

POLICY 720
LISLE LIBRARY DISTRICT INVESTMENTS

1. Purpose and Scope

It is the policy of the Lisle Library District to be soundly financed at all times, to insure adequately against all risks anticipated to the extent possible, to protect the Library's investment through adequate controls, and to assure the security and preservation of public funds.

Maintaining the public's trust is the most important consideration in investment decisions. In managing its investment portfolio, the Lisle Library District shall avoid any transaction that might impair public confidence in the Library. Investments shall be made with discretion and care, considering the probable safety of the capital as well as the probable income to be derived.

This policy includes all funds governed by the Board of Trustees.
This policy shall be reviewed annually.

2. Standards of Care

A. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard.

Investments shall be made with judgment and care, under circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived, net of expenses. 29 USC / 1104

B. Ethics and Conflict of Interest

Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

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C. Delegation of Authority

The responsibility for the investment program is hereby delegated to the Treasurer of the Board of Library Trustees. The management and administrative duties are delegated to the Library Director and Finance Director.

Officers and administrative staff responsible for investments and financial management of the Lisle Library District shall be adequately insured and bonded.

3. Objectives

The primary objectives, in order of priority, shall be:

1. Legality - Conformance with federal, state, and other legal requirements
2. Safety - Preservation of capital and protection of investment principal
3. Yield - Each investment shall seek the best possible rate of return.
4. Liquidity - the Lisle Library District's investment portfolio shall remain sufficiently liquid to enable the Library to meet all operating requirements that may be reasonably anticipated in any fund.
 - To utilize, wherever possible, local financial institutions, not to preclude any previously listed investment objectives.
 - No less than one month's operating expenses are kept locally in a liquid account.
 - The portfolio should be reviewed periodically as to its effectiveness in meeting the Library's need for safety, liquidity, rate of return, diversification, and its general performance.

4. Safekeeping and Custody

A. Public Trust

In order to adhere to our respect of the public trust, Lisle Library District shall conduct transactions in a manner that shall ensure that public trust shall be of primary importance in all financial matters.

All security transactions including collateral for repurchase agreements entered into by Lisle Library District shall be conducted in a manner that ensures safety. The Lisle Library District is required to keep receipts and a written record of all transactions.

B. Authorized Investment Types

Investments may be made in any type of security allowed for by Illinois statutes regarding the investment of public funds. Section 30, Act 235 of the Illinois Compiled Statutes (ICLS) (Public Funds Investment Act) authorizes investment of public funds in the following investment vehicles. This is only an excerpt. Please

read the actual statute for further details.

1. Bonds, notes, certificates of indebtedness, treasury bills that are guaranteed by the full faith and credit of the U.S.A. as to principal and interest or its agencies, which include, but are not limited to the 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; federal home loan banks and the federal home loan mortgage corporations; and any other agency created by Act of Congress.
2. Interest-bearing savings accounts, certificates of deposit, time deposits
3. Short term obligations of corporations organized in the U.S. with assets exceeding \$500,000,000 subject to several detailed terms listed in the statute.
4. Money market mutual funds registered under the Investment Company Act of 1940 provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph 1 of this section and to agreements to repurchase such obligation.
5. Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation or school district. This investment has restrictions that should be reviewed in the actual statute.
6. Investments in banks that are insured by FDIC, short term discount obligations of the Federal National Mortgage Association; Savings Banks and Savings and Loan Associations insured by FDIC; credit unions chartered under the laws of the State with the principal office of such credit union located within the State of Illinois.
7. The Illinois Funds and IMET.
8. Repurchase agreements of government securities that are subject to the Government Securities Act of 1986 purchased through banks or trust companies authorized to do business in the State of Illinois.

C. Collateralization

Funds on deposit in excess of insured limits (i.e., FDIC) have collateral pledged at not less than 100% of the uninsured value. Pledged collateral will be held in safekeeping by a third party. Acceptable securities for collateral in order of preference are:

- 1) Obligations of the United States Government, Treasury Bills, and Certificates of Indebtedness, Notes and bonds and
- 2) Obligations of United States Government Agencies.

D. Internal Controls

The Lisle Library District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Lisle Library District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the 1) cost of control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgment by management.

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting and recordkeeping
3. Custodial safekeeping
4. Avoidance of physical delivery securities
5. Clear delegation of authority to subordinate staff members
6. Written confirmation of transactions for investments and wire transfers
7. Development of a wire transfer agreement with the lead bank and third party custodian.

E. Financial and Investment Services Providers

Investment advisors, money managers and similar service providers shall be engaged on an as-needed basis only and by action of the Board. A competitive process will be used to select any such service provider. This process will be designed and coordinated by the Treasurer and the Board's Finance Committee.

F. Statutory Responsibility

The Treasurer and all appropriate administrative personnel shall carry statutory responsibility and be appropriately bonded.

5. **Investment Parameters**

A. Strategy

The Lisle Library District shall adopt and follow the Investment Strategy

formulated for the Library by its investment consulting firm.

B. Diversification

The Lisle Library District shall diversify its investments to the best of its ability based on the nature of the funds invested and the cash flow needs of the funds.

1. Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).
2. Limiting investment in securities that have higher credit risks
3. Investing in securities with varying maturities.
4. Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (i.e. Illinois Funds) and money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

C. Maximum Maturities

1. To the extent possible, the Lisle Library District shall attempt to match its investments with anticipated cash flow requirements. Therefore the Treasurer shall establish a maximum maturity limit for securities, unless they are matched to a specific cash flow or if the investments maturities are made to coincide as nearly as practicable with the expected use of the funds.
2. The Lisle Library District shall, when deemed appropriate, adopt weighted average maturity limitations consistent with the investment objectives which may range from 90 days to 5 years.
3. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Finance Committee.
4. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as Illinois Funds, money market funds, or overnight repurchase agreement to ensure that appropriate liquidity is maintained to meet ongoing obligations.
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6. Reporting

A. Methodology

An investment report shall be prepared at least monthly. The report should be provided to the Board of Library Trustees and be available on request. The report should be in a format suitable for review by the general public. An annual report should also be provided to the Board. The report shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date.

B. Performance Standards

This investment portfolio will be managed in accordance with the parameters specified within this policy.

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