

SHEPPARD MEMORIAL LIBRARY BOARD OF TRUSTEES MEETING

Wednesday, October 19, 2016

The Board of Trustees of the Sheppard Memorial Library met at 5:30 p.m., Wednesday, October 19, 2016, in the Elizabeth H. Copeland Board Room at the main library.

CALL TO ORDER:

Chair, Terry Atkinson called the meeting to order.

ROLL CALL OF TRUSTEES:

Presiding: Terry Atkinson

Present:	Jeff Coghill	LTC Jesse Hinton, Jr. (Ret.)	Vivian Mott
	Al Muller	Catherine Rouse	Mark Sanders
	Rick Smiley	Ray Spears	Dick Wolfe

Absent: Glen Webb

Also in attendance: Winterville Town Council Member Veronica Roberson, and ECU MLS student Jenny Snyder.

Library Director Greg Needham recognized library trustee Ray Spears for completing two terms on the library board. Ray was presented a plaque of appreciation for his service from October 2010 through October 2016. He also noted that Mark Sanders was appointed to serve a second term, and Ralph Scott was appointed to fill the vacancy resulting from Ray's term expiration.

APPROVAL OF MINUTES:

Terry Atkinson called for approval of the minutes from the previous meeting. Vivian Mott made a motion to approve the minutes from the meeting held July 20, 2016. Jeff Coghill seconded the motion. The motion passed.

NEW BUSINESS:

Consideration of an Investment Policy:

The auditors from Cherry Bekaert recommend the library board adopt an investment policy. An investment policy will establish guidelines for the efficient and prudent management of public funds with North Carolina General Statutes. The proposed policy is modeled after the City of Greenville's investment policy. A copy is attached as **Exhibit A**. Vivian Mott made a motion to adopt the investment policy as presented. Rick Smiley seconded the motion. The motion passed unanimously.

Consideration of a Financial Policy:

Cherry Bekaert auditors recommend the library board adopt a financial policy. A financial policy will provide guidelines and goals that will influence and guide the financial management practices of the library system. The proposed policy is modeled after the City of Greenville's financial policy. A copy is attached as **Exhibit B**. Al Muller made a motion to adopt the financial policy as presented. Rick Smiley seconded the motion. The motion passed unanimously.

1998 SML Ford Van:

Greg Needham reported that staff took the 1998 Ford van to the City of Greenville Public Works Garage for needed repairs. Public Works staff reported that the repairs would be extensive, and they would like to transfer ownership of a low-mileage city-owned van to the library instead. Library board action is needed to discard and remove the 1998 Ford van from fixed assets, and accept the transfer of ownership of the used van from the City. Al Muller made a motion to discard the 1998 Ford van and accept transfer of ownership of the City van. Dick Wolfe seconded the motion. The motion passed unanimously.

Request for Approval of Use of Fund Balance:

Greg Needham reported that the cost to replace the 1998 bookmobile exceeds available funds by up to \$27,000. Pitt County committed \$100,000; the library will use approximately \$51,000 from the Olschner Fiduciary Fund; the Friends of the Sheppard Memorial Library committed \$20,000; and the balance projected up to \$27,000 is needed to secure the purchase of a new bookmobile. The library has applied for a grant to cover this cost, and a decision is

expected in November. The board was asked to consider approving the needed \$27,000 from fund balance so the request for proposals (RFP) can be sent to prospective manufacturers, and ensure the new bookmobile replacement can take place this fiscal year. Management is hopeful that grant funds and/or donors will be found to cover the needed funds, but board approval of fund balance will ensure the purchase. Vivian Mott made a motion to approve up to \$27,000 of fund balance for the purchase of a new bookmobile. Mark Sanders seconded the motion. The motion passed.

LIBRARIAN'S REPORT:

Annual Report:

Library director Greg Needham distributed copies of the 2015-2016 annual report. A copy is attached as **Exhibit C**. The following items of interest were noted: circulation increased 2.8%; library visits increased 8.3%; the number of programs increased and the number attending programs increased 50%; and WiFi use continues to increase. Students attending Pitt County Schools have online borrower privileges. Sheppard Memorial Library joined forces with the Early Literacy Coalition of Eastern North Carolina to promote reading from birth. Books from Birth, in partnership with the United Way of Pitt County brought the Dolly Parton Imagination Library to the citizens of Pitt County. This means every child enrolled receives one free book per month from birth until they reach five years of age.

Statistical:

Library director Greg Needham reported the following statistics comparing the months of July, August and September 2016 to the same time period last year.

Month	Circulation	Total Computer Sessions	(Wi-Fi Sessions)	Patron Count	Program Attendance
July	-3.62%	-5.88%	20.66%	18.35%	-1.63%
August	6.79%	3.11%	28.94%	** -26.81%	14.77%
September	-2.19%	-7.2%	17.35%	** -44.25%	10.56%

**The door counter at the main library is malfunctioning so the door count for August and September are unusually low. The equipment will be repaired or replaced and statistics will be updated.

Financial:

At the end of September 2016, the library had received 24.84% of anticipated revenues while expending 20.96% of the budget. This compares to having received 19.3% of revenues and expending 20.02% of the budget at the end of June 2015.

One-Minute Updates:

The library director commented on the following items of interest:

The Carver Library's new walkway has been installed.

Hurricane Matthew was the greatest challenge faced this quarter, but new roofs at Carver, East and Main paid off, protecting facilities from any roof leaks. We will however, be working with the City of Greenville Public Works Department to address basement flooding and chimney-related breaches that occurred at the main library.

ADJOURNMENT:

Terry Atkinson called for further business. Hearing none, Jeff Coghill made a motion to adjourn. Jesse Hinton seconded the motion. The motion passed and the meeting adjourned. The next meeting will be January 18, 2017.

Respectfully Submitted,

Greg Needham, Secretary

Investment Policy - Exhibit A

SHEPPARD MEMORIAL LIBRARY - INVESTMENT POLICY

Authority: G.S. 159-30: Investment of Idle Funds

Review Schedule: Annually or as needed

Origin Date: October 19, 2016

PURPOSE:

The purpose of this investment policy is to establish guidelines for Sheppard Memorial Library for the efficient and prudent management of public funds with North Carolina General Statutes.

POLICY STATEMENT AND SCOPE:

This document will govern the investment activities of Sheppard Memorial Library (the Library). It is designed to cover all monies under the control of the Library. Except in the case of certain restricted and special funds, the Library will consolidate cash balances to maximize the investment earnings.

The investing authority and management responsibility shall reside with the Library Director, who shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy. Such procedures shall include delegation of authority to persons responsible for investment transactions. The Library Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees and agents acting on behalf of the Library.

It is the policy of the Library to invest public funds in a manner which will provide the highest return with maximum security while meeting cash flow demands. Where applicable, this policy also incorporates the following Government Accounting Standards Board Statements:

- GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, implemented July 1, 1997. It should be noted that GASB Statement No. 32 amends No. 31 but only as it applies to Section 457 plans so it is not applicable to the Library.
- GASB Statement No. 40 – *Deposit and Investment Risk Disclosure*, effective July 1, 2004.

OBJECTIVES:

The primary objectives, in priority order, of the Library's financial investments are safety, liquidity, and yield.

- Safety – Safety of principal is the foremost objective of the investment program. All investments shall be undertaken in a manner that seeks first to preserve capital and second to fulfill other investment objectives, within the context of the following criteria:
 - Credit Risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that the required minimum credit quality ratings exist prior to the purchase of commercial paper; and, maintaining adequate collateralization of CD's, pursuant to the method as determined by the Library Director.
 - Market Risk Fluctuations will be managed by (1) maintaining adequate liquidity so that current obligations can be met; (2) diversification of maturities; and, (3) diversification of assets.
- Liquidity will be maintained in the Library's investment portfolio to enable the Library to meet all operating requirements which might be reasonably anticipated. The portfolio may be structured so that investments mature concurrent with cash needs. A portion of the portfolio may also be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds, and two day liquidity for the term portfolio.
- Yield will be managed to consistently maintain a reasonable market rate of return. Whenever possible, and consistent with risk limitations and prudent investment management, the Library will seek to augment returns at or above the market rate of return through the implementation of active portfolio management strategies. The Library's investments should generate the highest available return without sacrificing the first two objectives outlined above.

DELEGATION OF AUTHORITY:

Management responsibility for the Library's investment program is hereby delegated to the Library Director, who shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Library Director.

AUTHORIZED AND SUITABLE INVESTMENTS:

North Carolina General Statute 159-30 provides the legal limitations of types of investments permitted for local governments. Within these limitations, the following financial instruments are deemed to be suitable for inclusion in the Library's investment program. The Library Director is authorized to invest Library funds in only those investments specifically delineated below.

- U.S. Treasury Bills, Notes, Bonds, issues of the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Association (SLMA), Government National Mortgage Association (GNMA), and other agencies or instrumentalities for which the full faith and credit of the U.S. Government is pledged for the repayment of principal and interest. Bills are short term (one year or less) obligations issued and sold at a discount. Notes have fixed coupon rates with original maturities of between one and five years. Any eligible investment may be purchased at a premium or a discount, and can include instruments that may be called by the issuer prior to the final maturity date.
- Demand deposits accounts (such as checking accounts) established with local financial institutions.
- Certificate of Deposit (CDs) issued by local financial institutions and in federally insured Certificate of Deposit.
- No-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities.
- North Carolina Capital Management Trust.
- North Carolina State and Local Bonds of the highest rating.
- Banker's Acceptances provided that the accepting bank or its holding company bank is either 1) incorporated in the state of North Carolina or 2) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service.

SELECTION OF INVESTMENTS:

The Library Director or his/her designee will determine which investments will be purchased and sold and the desired maturity date(s) that are in the best interest of the Library. The selection of an investment will involve the evaluation of, but not limited to, the following factors: cash flow projections and requirements; current market conditions; and overall portfolio balance and makeup.

Selection of investments will be made in one of two ways. Some investments, particularly Certificates of Deposit, will be selected based on competitive basis through rate quotes. Alternatively, electronic information sources may also be utilized to verify a dealer's pricing by assessing real-time market data.

PROHIBITED INVESTMENTS/OTHER RESTRICTIONS:

1. The final maturity of all eligible investments is two years, unless the investment is matched to a specific obligation or debt of the Library, and the investment is specifically approved by the Library Board.
2. A repurchase agreement under the terms of which the investing authority agrees to sell securities to a purchaser and agrees with that purchaser to unconditionally repurchase those securities.
3. The investment into a fund established by another subdivision if the fund was established for the purpose of investing public monies of other subdivisions.
4. The use of leverage, in which the investing authority uses its current investment assets as collateral for the purpose of purchasing other assets.
5. The issuance of taxable notes for the purpose of arbitrage.
6. Contracting to see securities that have not yet been acquired, for the purpose of purchasing such securities on the speculation that bond prices will decline.

MATURITY OF INVESTMENTS:

No investment shall have a maturity date of more than two years from its date of purchase by the Library. To the extent possible and prudent, the Library will attempt to match its investment maturities with anticipated cash flow requirements.

DEPOSIT REQUIREMENTS:

All deposits, other than federally insured Certificates of Deposit, shall be collateralized. The Library Director shall designate its public depositories. Any eligible financial institution that has offices within the territorial limits of the Library may become a public depository of the funds of the Library.

REPORTING:

The Library Director shall provide to the Library's Board, an annual investment report which clearly provides the following information regarding the investment portfolio: types of investments, depository institutions, principal balances, rates of return and maturities.

ACCOUNTING OF INVESTMENTS:

The investing personnel shall maintain an inventory of all obligations and securities. A description of each security includes type (issue/issuer), cost (original purchase cost or current book value), par value (maturity value), maturity date (receipt date of par value), settlement date (delivery versus payment date of purchased or sold securities), and any coupon (interest) rate. The investing personnel will also include a record of all security purchases and sales, and will maintain an annual portfolio report, detailing the current inventory of all securities, all quarterly transactions, any income received (maturities, interest payments, sale proceeds, called bond proceeds), and any expenses paid. The reports shall also include the yield of each security, and the average-weighted yield and average-weighted maturity of the aggregate portfolio. Investment income shall be distributed or allocated to various Library accounts in such amounts and at such times as determined by the Library Director.

INVESTMENT POLICY ADOPTION:

The Library's Investment Policy shall be adopted by resolution of the Library's Board. The Policy shall be reviewed annually by the Library Director and the Library Board and any modifications made thereto must be approved by the Library Board.

The investment policy must be signed by the following:

- All entities conducting investment business with the investing authority;
- All brokers, dealers and financial institutions initiating transactions with the investment authority by giving advice or making investment policy thereby acknowledging their agreement to abide by the policy's content;
- All brokers, dealers and financial institutions executing transactions initiated by the investment authority, having read the policy's contents thereby acknowledging their comprehension and receipt.

Glossary of Terms Used in the Sheppard Memorial Library Investment Policy

Following is a listing and a more detailed definition of the investing terms that appear in the Library's Investment Policy. This glossary has been adapted from: 1) "Investment Terms for Everyday Use," and an article which was published in the Public Investor, April 5, 1996, 2) "Collateralization of Public Deposits in North Carolina," Harlan E. Boyles, State Treasurer, 3) "An Elected Official's Guide to Investing," Government Finance Officers Association.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

Bankers' Acceptances – A time draft drawn on an accepted bank to pay a specified amount of money on a specified date. The draft is a primary and unconditional liability of the accepting bank. They are typically created for international trade transactions. They are backed by the issuers' guarantee to pay, the underlying goods being financed, and the guarantee of the accepting bank (triple-barreled guarantee).

Bid – The indicated price at which a buyer is willing to purchase a security or commodity.

Broker – One who brings buyers and sellers together for a commission.

Certificate of Deposit (CD) – A time deposit that bears a specified interest rate, for a specified dollar amount, for a specified time period. They may be issued in negotiable or nonnegotiable form. Nonnegotiable CDs carry penalties for early redemptions and are the least liquid money market instrument available.

Collateralization – Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security. Collateralization of public funds requires the financial institution to pledge government securities sufficient to cover public funds in excess of the FDIC guaranteed amount. There are two methods. The first is the “Dedicated Method,” where each public depositor’s deposits are secured separately, and requires the establishing of a separate escrow account for each public depositor. The second is the “Pooling Method,” under which all public depositors’ deposits are secured through a single escrow account established by the depository with the State Treasurer for the benefit of the State and the participating units.

Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities from 2 to 270 days.

Credit quality – Measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit risk – The risk that an issuer will default in the payment of interest and/or principal on a security.

Dealer – One who makes markets in money market instruments by quoting bid and asked prices at which they are prepared to buy and sell for their own accounts.

Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Diversification – A process of investing assets among a range of security types by sector, maturity, and quality.

Investment Policy – A clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Liquidity – A characteristic of an asset that can be converted easily and quickly into cash.

Market Risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – The current market price of a security.

Maturity – The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.

Money Market Mutual Fund – Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers’ acceptances, repos and federal funds).

Mutual Fund – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Publish timely, accurate information regarding the fund’s holdings, performance, management, and general investment policy.
3. Have the fund’s investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund’s shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licenses with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus that is updated and filed by the SEC annually.

National Association of Securities Dealers (NASD) – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Portfolio – The collection of securities held by an investee.

Primary Dealer – A dealer that buys government securities directly from the Federal Reserve Bank and that has met certain minimum financial criteria set by the Markets Reports Division of the Federal Reserve Bank of New York. To ensure that 14 Doc. # 852057 dealers have sufficient capital to support their activities and manage their risk exposure, the Fed requires primary dealers to maintain a minimum capital adequacy ratio.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Repurchase Agreement (Repo or RP) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Safekeeping – Holding of assets (e.g. securities) by a financial institution.

Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three-and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Yield – The current rate of return of an investment security generally expressed as a percentage of the security's current price.

SHEPPARD MEMORIAL INVESTMENT TRADING RELATIONSHIP AGREEMENT

In consideration of and as a prerequisite to conducting investment business with Sheppard Memorial Library, the undersigned investment/financial firm agrees to the following terms and conditions:

Eligible Investment Securities – The firm acknowledges that it has reviewed and is aware of the North Carolina State Statutes governing the investments that are eligible for purchase by local governments in North Carolina. The firm agrees to offer no investment to the Library that does not meet these statutory and regulatory guidelines. A copy of the applicable general statute (NCGS 159-30) is enclosed. The investment/financial firm, also certifies that they are a “primary dealer.” The Library Director will authorize any other financial institution.

Confirmation and Monthly Statements - The firm agrees that it will send or email confirmation on every transaction promptly to the following address:

Sheppard Memorial Library
530 Evans Street, Greenville, NC 27834
gneedham@sheppardlibrary.org

Delivery Instructions – The firm agrees to deliver securities to the Library delivery versus payment.

Financial Statements – The firm agrees to send its annual audited financial statements to the Library within 180 days after the end of each fiscal year.

Cancellation – The Library or the firm may immediately cancel this agreement upon written notification.

The undersigned authorized representative of the firm agrees, on behalf of the firm, that the provisions of this agreement will be followed and that if the Library sustains losses as a result of the firm's failure to abide by this agreement, then the firm will be liable for the losses and will reimburse the Library the amount of those losses. The firm also agrees that any changes to this agreement will not be effective unless authorized in writing by the Library Director.

Firm

Person Authorized to Bind Firm

Date

N.C.G.S. 159-30. Investment of idle funds.

- (A) A local government or public authority may deposit at interest or invest all or part of the cash balance of any fund. The finance officer shall manage investments subject to whatever restrictions and directions the governing board may impose. The finance officer shall have the power to purchase, sell, and exchange securities on behalf of the governing board. The investment program shall be so managed that investments and deposits can be converted into cash when needed.
- (B) Moneys may be deposited at interest in any bank, savings and loan association, or trust company in this State in the form of certificates of deposit or such other forms of time deposit as the Commission may approve. Investment deposits, including investment deposits of a mutual fund for local government investment established under subdivision (c)(8) of this section, shall be secured as provided in G.S. 159-31(b).
- (B1) In addition to deposits authorized by subsection (b) of this section, the finance officer may deposit any portion of idle funds in accordance with all of the following conditions:
- (1) The funds are initially deposited through a bank or savings and loan association that is an official depository and that is selected by the finance officer.
 - (2) The selected bank or savings and loan association arranges for the redeposit of funds in deposit accounts of the local government or public authority in one or more federally insured banks or savings and loan associations wherever located, provided that no funds shall be deposited in a bank or savings and loan association that at the time holds other deposits from the local government or public authority.
 - (3) The full amount of principal and any accrued interest of each deposit account are covered by federal deposit insurance.
 - (4) The selected bank or savings and loan association acts as custodian for the local government or public authority with respect to the deposit in the local government's or public authority's account.
 - (5) On the same date that the local government or public authority funds are re-deposited, the selected bank or savings and loan association receives an amount of federally insured deposits from customers of other financial institutions wherever located equal to or greater than the amount of the funds invested by the local government or public authority through the selected bank or savings and loan association.
- (C) Moneys may be invested in the following classes of securities, and no others:
- (1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
 - (2) Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service.
 - (3) Obligations of the State of North Carolina.
 - (4) Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the secretary may impose.
 - (5) Savings certificates issued by any savings and loan association organized under the laws of the State of North Carolina or by any federal savings and loan association having its principal office in North Carolina; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Commissioner of Banks of the Department of Commerce of the State of North Carolina, be fully collateralized.
 - (6) Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.
 - (7) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.
 - (8) Participating shares in a mutual fund for local government investment; provided that the investments of the fund are limited to those qualifying for investment under this subsection (c) and that said fund is certified by the Local Government Commission. The Local Government Commission shall have the authority to issue rules and regulations concerning the establishment and qualifications of any mutual fund for local government investment.
 - (9) A commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3.
 - (10) A commingled investment pool established by inter-local agreement by two or more units of local government pursuant to G.S. 160A-460 through G.S. 160A-464, if the investments of the pool are limited to those qualifying for investment under this subsection (c).
 - (11) Evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of the United States government or obligations the principal of and the interest on which are guaranteed by the United States, which obligations are held by a bank or trust company organized and existing under the laws of the United States or any state in the capacity of custodian.
 - (12) Repurchase agreements with respect to either direct obligations of the United States or obligations the principal of and the interest on which are guaranteed by the United States if entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, which is a dealer recognized as a primary dealer by a Federal Reserve Bank, or any commercial

bank, trust company or national banking association, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof if:

- a. Such obligations that are subject to such repurchase agreement are delivered (in physical or in book entry form) to the local government or public authority, or any financial institution serving either as trustee for the local government or public authority or as fiscal agent for the local government or public authority or are supported by a safekeeping receipt issued by a depository satisfactory to the local government or public authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee or as fiscal agent for the local government or public authority holding the obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;
 - b. A valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the local government or public authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the local government or public authority have been established for the benefit of the local government or public authority or its assignee;
 - c. Such securities are free and clear of any adverse third party claims; and
 - d. Such repurchase agreement is in a form satisfactory to the local government or public authority.
- (13) In connection with funds held by or on behalf of a local government or public authority, which funds are subject to the arbitrage and rebate provisions of the Internal Revenue Code of 1986, as amended, participating shares in tax-exempt mutual funds, to the extent such participation, in whole or in part, is not subject to such rebate provisions, and taxable mutual funds, to the extent such fund provides services in connection with the calculation of arbitrage rebate requirements under federal income tax law; provided, the investments of any such fund are limited to those bearing one of the two highest ratings of at least one nationally recognized rating service and not bearing a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund.
- (D) Investment securities may be bought, sold, and traded by private negotiation, and local governments and public authorities may pay all incidental costs thereof and all reasonable costs of administering the investment and deposit program. Securities and deposit certificates shall be in the custody of the finance officer who shall be responsible for their safekeeping and for keeping accurate investment accounts and records.
- (E) Interest earned on deposits and investments shall be credited to the fund whose cash is deposited or invested. Cash of several funds may be combined for deposit or investment if not otherwise prohibited by law; and when such joint deposits or investments are made, interest earned shall be prorated and credited to the various funds on the basis of the amounts thereof invested, figured according to an average periodic balance or some other sound accounting principle. Interest earned on the deposit or investment of bond funds shall be deemed a part of the bond proceeds.
- (F) Registered securities acquired for investment may be released from registration and transferred by signature of the finance officer.
- (G) A local government, public authority, an entity eligible to participate in the Local Government Employee's Retirement System, or a local school administrative unit may make contributions to a Local Government Other Post-Employment Benefits Trust established pursuant to G.S. 159-30.1.
- (H) A unit of local government employing local law enforcement officers may make contributions to the Local Government Law Enforcement Special Separation Allowance Fund established in G.S. 147-69.5. (1957, c. 864, s. 1; 1967, c. 798, ss. 1, 2; 1969, c. 862; 1971, c. 780, s. 1; 1973, c. 474, ss. 24, 25; 1975, c. 481; 1977, c. 575; 1979, c. 717, s. 2; 1981, c. 445, ss. 1-3; 1983, c. 158, ss. 1, 2; 1987, c. 672, s. 1; 1989, c. 76, s. 31; c. 751, s. 7(46); 1991 (Reg. Sess., 1992), c. 959, s. 77; c. 1007, s. 40; 1993, c. 553, s. 55; 2001-193, s. 16; 2001-487, s. 14(o); 2005-394, s. 2; 2007-384, ss. 4, 9; 2010-175, s. 1; 2013-305, s. 1.)

Financial Policy - Exhibit B

Financial Policy Guidelines for Sheppard Memorial Library

Authority: North Carolina General Statutes and other Public Finance Law
Supersedes:
Review Responsibility: Library Director
Review Scheduled: Annually or as needed
Approval Needed: Library Board
Adopted: October 18, 2016

TABLE OF CONTENTS

Objectives
Capital Improvement Budget
Financial Reserves
Budget Development
Cash Management and Investment
Identity Theft Prevention
Other Post-Employment Benefits

FINANCIAL POLICY OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practices of Sheppard Memorial Library and its branches. A fiscal policy that is adopted, adhered to, and regularly reviewed is the cornerstone of sound financial management. Effective fiscal policy:

- Contributes significantly to the Library's ability to insulate itself from fiscal crisis,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the Library rather than single issue areas,
- Promotes the view of linking long-run financial planning with day to day operations, and
- Provides the professional management team consisting of the Library Board, Library Director, and Library Business Manager, a framework for measuring the fiscal impact of a sister agency to government services against established fiscal parameters and guidelines.

CAPITAL IMPROVEMENT BUDGET

1. The Library prioritizes capital improvements in accordance with an adopted capital improvement program (CIP) developed by the City of Greenville (the City).
2. The City develops a ten-year plan for capital improvements and reviews/updates the plan at least every two years. The City conducts a needs assessment and projects are ranked according to priority. The estimated costs for each capital proposal will be identified and will include consideration for inflation. Additional projects can be added to the CIP without ranking, but funding for projects added in this manner are subject to normal operating budget constraints.
3. On behalf of the Library, the City of Greenville Public Works Department conducts a facility needs assessment; projects are ranked according to priority; and estimated costs are projected. Based on the facility needs assessment, the Library requests capital funds from the City of Greenville and/or Pitt County Government (the County).
4. In general, effective maintenance and operation of capital facilities should be given priority over acquisition of new facilities, unless a cost/benefit analysis indicates to the contrary. In addition, state or federal mandates or new service demands may require acquisition of new facilities even when maintenance needs are not fully met.
5. The Library will maintain all of its assets at a level adequate to protect the Library's capital investment and to minimize future maintenance and replacement costs. The Library (working with the City of Greenville Public Works Department and Financial Services Department) will maintain accurate information on the condition, lifespan and estimated replacement cost of its major physical assets to assist in long term planning.

FINANCIAL RESERVES

1. The Library is insured through the City. The City maintains an Insurance Loss Reserve to pay for needs caused by unforeseen emergencies. This reserve will be maintained at no less than \$2.0 million.
2. In preparation of the last budget ordinance amendment of any given year, the City reviews budgeted insurance loss, deductibles and premium accounts. If insurance losses, deductibles, and premiums are less than budgeted for any fiscal year, these unspent monies will be transferred to the Insurance Loss Reserve Fund for future unexpected claims.

3. Unassigned Fund Balances (as defined by GASB Statement 54) will be funds that remain available for appropriation by the Library Board after all “non-spendable amounts, commitments and restrictions for future expenditures, and required reserves defined by State statutes, have been calculated. The Library will define these remaining amounts as “unassigned fund balances.”
4. The Library will strive to maintain an Unassigned General Fund balance at the close of each fiscal year of at least 12% of the total annual operating budget.
5. The Library Board may appropriate unassigned fund balances that will reduce unassigned fund balances below the 12% threshold for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the Library. In such circumstances, the Library Board will adopt a plan to restore the unassigned fund balance to or above the threshold within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the Library, then the Library Board will establish a different but appropriate time period.
6. The excess unassigned fund balance may be used to fund one-time capital expenditures or other one-time costs, if those monies have not been transferred to the Capital Reserve Fund. In the event that expenditures exceed revenues within the General Fund during the previous fiscal year, transfers to Capital Reserve will be waived for the current fiscal year.

BUDGET DEVELOPMENT

1. The Library will develop the Budget in conjunction with a stated program of performance objectives and measures in which to gauge progress toward meeting those objectives.
2. The Library Director and the Library Business Manager will monitor the Library’s budget during the fiscal year. Provisions will be made for amending the budget during the year in order to address unanticipated needs, emergencies, or compliance with State of North Carolina budgetary statutes.
3. The Library pursues the collection of delinquent fees and materials by contracting a reputable collection service.
4. The Library pays fees to the City for the cost of services they provide to the Library.
5. In order to maintain a stable level of service, the Library will use a conservative, objective, and an analytical approach when preparing revenue estimates. The process shall include analysis of probable economic changes and resulting impacts on revenues, historical collection rates, and trends in revenues. This approach should reduce the likelihood of actual revenues falling short of budget estimates during the year and should help avoid the need for mid-year service reductions.
6. The Library will take immediate corrective action if the fiscal year expenditure and revenue updates are such that an operating deficit (e.g. projected expenditures in excess of projected revenues) is projected. Corrective action can include a hiring freeze, expenditure reductions, fee increases, or use of fund balance. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources shall be avoided to balance the budget for recurring expenditures.
7. Expenditures are reviewed by the Library Director, the Library Business Manager, and the Library Board prior to adoption, and are continually monitored throughout the budget year. Budgeted funds will be spent for the categorical purposes for which they were intended. Donations will be spent only toward the intent for which they were given.

CASH MANAGEMENT AND INVESTMENT

1. Investment income will be allocated to the General Fund or to the Fiduciary Fund, depending on the type of investment income being reported. Where applicable, this policy also incorporates the following Government Accounting Standards Board Statements:
 - I. GASB Statement No. 31 - *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, implemented July 1, 1997. It should be noted that GASB Statement No. 32 amends No. 31 but only as it applies to Section 457 plans.
 - II. GASB Statement No. 40 – *Deposit and Investment Risk Disclosure*, effective July 1, 2004.
2. The Library has established an Investment Policy to provide safe and responsible guidelines for the investment of idle funds in the best interest of the public while fully maximizing the rate of return.
 - ◆ Safety of principal is the highest objective of the Investment Policy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.
 - ◆ The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the maturity of investments to meet the anticipated cash needs.
 - ◆ The portfolio shall be designed with the objective of attaining the highest rate of return. Return on investment is of secondary importance compared to the above described safety and liquidity objectives. The investments prescribed in this policy are limited to relatively low risk investments; therefore, management anticipates investment portfolio will earn a fair return relative to the risk being assumed.

3. The Investment Committee consists of the Library Director, the Library Business Manager, and the Library Board.

IDENTITY THEFT PREVENTION PROGRAM

1. The Library uses **Square** software technology for accepting debit/credit card payment for library fines and fees. “Merchants who use Square for storage, processing and transmission of payment card data do not need to validate PCI compliance for those transactions. Square’s software is developed using industry standard security best practices, adhering to PCI Data Security Standard (PCI-DSS). Square prohibits the storage of card numbers, magnetic stripe data, and security codes on client devices. Square encrypts transactions at the point-of-swipe and tokenizes data once it reaches their servers. Square tracks the purchase through their software until it is deposited into the client’s bank account (known as risk visualization) and is the merchant of record for every transaction.” [<https://squareup.com/security>]
2. This program is designed to protect the identity of library patrons who make payments using debit/credit cards.

OTHER POST EMPLOYMENT BENEFITS

1. The City of Greenville uses a deliberative process to ensure the sustainability of any OPEB it offers to employees. The City will carefully evaluate and design benefits to ensure benefits are sustainable.
2. Library employees participate in the City of Greenville’s employee benefits plan, and are covered in the City’s OPEB.
3. The City Manager will provide assumptions included in the proposed budget related to the actuarially determined Annual Required Contribution (ARC) and the period of time necessary to fully fund the OPEB liability in accordance with the Governmental Accounting Standards Board Statement 45 (GASB 45).
4. The City will provide retiree healthcare pay-as-you-go OPEB costs and will contribute pre-funding deposits to the Treasurer’s OPEB Trust, or other Trusts as approved by the state of North Carolina and/or City Council.



SM Sheppard
Memorial
Library

530 Evans Street • Greenville, NC 27858-2398

www.sheppardlibrary.org

2015-2016 Annual Report

2015-2016 was a stellar year for library use across the whole Sheppard Memorial Library system! Here are some highlights:

Reading-centered programs offered at the library increased by 50%, and included our new Baby and Me early literacy program for children from birth to 18 months. With the addition of this new program, which prepares new readers for Toddler, then Preschool, and School Age programs, we offer a complete array of early literacy library programs for our community. The combined results have been dramatic, with program participation of 32,795 people, up an incredible 50% from the year before! Kudos to our children's staff for a job well done, and our thanks to all of the families for participating and getting reading started as early as possible. The positive impact of reading spreads from individuals and families through communities and all of society!

Now more than ever, individuals and organizations are working together to make sure this is exactly what happens. We are very excited about the formation this past year of Pitt County's early literacy coalition - Books From Birth of Eastern North Carolina. The library is a proud partner in this effort, and we will continue to do all we can to help it succeed. One of the coalition's early efforts has been to initiate the Imagination Library in our service area, with thousands of children registered all across Pitt County already to receive one age-appropriate book per month, delivered to their home, from birth to age five! Stay tuned for more exciting developments going forward. Already there are positive results however, if we can judge by the number of books checked out this past year. Circulation of books and other materials reached 489,732, up a very respectable 2.8% from the year before. Library visits of 508,263 represented a dramatic 8.3% increase from the prior year.

As you know, we strive to provide the very best of traditional library services and resources, but also the best of the new and everything that technology makes possible. Public computer use was very strong last year, with 134,826 sessions in total. Another exciting project set in motion in 2015-2016 involved the start of a new collaboration with the Pitt County Schools. Working together, we have been able to register all Pitt County Schools students for online borrower cards. This enables all of the students to access Sheppard Memorial Library's wide array of online resources. As the project continues, our staff members have begun to produce instructional videos to show students how to use and get the most benefit from those e-resources. This powerful combination of access and instruction will be a wonderful help for the students, our future adults!

We remain extremely grateful for the support of our patrons and partners, as well as for the funding and support provided by all of our elected officials and local governments, and the wonderful Friends of the Sheppard Memorial Library. Together, you are all making it possible for us to have the greatest possible positive impact for our community!

Greg Needham, Director of Libraries

Members of the 2015-2016 Sheppard Memorial Library Board of Trustees

Mrs. Terry S. Atkinson, Chair

Mr. Jeff Coghill

Dr. Vivian W. Mott

Mr. Mark Sanders

Mr. Ray Spears, Jr.

Mr. Dick Wolfe

Mrs. Catherine Rouse, Vice-Chair

LTC Jesse J. Hinton, Jr. (RET)

Mr. Al Muller

Mr. Rick Smiley

Mr. Glen Webb

General Fund Financial Report for the Year Ending June 30, 2016

REVENUE

City of Greenville-General Fund	\$	1,162,192
County of Pitt-General Fund	\$	567,395
County of Pitt-Winterville Library	\$	10,000
County of Pitt-Bethel Library	\$	2,000
Town of Winterville	\$	161,620
Town of Bethel	\$	30,315
State Aid	\$	191,774
Desk Receipts	\$	131,661
Interest Income	\$	1,499
Miscellaneous Income	\$	39,788
Greenville Housing Authority	\$	10,692
TOTAL REVENUE	\$	2,308,936

EXPENDITURES

Personnel	\$	1,410,731
Operations	\$	795,141
Greenville Housing Authority	\$	10,612
Capital Expense	\$	99,757
TOTAL EXPENDITURES	\$	2,316,241

Number of Books, July 1, 2015	231,900
Books added	21,057
Books withdrawn	17,115
Total, June 30, 2016	235,842

Current Subscriptions

# of Current Newspaper Subscriptions	23
# of Current Magazine Subscriptions	278

Inventory of Other Library Materials

Audiocassettes	593
Books on CD & Music CDs	8,289
DVDs	10,901
Microfilms	2,121

Circulation

Books Circulation

Sheppard Memorial Library (adult)	132,772
Sheppard Memorial Library (juvenile)	158,039
Juvenile Outreach	1,466
East Branch Library	54,260
Carver Branch Library	14,811
Pitt County Bookmobile	16,515
Blount Library, Bethel	2,421
Winterville Public Library	44,591

Total book circulation	424,875
-------------------------------	----------------

Total magazine circulation	1,147
Total CD-DVD circulation	43,970
Total E-materials circulation	19,740

Grand total circulation	489,732
--------------------------------	----------------

Public Computers Sessions	134,826
----------------------------------	----------------

Patron Door Count	508,263
--------------------------	----------------

Registered Borrowers	67,162
-----------------------------	---------------

Programs

Library sponsored	1211	Audience	32,795
Nonlibrary sponsored	2,418	Audience	14,756
Total	3,629		47,551

<u>Reference Questions</u>	95,508
-----------------------------------	---------------