

ZION-BENTON PUBLIC LIBRARY INVESTMENT POLICY

This policy applies to those funds that are under the authority of the Zion-Benton, IL Public Library District (District). Financial assets of funds not under the authority of the District are administered in accordance with a separate policy. Financial assets of all other funds may be administered in accordance with this Policy, but are not required to.

GENERAL OBJECTIVES

Safety

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in individual investments and the overall portfolio. The objective will be to mitigate credit risk, interest rate risk and custodial risk.

- **Credit Risk**

The District will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities permitted under Illinois Public Funds Investment Act, 30 ILCS 235/1 *et. seq.*
- The District Board shall by resolution approve the public depositories that are deemed appropriate for use under Illinois and Federal law.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

- **Interest Rate Risk**

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

- **Custodial Risk**

The District will minimize custodial risk, which is the risk that in the event of a financial institution failure, the District deposits may not be returned to it, by:

- Maintaining a list of public depositories, financial institutions, investment advisers and broker/dealers authorized to provide deposit and investment services.
- All public depositories, financial institutions, investment advisers and broker/dealers authorized to provide deposit and investment services must supply as appropriate, if requested, audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Investment portfolios will be structured so that securities mature concurrent with cash needs to meet anticipated demands. Alternatively, a portion of any portfolio may be placed in money market mutual funds or local government investment pools authorized and permissible under Illinois statutes which offer same-day liquidity for short term funds.

Yield

Investment portfolios shall be designed with the objective of attempting to attain a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and

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liquidity objectives described above. Securities shall generally be held until maturity with the following exceptions;

- A security with declining credit quality may be sold prior to maturity to minimize loss of principal.
- Liquidity needs of the District require a security or securities are sold prior to maturity.
- A security swap would improve the safety and yield of the overall portfolio.

With the exception of cash accounts, all investments will be selected on the basis of competitive quotations; at least two qualified institutions will be contacted each time an investment is placed.

STANDARDS OF CARE

Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard, which states "investments shall be made with judgment and care, under 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 safety of their capital as well as the probable income to be derived" and shall be applied in the context of managing an overall portfolio.

Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. Notwithstanding any other provision of law, the District Executive Director, or other District employee in the absence of the District Executive Director, who deposits public money in any authorized public depository, in compliance with Illinois statutes regarding public deposits, is relieved of any liability for any loss of public monies which results from the failure of any public depository to repay the public depositor the full amount of its deposits.

Ethics and Conflicts of Interest

District 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. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

Delegation of Authority

Management and administrative responsibility for the investment program of the District is entrusted to the District Library Director, with oversight by the District Board Treasurer and under the directions of the District Board of Trustees. Individuals authorized to engage in investment transactions on behalf of the District are the District Library Director or those individuals designated by the District Library Director or District Board of Trustees.

Authorized and Suitable Investments

Authorized investments include any investment stipulated in Illinois Public Funds Investment Act, 30 ILCS 235/1 et.seq.

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INTERNAL CONTROLS

The District Library Director shall establish a system of internal controls designed to prevent losses of District funds arising from fraud, misrepresentation by third parties, unanticipated changes in financial markets, employee error or imprudent actions by employees.

Internal controls shall address:

- Separation of transaction authority from accounting and record keeping.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Dual authorizations of wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.
- Investment and interest earnings will be recorded in the District accounting records based on generally accepted government accounting procedures.
- A monthly summary of all investment transactions will be prepared by the District Executive Director for review by the District Board.

INVESTMENT PARAMETERS

Diversification

Investments shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer, industry or business sector, excluding U.S. Treasury obligations.
- Investing in securities with varying maturities.
- Continuously investing a portion of the investment portfolio in readily available funds such as local government investment pools, money market accounts or money market mutual funds permissible under Illinois statutes.
- No investment will have a maturity of longer than five years from the date of purchase.

REPORTING

The District Library Director shall present a quarterly report on the investment program and investment activity to the District Board of Trustees. The report shall include a management summary displaying the status of the investment portfolio and transactions made over the previous quarter. The management summary shall be prepared in a manner that will allow the District Board of Trustees to determine if investment activities during the reporting period conform to this Investment Policy.

POOLING OF CASH

Except where otherwise provided by the District Board of Trustees, the District Library Director is authorized to pool the cash of various funds to maximize investment earnings where it is advantageous and prudent to do so. Investment income will be allocated to the various funds based on the pro rata portion of each fund.

ADOPTION AND APPROVAL

By resolution, the Investment Policy shall be formally approved and adopted by the District Board of Trustees and reviewed as needed but at least every three years.

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LIST OF ATTACHMENTS

The following documents, as applicable, are attached to this policy;

- List of authorized personnel
- Relevant Illinois statutes and local ordinances
- List of authorized public depositories, financial institutions, investment advisers and broker/dealers
- Internal Controls

Reviewed 09/25/18
Adopted 06/23/15