



Investment Policy

Purpose

The Investment Policy is required for public units of local government to safeguard funds, equitably distribute investments, and maximize income of the St. Charles Public Library. The policy seeks to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of this Library based on recommendations from the Illinois State Treasurer.

Scope

This Investment Policy applies to the investment activities of all funds under the jurisdiction of the Library. The Investment Policy will also apply to any new funds or temporary funds placed under the jurisdiction of the Library. Illinois State Statutes, including 30 ILCS 235/0.01 et seq., will take precedence over this policy, except where this policy is more restrictive, in which case this policy will take precedence.

Objectives

The specific objectives of this policy are as follows:

- 1) Safety – the security of monies, whether on hand or invested, shall be the primary concern of the Board Treasurer and their designee(s) in selecting depositories or investments.
- 2) Liquidity – the investment portfolio shall remain sufficiently liquid to meet all operating requirements, which might be reasonably anticipated.
- 3) Return – The Board Treasurer and their designee(s) 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.

Responsibility

The Board Treasurer and their designee(s) shall be responsible for all transactions and shall establish a system of controls for all authorized designees who are directly involved in the assistance of such investment activities. Authority may be granted as needed to the Library Director, Finance Manager, and other Library Board Officers.

Investment Guidelines

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

- 1) Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. Diversification of investments is required to avoid unreasonable risks.
- 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) To maximize earnings, all funds shall be deposited and invested within two working days of their receipt, at prevailing rates or better.
- 4) All investments shall be selected on the basis of competitive bids, or current market rates for publicly listed investments.

Performance

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

Periodic Review

The Board Treasurer and their designee(s) should establish annual independent review for internal controls, which assures compliance within the Investment Policy. This will be accomplished with external auditors.

Reporting

All investment transactions shall be recorded by the Library Director and/or Finance Manager. A report will be generated 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.

Authorized Investments

The Library shall invest in instruments as allowed by the Public Funds Investment Act, 30 ILCS 235/2. To avoid unreasonable risks, diversification of the investment portfolio shall be consistent with the objectives in the investment policy. A summary of authorized investments is as follows:

- 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.
- 2) Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
- 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.
- 4) Short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding five hundred million dollars (\$500,000,000) if:
 - (a) such obligations are rated at the time of purchase within the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase, and
 - (b) such purchases do not exceed ten percent (10%) of the corporation's outstanding obligations.
- 5) Money market mutual funds registered under the Investment Company Act of 1940.

Financial Institutions

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 the Library.

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 Board Treasurer: Audited financial statements or a published Statement of Condition.

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.

Collateralization

At all times in order to meet the objective of safety of capital, the Library 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.

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

- 1) Negotiable obligations of the United States Government of one hundred and ten percent (110%).
- 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 of one hundred and ten percent (110%).
- 3) Negotiable obligations of the State of Illinois which are Rated A or better by Moody's or Standard and Poor's of one hundred and ten percent (110%).
- 4) Negotiable obligations of the Library which are rated A or better by Moody's or Standard and Poor's of one hundred and ten percent (110%).

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.

Prudent Person Standard

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 possible income to be derived.

In maintaining its investment portfolio, the Library shall avoid any transaction that might impair public confidence.

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

The Board Treasurer and authorized designees, acting in substantial accordance with this Investment Policy 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.

Internal Controls

Only the Board is authorized to establish financial accounts and investments.

The Library Board President, Treasurer, and/or Director shall be the signatories of Library financial accounts. The Library Board of Trustees, by written resolution, may authorize signatories to be added to accounts. Authorized signatories are not permitted to reconcile bank accounts at any time.

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

Ethics and Conflict of Interest

The Corrupt Practices Act of the Illinois Compiled Statutes shall apply in the case of this Policy. No person involved in the investment process shall make any investment decision based upon personal or political gain or consequence.

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