

DeKalb Public Library Investment Policy

The DeKalb Public Library's Board of Trustees intends to take measures to ensure the prudent investment of the Library's funds and to maximize the efficiency of the Library's cash management procedures. The Board seeks to invest public funds in a manner that will provide the maximum security and the highest investment return while meeting both the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds, in particular, 30 ILCS 235, the Public Funds Investment Act.

This Policy applies to all financial assets of the Library governed by the Board, with the following exceptions:

- Funds set aside in an escrow account established in an ordinance authorizing an advance refunding of outstanding bonds will be invested in accordance with appropriate bond documents and arbitrage rules and not necessarily in compliance with this policy.
- Should bond covenants be more restrictive than this policy, funds will be invested in full compliance with those restrictions.

GENERAL OBJECTIVES

The Board shall only invest "Financial Assets" of the Library. For the purpose of this Policy, Financial Assets are those assets available for investment over and above the current short-term cash needs for the Library. By definition, available funds are those currently in the possession of the Library and do not include amounts due from governmental agencies or any other source.

The primary objectives of Library investment activities shall be legality, safety, liquidity and yield, in that order of precedence.

- Legality – Conformance with federal, state, and other legal requirements
- Safety – Preservation of capital and protection of investment principal
- Liquidity – Maintenance of sufficient liquidity to meet operating requirements
- Yield – Attainment of highest return consistent with risk constraints and cash flow needs The Board shall review investments quarterly to determine effectiveness in meeting the Library's needs for safety, liquidity, rate of return, diversification, and general performance.

STANDARDS OF CARE

Responsibility

The Board will retain ultimate fiduciary responsibility for the investment portfolio. The Board will receive quarterly reports, delegate management of investments, and approve changes to the investment policy. Authority to manage the investment policy is granted to the Director as the Library's chief investment officer. The Director, with the assistance of the Library's Business Manager and investment advisors, shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Policy.

Ethics and Conflicts of Interest

The Library shall avoid conflicts of interest by:

- Requiring that both officers and employees, who are involved with the Library investment process, disclose:
 - Any material interests in financial institutions with which the Library conducts business, and

- Any personal financial/investment positions that could be related to the performance of the investment portfolio.
- Establishing that both officers and employees involved in the Library investment process shall refrain from personal business activity that could conflict with the proper execution and management of the Library's investment program, or that could impair their ability to make impartial decisions.

SUITABLE AND AUTHORIZED INVESTMENTS

Investments shall be made in accordance with Public Funds Investment Act, 30 ILCS 235/0.01 et seq., but shall be limited to the following types of investment instruments:

- U.S. Treasury and Agency obligations held to maturity
- State-administered governmental investment pool
- Certificates of Deposit at commercial banks and insured by the FDIC (Federal Deposit Insurance Corporation)
- Interest-bearing savings accounts at commercial banks insured by the FDIC
- Money Market Accounts with SIPC Insurance
- Illinois Metropolitan Investment Fund (IMET) not to exceed \$1,000

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

Financial institutions may include banking institutions, savings and loan associations, investment advisors, brokers/dealers, and local government investment pools as authorized in this Policy. Financial institutions and dealers who desire to become qualified for transactions must provide certification of having read and understood this Policy, agree to comply with this Policy, and ensure all investments proposed for purchase will conform to this Policy and applicable State statutes. Selection of the financial institutions and dealers authorized to engage in transactions with the Library shall be at the sole discretion of the Board. Financial institutions and dealers will be selected based on financial condition and security, size, proper registration, level of service and associated fees, location, and experience with Illinois municipal bodies including libraries. All depositories shall be insured by the FDIC.

All financial institutions who desire to become designated depositories must supply the following (as appropriate):

- Audited financial statements
- Proof of state registration
- Evidence of adequate insurance coverage

All investment advisors shall be registered under the Investment Advisors Act of 1940. All financial institutions who desire to become designated investment advisors must supply the following (as appropriate):

- Audited financial statements
- Securities and Exchange Commission (SEC) Form ADV – Parts 1 and 2
- Proof of state or SEC registration as appropriate
- Evidence of adequate insurance coverage. All brokers/dealers shall be insured by the Securities Investor Protection Corporation (SIPC).

All financial institutions who desire to become designated brokers/dealers must supply the following (as appropriate):

- Audited financial statements

- Proof of Financial Industry Regulatory Authority (FINRA) certification
- Proof of state registration
- Evidence of adequate insurance coverage

All institutions holding Library investments and other funds shall provide the Library with a copy of their annual report for each year in which business is transacted with the Library.

Collateralization

Any institution with which the Library maintains checking, savings or other such accounts with an indefinite maturity date or duration, must maintain collateral sufficient to provide protection for Library deposits in amounts that exceed FDIC or FSLIC coverage limits. This collateralization must be sufficient to cover the average balance for in each account for all accounts with that institution. Any of the following are acceptable forms of collateral:

- U.S. Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Letter of credit from the Federal Home Loan Bank or Federal Reserve

Any institution with which the Library has placed financial assets for the purpose of investing, regardless of the term of those investments, must fully collateralize each investment for the duration of the term. The collateral need not be segregated on a “by investment” basis. The institution may provide a collateral pool designated specifically for the Library’s accounts, including both investments and other bank accounts. Such collateral will have a current market value of at least 110% of the total deposits and investments. A monthly collateral review is to be made by the institution to adjust for market fluctuations so as to maintain the 110% rule as well as to adjust for fluctuations due to maturities and new investment purchases during the month by the Library. All collateral must be held by a third party as custodian for the Library and must be pledged to the Library, indicating such on the face of the original safekeeping receipt. Each institution shall provide a statement of collateral listing, in detail, all securities set aside as collateral for the Library on a monthly basis.

Possession of Investments

Certificates of Deposit (CDs) are not necessarily physically kept on hand by the Library. A safekeeping receipt, signed by an authorized official of the institution issuing the CD is acceptable as proof of ownership

Diversification

The Library shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

Maximum Maturity

To the extent possible, the Library shall attempt to match its investments with anticipated cash flow requirements. The Library will not directly invest operating funds, defined as cash received within any given fiscal year not intended for reserves, in instruments maturing more than six months from the date of purchase. Reserve funds may be invested in instruments maturing up to five years from the date of investment if such investments are made to coincide as nearly as practicable with the expected cash flow needs of long-term capital improvement projects.

Internal Controls

The Board is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Library are protected from loss, theft, or misuse. The following internal controls shall be observed:

- All signature forms for investments shall require the signature of the Director or, in the absence of the Director, the Business Manager. This signature form for investments is to be used only for the transfer of monies between institutions, and not for the withdrawal of funds. Such withdrawal requires the signatures of both the President of the Board of Trustees of DeKalb Public Library and of the Director.
- Written confirmation of telephone transactions and wire transfers shall be obtained.
- Ratification by Board of all purchases of investments

REPORTING

Methods

The Library Director shall provide an investment report to the Library Board on a quarterly basis. The investment report will include:

- A succinct management summary which provides a clear picture of the status of the current investment portfolio.
- A listing of individual securities held at the end of the reporting period, including the name of the banking institution, maturity, rate of return, par value, and date of purchase.

AUDIT

In conjunction with the annual examination of the financial records of the Library by an independent certified public accountant, all accounts and investment records will be confirmed with the financial institution involved. The annual financial statement will also include information as to the insured or collateralized limits of all public funds examined.

POLICY CONSIDERATIONS

Adoption & Amendments

This policy shall be adopted by resolution of the Library Board and will replace any previous investment policies adopted by the Library Board.

In the event that any state or federal legislation or regulation should further restrict instruments, institutions or procedures authorized by this policy, such restrictions shall be deemed to be immediately incorporated into this policy. If new legislation or regulation should liberalize the permitted instruments, institutions or procedures, such changes shall be available and included in this policy only after written notification to the Library Board and their subsequent approval of said changes.

The Library Director shall review this policy on a regular basis, and the Library Board must approve any modifications made thereto. Any modifications to the policy must be approved by the Board of Trustees.

Standard of Care

This Policy seeks to establish standard guidelines for professional responsibility and shall be applied to the management of the Library's overall investment portfolio. The standard to be used by any person investing the Library's funds shall be the "prudent person" standard, which states that investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Approved by the DeKalb Public Library Board of Trustees 05/11/2022