, or outright gifts such as real estate that may impose present obligations on the Library) shall require the approval of the Board. Unless otherwise funded by the donor or authorized by the Board, the Library will seek to liquidate such assets. The Library reserves the right to dispose of donations in the future without notification to donors.

### **8. Bequests**

Bequest intentions, commitments of unpaid insurance policies, and other revocable deferred gifts will be recorded as “future” expectancies of the Library. These will be valued as established in writing by the donor through a bequest intention form, a deferred pledge agreement, a contract to make a will, a letter, or a copy of the appropriate section of the will, insurance, trust document, etc. Such revocable gift commitments will be reported, credited and recognized, subject to the donor’s specific request and intent, only when the funds are irrevocably committed to the Library or when the gift matures.

### **9. Named Endowment Funds**

For the purposes of this policy statement, “endowment fund” shall refer to any fund, or any part thereof, not wholly expendable by the Library on a current basis under the terms of the applicable gift instrument. Endowment gifts may be used to establish a special endowment fund or may be added to an existing endowment fund.

The minimum dollar requirement for a named endowment fund is \$50,000. When establishing an endowed fund, an Endowed Fund Agreement should be used to specify the name of the donor(s) and the amount of the gift, the name of the fund and the donor’s purpose for use of the earnings. This Agreement is dated and executed with the signature of the Library Director or their designate, and the donor(s) or their approved designates.

In designating an endowment gift for a specific purpose, the donor is encouraged: (a) to describe that purpose as broadly as possible and (b) to avoid detailed limitations and restrictions. In the event the specific purpose is no longer applicable, the Library will apply the funds in a manner consistent with donor intentions and the Library mission.

The Library reserves the right to review the minimum amounts required for named endowments periodically and to amend the minimum amount required so as to ensure that endowment proceeds are sufficient to fund the intended purpose(s) of the endowment. If, and when, the Library acts to increase the minimum amount required to establish a particular named endowment fund, such action shall not be retroactive to funds already established and named.

### **10. Books or Library Materials**

Books or other library materials purchased by the donor for presentation to the library will be gratefully accepted provided they meet the Library's selection policies and procedures and, in the opinion of the professional staff, they enhance the value of the Library's collections.



Donated books are evaluated according to the same criteria that are applied to purchased materials. Donated materials which have not undergone the Library's selection process will be disposed of at the discretion of the Library. Books not added to the Library's collection may be sold, donated or disposed of. The Library reserves the right to refuse to accept any materials, which would merely create a disposal problem.

The Library is most interested in the following types of donated books:

- Hardbound current novels for recreational reading
- Non-fiction books with current information
- Biographies and autobiographies
- Children's books
- Paperback books
- Books of local interest

Books and periodicals that **we cannot** use or even accept as they present a disposal problem:

- Outdated informational books (e.g. technological, tax, investment, medical, educational, legal, etc.)
- Outdated textbooks or encyclopedias
- Reader's Digest abridged or condensed books
- Books that are grimy, musty, moldy or mildewed
- Books with torn pages or missing covers, or that are written in
- Books with editorial comments either written or typed in them
- Most periodicals, especially National Geographic
- Puzzles with missing pieces

### **11. Furnishing, Equipment, and Ornamentation**

All donations (of furnishings, equipment, and materials, etc.) become the sole property of the Library. No gifts of this nature are accepted unless freely given to the Library without restriction to be used as the Library sees fit. The decision as to the acceptance of furnishings and equipment shall be made by the Executive Director. Among the criteria on which the decision shall be based are need, space, impact on staff time, and expense and frequency of maintenance.

Donations of art are subject to the Art Policy.

The decision as to the acceptance and location of gifts of a permanent and/or substantial nature of landscaping shall be made by the Building & Grounds Committee on the advice of the Executive Director. The major criterion on which the decision shall be based is the appropriateness and consistency of the proffered gifts. to the library's Landscape Master Plan.



The decision as to the acceptance and location of gifts of exterior or interior ornamentation (e.g. artwork), sculpture and signage shall be made by Library Board of Trustees on the advice of the Executive Director.

A record of donated items will be maintained. Disposal of donated library property must be approved by the Executive Director and Board of Trustees. If possible, the original donor will be made aware that the gift will be taken out of circulation. Disposal methods can include recycling, donation, sale, or destruction.

Substantial donations toward programming are welcomed, and donors will receive a report on that programming for a limit of 1 year following the gift, if requested.

### **12. Naming Rights**

The Board of Trustees shall consider recognition of those whose generosity advances the mission of the Library, furthers the capacity of the Library to meet its goal to serve the library community, and/or enhances the reputation of the Library. While the Board of Trustees is grateful for and encourages donations from all individuals, businesses and organizations, the Board has the right to decline any gift to the Library and/or reject naming proposals. Naming rights will normally remain in place no longer than twenty (20) years. The Board reserves the right to terminate or alter a naming designation in any circumstance.

Indoor spaces may be eligible for naming rights. Examples are reading rooms, classrooms, boardrooms, galleries, lounges. Naming and signage shall be approved by the Board of Trustees. Signage for named spaces shall be prominent and readily identifiable. Lettering shall be scaled appropriate to the aesthetics of the room or area so named.

Outdoor spaces may be eligible for naming rights. Examples are buildings, courtyards, gardens, etc. Naming and signage shall be approved by the Board of Trustees. Signage for named spaces shall be prominent and readily identifiable. Lettering shall be scaled appropriate to the aesthetics of the space.

### **13. Capital Campaign Donations and Matching Grants**

The Library (in conjunction with the Friends as the funding vehicle) may initiate a capital campaign for the purpose of raising funds specifically for a special Library project. The funds raised by the capital campaign shall only be used by the Library for the sole purpose of completing the project as described in the capital campaign.

The Library and/or the Friends may seek grants for the capital campaign project. The Library/Friends may seek a grant that has a release of funds stipulation which specifies that the funds from the awarded grant are released contingent upon the Library fulfilling its obligation to raise the remaining amount of funds needed to complete the project (herein referred to as a "matching grant"). The terms of the matching grant may require the additional amounts be physically received by the Library/Friends or simply committed to be received by the secured donor of the additional funds.



During the capital campaign, the Library will disclose to potential donors that a matching grant has been awarded and the terms of such grant (as soon as the notification is received from the grantor).

Throughout the campaign, the Library will keep a record of the funds raised to date and share the amount with potential donors upon request. At the end of the capital campaign, the Library will report the status of the final committed funds for the project.

In cases where the terms of the matching grant require that the additional funds from other donors be physically received prior to the release of the matching grant monies, the donor agrees to transfer the committed funds to the Library/Friends' account, to be held in the account until the end of the capital campaign.

#### **14. Donation Refund for Capital Campaign Awards**

At the end of a capital campaign project that includes a matching grant award, the Library will determine whether the total amount of funds raised from the capital campaign will meet the project budget (or a scaled down version of the budget). If the project budget (or a scaled down version) is not met, the Library will disclose to the donors the status of funds raised. If the project (or a scaled down version) will not be completed, the Library will discuss options with the donor.

If the project (or a scaled down version) cannot be completed due to the inability to collect the matching grant fund(s), and at the donor's written request, any monies deposited to the Library/Friends' account for the capital campaign project will be returned to the donor.

#### **15. Donor Responsibilities**

The ultimate responsibility regarding asset evaluations, tax deductibility, and/or similar federal, state and/or local legal compliance issues rests with the donor(s) and/or with such financial advisors as the donor(s) shall secure. The Library recommends that all donors consult with their legal tax counsel when planning all gifts, especially non-cash gifts or future planned gifts.

The Library will not knowingly seek, nor accept, any commitment regardless of size, designation, or other condition that it believes is not in the potential donor's best interest.

#### **16. The Donor Bill of Rights**

In accordance with the standards established by the Association of Fundraising Professionals, the Library adheres to the following donor bill of rights:

##### The Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:





- To be informed of the organization’s mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- To be informed of the identity of those serving on the organization’s governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
- To have access to the organization’s most recent financial statements.
- To be assured a memorandum of understanding (MOU) is available upon request
- To be assured their gifts will be used for the purposes for which they were given.
- To receive appropriate acknowledgement and recognition.
- To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
- To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
- To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
- To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

#### **DISPOSAL OF REAL AND PERSONAL PROPERTY**

The HLCC Board of Trustees authorizes the Library to surplus equipment in a manner that provides responsible stewardship of publicly funded procurements. Equipment broadly includes physical items that generally have useful lifespans of more than a year, including but not limited to: computers, printers, vehicles, books, furnishings, shelving. This context excludes consumables or office supplies.

Library staff will from time to time provide a list of equipment that is no longer needed. The Board of Trustees will review and approve the surplus and disposition of equipment. Library managements will attempt to recover as much value as possible out of the equipment being disposed, in the following priority order:

1. Competitive, open, and fair to the public at large, including but not limited to outsourced auctioneers or third-party sellers;
2. Alternative means that include sole-source sales, donations to recycle centers or other means of recovery that may be available;
3. Land waste as last resort.

From time to time, certain situations may call for a different priority order due to turnaround time or cost-efficiency.

Appropriate disposition documentation shall be retained as to the means and methods of surplus.



In no case shall Library staff and trustees, members of their immediate families, or volunteers acquire surplus equipment under any method except those available to a member of the public at large.

For paper and electronic library records, the Library adheres to the board-approved Record Retention Schedule. No public record may be disposed of without the permission of the Illinois State Records Commission.

## **EXPENDITURES**

### Aligning Program Performance Measures with Program Spending

The Executive Director supervises library staff in program decision-making that aligns resource allocation to meet the library's strategic vision.

The Library defines and measures outcomes in the context of the Library's strategic vision. The Library also analyzes expenditures, staffing, collections, and services in alignment with the annual data collection via IPLAR and other annual reports. Staff will conduct a quarterly internal review of programmatic outcomes.

### Cost Allocation

A budget will be allocated to purchase materials for the collection and programming to fulfill the Library's collection and development goals. Funds will be divided among materials of varying formats to serve multiple age levels and needs. Staff will follow specific procedures for approval to spend earmarked funds. This is reviewed periodically by Library management to ensure spend-down is on track with program spending plan.

Work performed as a part of staff roles will be documented through the payroll system and payroll is verified by multiple reviews. Allocations are reviewed regularly with special attention paid when there is a change in staff responsibility. Library management will be familiar with grant agreements and state and federal regulations to provide oversight on allowability of programmatic activities.

### Cost Principles

All costs on projects must be allowable and reasonable in addition to being verified by someone in the position to know the appropriateness of the charge. The Executive Director may delegate some of the duties associated with daily financial management of the award to appropriate staff; however, the Executive Director retains full responsibility for all activity on the award. Appropriate documentation must be maintained in accordance with the Records Retention Policy.

## **PURCHASING POLICY**

### Competitive bids

The HLCC may spend in excess of \$25,000.00 only after completing the formal bid process as described in Illinois Law. The statutory amount is \$25,000, but formal bids can be completed at lower amounts at



the discretion of the Board of Trustees, where it is self-imposing a bidding requirement earlier, or at a lower than required amount. In addition to this, the Library will abide by bidding standards specified by other sources of funding.

#### Qualifications of Construction Contractors and Suppliers

It is the intent of the Library to award contracts only to contractors or suppliers who furnish satisfactory evidence that they have the requisite capital, experience, ability, organization, and staffing to successfully perform and complete the requested work within the time set forth in the specifications. The General Contractor of a construction project will assess risk, determine subrecipients and supplies, and monitor work, and regularly update the Executive Director and/or Design staff, who will monitor overall program implementation. The Library shall consider the following criteria:

1. Ability, capacity, and skill of the contractor or supplier to perform the contract
2. Whether the contractor or supplier has performed work similar to that required under the contract within the past three years
3. Whether the contractor or supplier has the organization and staffing to successfully perform the contract within the time specified and without delay or interference
4. Character, integrity, reputation, judgment, experience, and efficiency of the contractor or supplier
5. Quality of the contractor or supplier's performance of previous contracts
6. The contractor or supplier's safety record, including OSHA citations, in the past three years
7. Previous and existing compliance by the contractor or supplier with laws and ordinances relating to public bidding generally and to this contract in particular
8. Sufficiency of the contractor or supplier's financial resources and ability of the contractor or supplier to perform the contract in particular
9. Information the Library obtains from references supplied by the contractor or supplier, or from inquiries by library as to prior work performed by the contractor or supplier
10. A pre-award interview may be required at which the contractor or supplier would present its qualifications and project team and discuss this project with the Library
11. Any other factor that the Library may legally consider in determining that the proposal is in the best interests of the Library.

#### **CAPITAL ASSETS**

In accordance with the Governmental Accounting Standards Board, the Library is to report capital assets and depreciate all exhaustible capital assets in the financial statements, and to maintain inventory records, which properly account for equipment according to the Library's Retention and Disposal Policy. Note that the Library does not include any depreciation expenses incurred toward any state or federal grant reimbursement.

#### **I. FIXED ASSET CAPITALIZATION**



The Library's criterion for fixed asset capitalization is as follows:

The asset acquired has an estimated useful life of more than one year and the cost of the asset is equal to or greater than \$10,000.

This capitalization threshold is applied to individual units of fixed assets. In general, all fixed assets, including real or personal properties, which meet the fixed asset capitalization criteria are classified as capital assets and will be subject to the following capitalization accounting and reporting requirements:

- A. Capital assets are reported as assets and depreciated on financial statements.
- B. Capital assets are charged to Capital Outlay-Fixed Assets general ledger account 61000.
- C. The asset will be depreciated using the straight-line method (historical cost less estimated salvage, divided by estimate useful life) and full-month convention should be used. Regardless of when the asset was placed in service during the month, it will be considered in service the first day of the month.

## II. NON-CAPITALIZED ASSETS

The Library's criterion for non-capitalized assets is as follows:

- A. Fixed assets that have an estimated useful life of one year or more and have a current value in excess of \$250 but less than \$10,000 are classified as non-capitalized fixed assets. Any work of art which is considered a historical part of the collection valued at more than \$250 will be non-capitalized.
- B. The Library does not capitalize its book, audio visual and electronic collections that meet all of the following criteria:
  1. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
  2. Protected, kept unencumbered, cared for and preserved.
  3. Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collection, services and/or improvements for the Library.
- C. Expenditures for capital assets should be charged to Capital Outlay-Non-capitalized general ledger account 61500.

## III. CAPITAL ASSETS

Capital assets will be accounted for at historical cost, or if the historical cost is not practicably determinable, at estimated historical cost. Historical cost of the asset will mean the cost at the time of original purchase. The cost of capital asset includes all ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly



attributable to asset acquisition, such as freight and transportation charges, site preparation costs, and professional fees (sales taxes are not to be included).

Donated capital assets should be recorded at their estimated fair market value at the time of acquisition plus ancillary charges, if any.

Capital assets include the following real and personal properties:

#### A. Real Property

##### 1. Land

- a. All expenditures incurred to acquire land and to place it ready for use should be capitalized. The acquisition cost of land should include: (1) the purchase price; (2) professional fee and closing costs (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.); (3) cost incurred in preparing the land in condition ready for its intended use; (4) assumption of any liens or mortgages on the property; and (5) improvements made to the land that have indefinite lives and are permanent in nature.
- b. When land is acquired with buildings erected thereon, a total cost is allocated between land and building in reasonable proportion at the date of acquisition. If the transfer document does not show the allocation, other sources of the information may be used, such as an expert appraisal of the real estate tax assessment records.
- c. Land is not a depreciable asset.

##### 2. Site Improvements

- a. Site improvements include improvement of new and old sites and adjacent ways, and acquisition of physical property of a permanent nature attached to land. Examples: Excavation, non-infrastructure utility installation, driveways, parking lots, flagpoles, retaining walls, fencing, outdoor lighting, and other non-building improvements intended to make the land ready for its intended purpose, and removal, relocation, or reconstruction of property of others.
- b. Site improvements are depreciated if they are exhaustible, such as parking lots, landscaping, and fencing, which are parts of a site.
- c. Site improvements are not depreciated if they are inexhaustible. Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, and expenditures for improvements not identified with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciable, such as excavation.

##### 3. Buildings

- a. Buildings include all permanent structures and all integral fixtures, machinery, and other appurtenances that cannot be readily moved without disrupting the basic building structure or services to the building.



- b. Buildings are recorded at either construction cost or acquisition cost including advertising costs, architectural and engineering fees, blueprints, inspection tests and examinations, demolition, the razing of existing obsolete or old buildings to clear sites for new buildings, building fixtures and service systems, and any other expenditures directly related to the construction or acquisition of buildings.
  - c. When buildings are constructed, the cost of each phase of the project should be evaluated separately because each phase may have a different useful life and salvage value.
  - d. Construction in progress is not depreciated, but the cost is included as an asset in the government-wide financial statements.
4. Building Improvements
- a. Building improvements that extend the useful life or increase the capacity of the building are capitalized, such as roofing projects, major energy conservation projects, or remodeling and replacing major building components.
  - b. Maintenance projects that do not extend the useful life or increase the capacity of the building are expensed, such as painting and plumbing repairs.
  - c. To be classified as either a building fixture or a service system, as opposed to maintenance, an item must conform to all five criteria:
    - i. The item is attached permanently to the building.
    - ii. The item functions as part of the building.
    - iii. Removal of the item would result in appreciable damage to the building or would impair the designed use of the facility.
    - iv. The item is generally accepted as real property (not personal property).
    - v. The item loses identity as a separate unit.

## B. Personal Property

### 1. Furniture and Equipment

- a. Furniture and equipment are items of movable tangible assets of a relatively permanent nature having an estimated useful life greater than one year and an acquisition cost per unit of \$10,000 or more.
- b. A unit of furniture or equipment is defined for the purposes of this policy as an individual item, or group of items, which is usable for its intended function and which cannot be separated without a diminishment in the usability of the item for its intended purpose. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
- c. For furniture or equipment purchased, the valuation is the net amount paid through Accounts Payable, which is the invoice price less all discounts (except trade-in allowances). Freight and installation costs are also included if they are shown on the original invoice, or if they are readily available on related freight bills. If furniture or



equipment is constructed by employees, the costs of the materials and labor as well as indirect costs should be recorded as the total costs of the item that is produced.

### C. Capital Leases

1. Leased equipment is capitalized if the lease-purchase agreement meets the capitalization criteria and any one of the following criteria as required by Governmental Accounting and Financial Reporting Standards (GASB Codification) Code Section L20.109:
  - a. The lease transfers ownership of the property to the lessee by the end of the lease term.
  - b. The lease contains a bargain purchase option.
  - c. The lease term is equal to 75 percent or more of the estimate economic life of the lease property.
  - d. The value at the beginning of the lease's term of the minimum lease payments, excluding that portion of the payments representing executory costs to be prepaid by the lessee but including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessee at the inception of the lease.
2. The leased equipment is recorded at the total cost net of interest expense (the present value at inception of the lease).
3. Leases that do not meet any of the above requirements should be recorded as operating leases and should not be capitalized.

### IV. INVENTORY

Property purchased with state or federal grant funding has a physical inventory taken and reconciled to property records every 3 years. If this property has been disposed, records include date of disposal, and sale price of property if applicable. The awarding agency is notified if the sale of property is over \$5000.

### ETHICS AND CONFLICTS OF INTEREST

To preserve the integrity of the decision-making process, the Highwood Library and Community Center (HLCC) has adopted and maintains a Conflict of Interest policy to govern the participation of its trustees and employees in matters in which they may have a conflict of interest.

No trustee or employee of the Library shall have an "Interest" in:

- (i) any contract, transaction or other arrangement with the Library;
- (ii) any other matter involving or affecting the Library, or the Board of Trustees that comes before or involves such trustee or employee of the Library; or
- (iii) a bank or trust company designated as a depository, paying agent, or investment manager for funds of the Library

If the Board of Trustees has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose. If, after hearing the response of the member and conducting further investigation, the Board determines that the member has failed to



disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

The purpose of the conflicts of interest policy is to protect the Library's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Board member or Library employee. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit corporations.

### **FRAUD AWARENESS AND WHISTLEBLOWER POLICY**

The fraud policy will aid in the detection and prevention of fraud against and within the HLCC. This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, and outside agencies doing business with the HLCC. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Library.

Fraud is defined as

- Any dishonest or fraudulent act
- Misappropriation of funds, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Disclosing confidential and proprietary information to outside parties
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment

Any irregularity that is detected or suspected must be reported immediately to the Executive Director. If a trustee, administrator, employee, program employee, or volunteer becomes aware of, or has a reasonable good faith belief that, the Library's internal controls, auditing function, accounting systems, or governance policies are compromised, threatened, or contrary to prescribed procedure or policy, that person must report the concern immediately, either in person or anonymously in writing. If the person with the concern is an employee, program employee, or volunteer, s/he should report the concern to the Executive Director. If the Executive Director is involved in the concern, the employee or volunteer will report it directly to President of the Board of Trustees. If the person with a concern is a trustee, s/he shall immediately report it to an officer on the Board of Trustees.

Examples of such improprieties include, but are not limited to, the following:

- Supplying false or misleading information on the Library's financial documents
- Supplying false information to or withholding material information from the Library's auditors
- Violation of the conflict of interest, proper business credit card use, or personal order procedures
- Library assets being used for personal gain or benefit
- Payment for services or goods that are not rendered or delivered
- Embezzlement





- Planning, facilitating, or concealing any of the above

Under this policy, those who report suspected improprieties are protected from retaliation. The matter will be treated as confidential to the greatest extent possible, consistent with the need to investigate and prevent or correct the suspected action(s). The individual making the report will not be dismissed, harassed, or discriminated against for reporting in good faith what they perceive to be an impropriety. However, persons who make unfounded allegations that have proven to have been made recklessly, maliciously, or with the foreknowledge that the concern expressed was false, will be subject to disciplinary action. In addition, anyone who retaliates against an individual who reports a suspected concern will be subject to disciplinary action.

**Approved June 24, 2024**