

POLICY 720 INVESTMENTS

1. Purpose and Scope

It is the policy of the Lisle Library District (LLD) to invest public funds in reasonably risk-averse assets which provide the highest return possible while meeting the cash flow demands of the Library. The LLD complies with all statutes governing the investment of public funds.

Maintaining the public's trust is the most important consideration when investing public funds. The LLD shall strive to avoid any transaction that might damage public confidence in the Library's stewardship of funds. This policy includes all funds governed by the LLD 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 as established by 29 USC/1104 (United States Code, Title 29).

A fiduciary shall discharge his/her duties with respect to a plan solely in the interest of the participants and beneficiaries and for the exclusive purpose of:

- i. providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the plan;
- ii. with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
- iii. by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so;
- iv. in accordance with the documents and instruments governing the plan;

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.

c. Delegation of Authority

The responsibility for the investment program is hereby delegated to the Treasurer of the LLD Board of Trustees. The management and administrative duties are delegated to the Library Director and Finance Director. The LLD Treasurer shall be apprised of transactions in accordance with LLD Investment Strategy parameters.

Officers and administrative staff responsible for investments and financial management of the LLD shall be appropriately insured and bonded.

3. Objectives

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

1. Legality - compliance 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 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 quarterly 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, LLD 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 LLD shall be conducted in a manner that ensures safety. The LLD 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 including but not limited to:

- i. Bonds, notes, certificates of indebtedness, treasury bills that are guaranteed by the full faith and credit of the U.S.A.
- ii. Interest-bearing savings accounts, certificates of deposit, time deposits
- iii. 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.
- iv. 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 *i* of this section and to agreements to repurchase such obligation.
- v. Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation or school district.
- vi. 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.
- vii. The Illinois Funds and IMET.
- viii. 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:

- i. Obligations of the United States Government, Treasury Bills, and Certificates of Indebtedness, Notes and Bonds;
- ii. Obligations of United States Government Agencies

d. Internal Controls

The LLD is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the 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 cost of control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgment by management.

Accordingly, the Treasurer 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:

- i. Control of collusion
- ii. Separation of transaction authority from accounting and recordkeeping
- iii. Custodial safekeeping
- iv. Avoidance of physical delivery securities
- v. Clear delegation of authority to subordinate staff members
- vi. Written confirmation of transactions for investments and wire transfers
- vii. 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. A competitive process shall be used to select any such service provider. This process shall be coordinated by the LLD Treasurer, Administration, and the LLD Finance Committee.

5. Investment Parameters

a. Strategy

The LLD shall adopt and follow the *Investment Strategy* formulated for the Library by its investment consulting firm.

b. Diversification

The LLD 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 using the following guidelines:

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

c. Maximum Maturities

- i. To the extent possible, the LLD 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.
- ii. The average weighted maturity shall not exceed 3 years.
- iii. 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.
- iv. 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.

6. Reporting

A. Methodology

An investment report shall be prepared at least monthly. The report should be provided to the LLD Board of Trustees and be available upon 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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