

Investment Policy*Effective Date: 10/07**Reviewed and Revised: 7/21***Page 1 of 7***Policy No. 1.12*

Policy**Purpose**

For purposes of this policy statement: “Library” shall reference the Ela Area Public Library District (EAPLD); “Treasurer” shall reference the Board Treasurer of the EAPLD; “Board” shall reference the Board of Trustees, EAPLD; “Executive Director” shall reference the chief administrative officer of the EAPLD, acting on behalf of the Board of Trustees of EAPLD.

The Ela Area Public Library District Board of Trustees recognizes the need for prudent management of public funds. This Investment Policy is adopted in accordance with the requirements of the Public Funds Investment Act (30 ILCS 235) to establish investment guidelines for officials, officers, and employees of the Library who are responsible for the financial management of Library funds. All financial assets of the Library not needed for immediate disbursement may be administered and invested in accordance with the provisions of this policy.

Responsibility for the Investment Policy is provided by law to the Board, who shall establish procedures for the operation of an investment program consistent with this Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under terms of this Policy.

Objectives

It is the policy of the Ela Area Public Library District to invest all funds under the Library’s control using the following ranked principles:

- A. **Legality** – The Library’s investment activities will be in compliance with all applicable Illinois law.
- B. **Safety** – The primary objective of investing Library funds is preservation of principal. Safety considerations include the mitigation of credit risk and interest rate risk. Avoiding risk also requires that we follow all applicable State and Federal statutes regarding the investment of public funds.
- C. **Liquidity** – We shall invest in an appropriate variety and length of investments to meet the Library’s cash flow requirements for operations and capital expenditures.
- D. **Yield** – The Library should strive to achieve a maximum return in consideration of the foregoing risk avoidance and liquidity objectives. Yield is a secondary objective.
- E. **Local Institutions** – The Library will prefer to invest with financial institutions located within the Library District as long as yields are competitive with other institutions for comparable instruments.
- F. **Sustainability** – Material, relevant, and decision-useful sustainability factors have been or are regularly considered, within the bounds of financial and fiduciary prudence, in evaluating

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investment decisions. Such factors include, but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

Scope

This Investment Policy applies to the investment activities of all funds under the statutory jurisdiction of the Board of Trustees of the Ela Area Public Library District. All financial assets or funds of the Ela Area Public Library District shall be administered in accordance with provisions of this Policy by the Treasurer. In the Treasurer's absence the Board may designate the Board President to administer the Policy.

Prudence

Investments shall be made with the judgment and care under the circumstances the 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.

Individuals acting in accordance with this Policy and the "prudent person" standard shall be relieved of personal responsibility for unforeseen fluctuations in the value of portfolio investments. Individual Trustees are completely indemnified as referred to in Section 3.8 of the Board Policies and Bylaws located in the EAPLD Policy Manual.

Delegation of Authority

The Board may employ one or more licensed or certified investment advisors possessing professional capabilities in the management of assets of governmental bodies. The person(s) shall act in an advisory capacity to the Treasurer and the Board.

The Board shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and Library employees.

The written procedures shall include references to:

- Safekeeping
- Delivery vs. Payment
- Investment accounting
- Repurchase agreements
- Wire transfer agreements, and
- Collateral/depository agreements

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The Treasurer or the Executive Director, at the direction of the majority of the Finance Committee, or in the absence of the majority of the Finance Committee as directed by the Board, shall be authorized to move funds from one designated investment to another in order to meet operating needs or Investment Policy objectives.

Ethics and Conflict of Interest

Board, employees, and investment advisors 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. Board, Employees, and investment advisors shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

Authorized Financial Dealers and Institutions

The Board will have the sole responsibility to select which financial institutions will be depositories for the Library.

No financial institution shall receive or retain any Library funds for deposit unless it has furnished the Board with copies of the last two sworn statements of resources and liabilities which the institution is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency.

All financial institutions shall, prior to receiving Library funds, provide the Executive Director with an affirmative statement that they have read the library's investment policy and agree to conform to its requirements. These institutions shall comply with all qualifications and requirements as set forth in Illinois Compiled Statutes, 30 ILCS 235/6, as well as any and all other laws, statutes, and fiduciary responsibility not mentioned in this policy.

Any such financial institution, upon meeting the requirements of the Illinois Compiled Statutes and of this Policy, may request to become a depository for the Library's funds. The Library will take into consideration security, size, location, financial condition, service, fees, competitiveness, and the community relations involvement of the financial institution when choosing depositories.

Allowable Investments

Investments shall be made in accordance with the Public Funds Investment Act, 30ILCS 235/2, but shall be limited to the following authorized investments:

1. Notes, bonds, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America.

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2. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies, commissions, or instrumentalities.
3. Interest bearing accounts, certificates of deposit (CDs) or interest bearing time deposits or any other investment constituting direct obligations of any bank as defined by the Illinois Banking Act. Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation (FDIC)
4. Obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 3 years from the date of purchase, (ii) such purchases do not exceed 10% of the corporations' outstanding obligations and (iii) no more than one-third of the Library's funds may be invested in short term obligations of corporations.
5. 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 items 1 or 2 of this subsection and to agreements to repurchase such obligations.
6. Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

Diversification

In addition to the limitations set forth in Illinois Compiled Statutes, the investment portfolio of the Library shall not exceed the following diversification limits unless specifically authorized by the Board:

1. No financial institution shall have on deposit more than 50% of the Library's total cash investments as measured on the last day of the Library's fiscal year end, exclusive of U.S. Treasury or Agency securities in safekeeping. Deposit balances at year end will be defined as all balances/funds relative to the budgeted year and will exclude all balances/funds attributed to the next fiscal year's budget.
2. The Board may choose to vote to approve exceeding the 50% limit in the event higher yielding investments or issues of financial safety supersede the 50% diversification rule. Said approval will be limited to the length of the current fiscal year and must be re-visited prior to the new fiscal year of operation by either another vote or compliance with said diversification policy. All collateralization and maturity rules must remain in force at all times in any changes to the Library's portfolio diversification.

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3. Monies deposited at a financial institution shall not exceed 10% of the institution's total deposits.
 4. Bank Ratings for all institutions holding 20% or more of district funds will be reviewed annually.

Maximum Maturities

To the extent possible, the Library will attempt to match its investment with anticipated cash flow requirements. Term of investments shall not exceed five (5) years, unless the Board specifically authorizes. The weighted average maturity shall not exceed 3 years.

Performance Standards

Portfolio performance will be compared to an appropriate benchmark on a regular basis. The use of U.S. Treasury bills, average Fed Fund rate, Illinois Public Treasurers Investment Pool (IPTIP) "Illinois Fund", or other stable markets will be used to determine whether market average yield benchmarks are being achieved.

Procedures**Safekeeping and Custody**

All security transactions entered into by the Library shall be conducted on a delivery-versus-payment (DVP). Securities shall be held by a safekeeping agent designated by the Library and evidenced by safekeeping receipts.

Investment Accounting

The transactions approved by the Finance Committee shall be included in the following month's Treasurer's Report. This report shall include:

- Security Type
- Purchase Date
- Maturity Date
- Call Date (if applicable)
- Original Cost
- Market Value

Total market value of the portfolio shall be calculated at least annually.

Procedures defined herein are not all inclusive, therefore the Library's staff is authorized to propose additional internal procedures for approval by the Treasurer, where deemed appropriate, to implement the Policy.

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The Treasurer or governing body must review the investments quarterly, at a minimum. The policies and procedures must be reviewed and approved annually.

Internal Controls

The Executive Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Library are protected from losses of arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the Library. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Executive Director 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. Written confirmation of telephone transactions for investments and wire transfers; and
6. Development of a wire transfer agreement with the lead bank or third party custodian.

In addition to the foregoing, the internal controls shall include the following minimum requirements:

1. The Business Manager shall reconcile all investment activity through the general ledger monthly;
2. Outside auditors shall confirm the ending balance of all investments each year;
3. The Board shall be notified of all investments.

Collateralization

At all times in order to meet the objective of safety of capital, the Treasurer will require deposits in excess of the federally insured amount to be collateralized not less than One Hundred and Five Percent (105%). The ratio of the fair market value of collateral to a number of funds secured will be reviewed monthly, and additional collateral will be required when the ratio declines below the level required, and collateral will be released if the fair market value exceeds the required level.

Collateral shall be evidenced by an approved written agreement with collateralization by a third party acting as a custodial agent of the Library.

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An updated copy of this agreement, with current itemized collateralization, will be prepared and provided to the Board each year at its regular January and June meetings.

The Library can accept, but is not limited to, any of the following assets as collateral:

- Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Letters of Credit issued by the Federal Home Loan Bank
- Separate Insurance through a Triple A rated provider.