

# **FRANKFORT PUBLIC LIBRARY DISTRICT INVESTMENT POLICY**

## **I. SCOPE OF POLICY**

1.1 The following Policy is hereby promulgated for use by this District, and is based on the Illinois State Treasurer's recommended investment policy.

1.2 This Investment Policy applies to the investment activities of all funds under the jurisdiction of this District. This Investment Policy will also apply to any new funds or temporary funds placed under the jurisdiction of this District. Illinois State Statutes, including 30 ILCS 235/2.25, et seq. will take precedence over this policy, except where this Policy is more restrictive, in which case this Policy will take precedence.

## **II. OBJECTIVES**

2.1 The purpose of this Investment Policy is to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of this District. The specific objectives of this Policy will be as follows:

2.1.1 Safety – the security of monies, whether on hand or invested, shall be the primary concern of the District Treasurer in selecting depositories or investments.

2.1.2 Liquidity – the investment portfolio shall remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated.

2.1.3 Return – The District Treasurer shall seek to attain a market average or better rate of return throughout budgetary and economic cycles, taking into account risk, constraints, cash flows, and legal restriction on investment.

## **III. INVESTMENT GUIDELINES**

3.1 To assist in attaining the stated objectives, the following guidelines shall be observed:

3.1.1 Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio. Diversification of investments is required to avoid unreasonable risks.

3.1.2 The portfolio should remain sufficiently liquid to meet operating requirements which may be reasonably anticipated. Cash flows, actual and projected, shall be reviewed at least quarterly.

3.1.3 To maximize earnings, all funds shall be deposited and invested within four working days of their receipt, at prevailing rates or better.

3.1.4 All investments shall be selected on the basis of competitive bids, or current market rates for publicly listed investments.

#### **IV. DIVERSIFICATION**

4.1 To avoid unreasonable risks, diversification of the investment portfolio shall be consistent with the objectives in the investment policy.

4.2 Commercial paper shall not exceed 10% of the investment portfolio.

#### **V. RESPONSIBILITY**

5.1 All investment of funds under the control of the District Treasurer is the direct responsibility of the District Treasurer.

5.2 The District Treasurer shall be responsible for all transactions and shall establish a system of controls for all authorized subordinates who are directly involved in the assistance of such investment activities.

#### **VI. PERFORMANCE MEASURES**

6.1 The use of U.S. Treasury bills, average Fed Fund rate, Illinois Public Treasurers Investment Pool (IPTIP) "Illinois Fund," or other stable markets can be used to determine whether market average yield benchmarks are being achieved.

#### **VII. PERIODIC REVIEW**

7.1 The District Treasurer should establish annual independent review for internal control, which assures compliance within the investment policy. This will be accomplished with external auditors.

#### **VIII. REPORTING**

8.1 All investment transactions shall be recorded by the District Treasurer or their delegate. A report will be generated regularly, listing all active investments, location of investments displaying both current cost and fair market value (if applicable), maturity of investments, interest rate and other pertinent information deemed necessary. This report will be submitted monthly to the Board.

#### **IX. AUTHORIZED INVESTMENTS**

9.1 The District shall invest in instruments as allowed by the Public Funds Investment Act, 30 ILCS 235/2.

9.2 A summary of authorized investments is as follows:

9.2.1 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.

9.2.2 Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.

9.2.3 Interest bearing accounts, certificates of deposit or interest bearing time deposits or any other investment constituting direct obligations of any bank as defined by the Illinois Banking Act.

9.2.4 Short-term obligations (commercial paper) of corporations organized in the United States with asset exceeding \$500,000,000 if:

(a) such obligations are rated at the time of purchase within the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase, and

(b) such purchases do not exceed 10% of the corporation's outstanding obligations.

9.2.4 Money market mutual funds registered under the investment Company Act of 1940.

## **X. FINANCIAL INSTITUTIONS**

10.1 The Board will have the sole responsibility to select which financial institutions (such as IPTIP, banks, savings and loans, credit unions and other non-banks) will be depositories for this District.

10.2 Potential depositories will submit financial statements to the Board annually. Financial institutions who want to bid for investment transactions shall initially and annually provide the following to the Treasurer: Audited financial statements or a published Statement of Condition.

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

## **XI. COLLATERALIZATION**

11.1 At all times in order to meet the objective of safety of capital, the District Treasurer will require deposits in excess of the Federally insured amount to be collateralized to the extent of One Hundred and Ten Percent (110%) and evidenced by an approved written agreement with collateralization by a third party acting as an agent of the District.

11.2 Eligible collateral instruments and collateral rates (market value divided by uninsured deposits) are as follows:

11.2.1 Negotiable obligations of the United States Government 110%

11.2.2 Negotiable obligations of any agency or instrumentality of the United States Government backed by the full faith and credit of the United States Government 110%

11.2.3 Negotiable obligations of the State of Illinois which are Rated A or better by Moody or Standard and Poors 110%

11.2.4 Negotiable obligations of this District which are rated A or better by Moodys or Standard and Poors 110%

11.3 The ratio of fair market value of collateral to the amount of funds secured shall be reviewed monthly and additional collateral will be requested when the ratio declines below the level required.

11.4 Safekeeping of collateral shall be as follows:

11.4.1 Third party safekeeping is required for all collateral. To accomplish this, the securities will be held at a safekeeping depository as approved from time to time by the District Treasurer or the Board.

11.4.2 Safekeeping will be documented by an approved written agreement. Substitution, exchange or release of securities held in safekeeping may be done upon five (5) days prior written notice to the District Treasurer and then with the approval of the District Treasurer.

11.4.3 When collateral is extended, the District Treasurer should receive a copy of the financial institution's board minutes, indicating the board of directors' approval.

## **XII. SAFEKEEPING OF SECURITIES**

12.1 Securities, unless held physically by the District Treasurer, require third party safekeeping by an entity separate from where the investment is held. The District Treasurer will have the sole responsibility for selecting safekeeping agents. Safekeeping will be documented by an approved written agreement.

## **XIII. PRUDENT PERSON STANDARD**

13.1 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 probably safety of their capital as well as the possible income to be derived.

13.2 In maintaining its investment portfolio, the District Treasurer shall avoid any transaction that might impair public confidence in this District.

13.3 The above standards are established as standards for professional responsibility and shall be applied in the context of managing the portfolio.

13.4 The District Treasurer and employees of the Library District, acting in substantial accordance with this Investment policy and procedures as have been or may be established, and exercising due diligence, shall be relieved of personal liability for credit risk or market changes of any individual security.

#### **XIV. INTERNAL CONTROLS**

14.1 Only the District Treasurer or this Board is authorized to establish financial accounts and investments for the office or Board.

14.2 At all times either the District Treasurer, singly, or two, jointly, of two or more signatories as designated by the District Treasurer or Board should be authorized to sign on financial accounts of the office of the District Treasurer.

14.3 Authorized signatories are NOT permitted to reconcile bank accounts at any time.

#### **XV. ETHICS AND CONFLICT OF INTEREST**

15.1 The Corrupt Practices Act of the Illinois Compiled Statutes shall apply in the case of this policy.

15.2 No person involved in the investment process shall make any investment decision based upon personal or political gain or consequence.

#### **XVI. AMENDMENT**

16.1 This policy may be reviewed from time to time and revised by the Board upon approval of the District Treasurer, so long as any changes are approved by the Attorney for this Board as being in conformity with law.

#### **XVII. CAPTIONS AND HEADINGS**

17.1 The captions and headings used herein are for the convenience of reference only and do not define or limit the contents.

#### **XVIII. PASSAGE AND EFFECT**

18.1 This Policy shall be in full force and effect from and after its passage and approval according to law; and any resolutions or Policies in conflict herewith are hereby repealed; and should any part of this Policy be adjudged invalid or unconstitutional, such adjudication shall affect only the part of this act specifically covered thereby and shall not affect any other provision or parts of this act, which shall be severable therefrom.

DRAFT 1/26/2012