

207: Investment

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It is the policy of the Northbrook Public Library to invest all funds under the library's control in a manner which will provide the highest investment return using authorized instruments, while meeting the library's daily cash flow demands and in conformance with all state statutes governing the investment of public funds.

INVESTMENT GUIDELINES

The primary objective in the investment of library funds is to ensure the safety of principal, while managing liquidity to pay financial obligations, and providing the highest investment return using authorized instruments.

Safety

The safety of principal is the foremost objective of the investment program. To attain this objective, diversification and internal controls, as defined in the policy, are required to ensure that the library prudently manages market, interest rate and credit risk.

Liquidity

The investment portfolio shall remain sufficiently liquid to enable the library to meet all operating requirements which might be reasonably projected.

Return on Investment

The investment portfolio shall be designed to obtain the highest available return, taking into account the library's investment risk constraints and cash flow needs and the library's desire to promote fiscal responsibility. The rate of return achieved on the library's portfolio will be measured against relevant industry benchmarks at regular intervals to determine the effectiveness of investment decisions in meeting investment goals.

Periodic Review of Investment Portfolio

The Board of Trustees shall review investment safety, liquidity, rate of return, diversification and general performance.

PRUDENCE

Investments shall be made with the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived. This “prudent person” standard shall be used by all investment officers of the library and shall be followed in making and managing investments for the library.

ETHICS AND CONFLICTS OF INTEREST

Authorized investment officers of the library and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the library any material financial interest in financial institutions which conduct business with the library, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

No person acting as Treasurer or financial officer for the library, or who is employed in any similar capacity by or for the library, may do any of the following:

1. Have any interest, directly or indirectly, in any investments in which the library is authorized to invest.
2. Have any interest, directly or indirectly, in the sellers, sponsors or managers of those investments.
3. Receive, in any manner, compensation of any kind from any investments in which the library is authorized to invest.

AUTHORIZED AND SUITABLE INVESTMENTS

Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, that are guaranteed by the full faith and credit of the United States of America as to principal and interest

Bonds, notes, debentures or other similar obligations of the United States of America, or its agencies. For purposes of this policy, the term "agencies of the United States of America" includes federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and the federal home loan banks and the Federal Home Loan Mortgage Corporation; and any other agency created by Act of Congress

Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS5/1 et seq.), provided, however, that such investments may be made only in banks which are insured by the Federal Insurance Corporation

The Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act (15ILCS 505/17) or in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company, or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.

COLLATERALIZATION

Collateral securities guaranteed by the full faith and credit of the United States of America shall be required for deposits in excess of \$100,000 per institution. The percentage of collateralization shall be in conformance with all State statutes governing the investment of public funds.

DIVERSIFICATION

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets with a specific maturity date. The library shall invest the

majority of its funds in authorized investments of less than one (1) year maturity. No investment shall exceed two (2) years maturity.

INTERNAL CONTROLS

The library's Finance and Operations Manager in conjunction with the Executive Director shall establish a system of internal controls, which shall be documented in writing, reviewed by the auditor, and filed with the Board of Trustees for review and approval. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties.

LIMITATION OF LIABILITY

The standard of prudence to be used by authorized investment officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Authorized investment officers acting in accordance with written procedures and this policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and necessary action is taken to control adverse developments.

REPORTING

Financial reports shall be presented to the Board of Trustees by the Executive Director or Finance and Operations Manager on a monthly basis. This report shall include the following:

1. Type of Investment
2. Liquidity (including maturity dates)
3. Rate of Return
4. Location of Investment
5. Impact of any material change in investment policy adopted

DELEGATION OF AUTHORITY

The Board of Trustees may employ one or more investment advisors possessing superior capabilities in the management of assets of governmental bodies. The Board

of Trustees shall require the investment advisor(s) selected and working on behalf of the library to meet the following conditions:

1. To take actions in the exercise of its discretion which in its best professional judgement are in the best interests of the library and in accordance with this policy.
2. To execute all investment transactions on behalf of the library at the best net price, utilizing such approved brokers and dealers as it deems appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy, at the lowest cost to the library.
3. Such additional responsibilities as are set forth in such investment advisor's written contract with the library.

The library's investment advisors shall be responsible for establishing the internal controls in written procedures for the operation of the library's investment program as set forth in this policy.

Until the Board of Trustees appoints one or more investment advisors, management responsibility for the investment program set forth in this policy is delegated to the Executive Director and/or the Finance and Operations Manager.

208: Funds

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A Funds Policy establishes a minimum level at which the projected end-of year fund balances should be maintained, in order to provide long-term financial stability, cash flow for operations, and fund balances adequate to ensure that the library will be able to respond to emergencies from a strong fiscal position and outlines how to handle special reserves.

DEFINITIONS

The five categories of fund balance, as established by Governmental Accounting Standards Board Statement No. 54, are as follows:

1. **Non-spendable:** Amounts that cannot be spent because they are not in spendable form (e.g., principle portion of permanent fund, inventory).
2. **Restricted:** Amounts not available for expenditure due to external restrictions, including grant restrictions, laws, or regulations.
3. **Committed:** Amounts that are designated for specific purposes by formal action of the Board of Trustees. (The Board of Trustees may reverse this action if it is later determined the funds are needed for another purpose.)
4. **Assigned:** Amounts management (i.e. Executive Director) intends to use for specific purposes.
5. **Unassigned:** Available expendable financial resources in the General Fund that is not the object of tentative management plan. Also represents deficit positions within funds other than the General Fund.

Unrestricted fund balance refers to the total amount of committed, assigned, and unassigned fund balances.

The library will spend the most restricted dollars before the less restricted, in the following order: restricted, committed, assigned, unassigned.

LEVEL OF UNRESTRICTED GENERAL FUND BALANCE

It is the goal of the library to maintain no less than four (4) and not more than twelve (12) months of operating expenses in the General Fund. General Fund balances over the minimum four (4) months at the end of the fiscal year may be transferred to the Capital Improvement Fund through Board of Trustees approval.

LEVEL OF CAPITAL IMPROVEMENT FUND

The Capital Improvement Fund is used for construction of a library, purchasing a site for erecting a library, building an addition to an existing library building, furnishing necessary equipment for a library building, renovating the existing library building, acquiring electronic data storage and retrieval facilities in connection with either the purchase or construction of a new library building or the expansion of an existing library building and for emergency expenditures for the repair of an existing library building or its equipment. The Capital Improvement Fund balance is evaluated when reviewing the library's facility plan and annual budget and is maintained at a level sufficient to support upcoming planned projects. No specific minimum or maximum balance is established for the Special Reserve Fund.

FUND BALANCE SHORTFALLS

Fund balances may fall occasionally outside of the target ranges because of special projects, construction, emergencies, other extenuating circumstances, and/or levy restrictions.

Whenever the unassigned fund balance of the General Fund falls below the benchmark provided for in this policy, the Executive Director shall present a plan to the Board of Trustees that would return unassigned fund balance to the minimum level over the next two fiscal years. The Executive Director's plan should try to avoid both significant service reductions and the delay of needed capital repairs and improvements.

209: Donation

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The Northbrook Public Library welcomes monetary and in-kind donations from local businesses, corporations, families and individuals. The Board of Trustees believes that libraries play an essential role in the quality of life of our patrons and in this important function, the library should be supported through public funding. Therefore, donations should only be used to fund optional/additional services or new "startup" services. Donations include gifts, in-kind support, and monetary donations including sponsorship of collections and programs and naming rights for areas of the library.

GUIDING PRINCIPLES

The following principles will guide the Northbrook Public Library in the solicitation and acceptance of donations:

1. All support must further the library's mission, goals, objectives and priorities. They must not dictate the library's agenda or priorities.
2. All support must safeguard equity of access to library services. Naming rights must not give unfair advantage to, or cause discrimination against, sectors of the community.
3. All support must protect the principle of intellectual freedom as defined in the policy manual. Donors may not direct the selection of collections or require endorsement of products or services.
4. All support must ensure the confidentiality of user records. The library will not sell or provide access to library records in exchange for donations.
5. Gifts of books or other library materials will be accepted in accordance with the terms outlined in the Collection Development Policy.

RECOGNITION AND ACKNOWLEDGEMENT

The library will ensure that each donor receives acknowledgement and, to the degree that the donor is willing, public recognition. Sponsorship and naming rights donors will receive a written acknowledgement outlining how the donation will be recognized.

The library reserves the right to evaluate, retain or dispose of donations. The library does not appraise donations for income tax purposes, but does provide written acknowledgement of gifts upon their receipt and request.

The solicitation of gifts, grants or in-kind support by library staff and valued at over \$500 must receive prior approval by the Executive Director.

For naming rights, proposals must receive approval by the Board of Trustees. Naming rights will not extend beyond the normal life of the collection or area, but may be modified based on Board of Trustees approval. Accepted donations of \$10,000 to \$49,999 carry naming rights for 10 years. Accepted donations from \$50,000 to \$100,000 carry naming rights for 20 years.

Naming rights for any accepted donations over \$100,000 will be determined through a consultation with the Board of Trustees. The donor has the right of first refusal at the time of renewal.

All donations are accepted with the understanding that it may someday be necessary that they be altered, sold, or disposed of in the best interest of the library. The library cannot commit itself to perpetually housing a donation.

AUTHORITY FOR IMPLEMENTATION

The library reserves the right to make decisions regarding the implementation of each donation.

All donations given with special requirements must be approved by the Executive Director. Agreements for naming rights shall be documented in a contract between the donor and Board of Trustees. Contracts shall detail the terms of the agreement in accordance with the terms of the donation policy and any conditions mutually agreed upon by the donor and the Board of Trustees.

In the case of pledged donations or deferred gifts, the naming agreement may take effect with the first payment. In the case of failure of the donor to uphold the agreement, the Board of Trustees may withdraw the naming commitment. The Board of Trustees shall notify the donor regarding the consideration to withdraw the name and provide a reasonable time to correct the deficiency. In the event of removal of the naming, funds already collected shall not be returned to the donor.

The named party after whom a room or part of a building is named shall have no rights to the purpose to which that room or part of the building is applied unless provided for in a specific contract between the parties.

Purchasing decisions, including type of equipment, materials, furnishings, and other components of a donation will reside with the Executive Director.