

Investment Of Public Funds Policy
(Board of Trustees Approved: May 2013)

I. Purpose and Scope

The purpose of this policy is to outline the responsibilities, general objectives, and specific guidelines for management of public funds by the Forest Park Public Library. Its scope is all public funds held by the Library.

II. Responsibilities

All investment policies and procedures of the Forest Park Public Library shall be in accordance with Illinois Law. The authority of the Library Board of Trustees to control and invest public funds is defined in the Illinois Public Funds Investment Act and the investments permitted are described therein.

Administration and execution of these policies are the responsibility of the Treasurer who is hereby designated as the Chief Investment Officer of the Library, acting under the authority of the Forest Park Public Library Board of Trustees.

III. Delegation of Authority

Management and administrative responsibility for the investment program is hereby delegated to the Chief Investment Officer. The Chief Investment Officer and the Library Director are responsible for establishing internal controls and written procedures for the operation of the investment program.

IV. "Prudent Person" Standard

All Library investment activities shall use a "prudent person" standard of care. This standard shall be applied in the context of managing an overall portfolio and specifies that 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. Officers and employees involved in the investment process, acting in accordance with the Policy and the written procedures of the Library, and exercising due diligence, shall be relieved of personal responsibility for a security's credit risk or market price/value changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

V. Objectives and Guidelines

In selecting financial institutions and investments, the following general objectives should be considered. The priority of these objectives is indicated by the order in which they are listed.

A. Legality and Safety

Investments shall be made only as permitted by the Public Funds Investment Act. Investments identified by the Act are found in the appendix to this policy. Investments shall conform with all legal requirements, preserving capital and including diversification appropriate to the nature and amount of the funds.

B. Liquidity

In general, investments should be managed to meet the liquidity necessary for current needs and any reasonably anticipated special needs.

C. Yield-Return on Investment

Within the constraints of Illinois law, considerations of safety, and this investment policy, reasonable efforts should be made to maximize return on investments made. All available funds shall be placed in investments or kept in interest-bearing deposit accounts.

D. Simplicity of Management

The time required by Library administrative staff to manage investments shall be kept to a minimum.

E. Diversification and Maturation

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

VI. Investment Performance and Reporting

The investment portfolio shall be managed in accordance with the parameters specified in Sections IV and V above. Performance of the Library's investments should be similar to that of comparable products (for example, money market funds should be compared with other money market funds). Investments, fund balances and the status of such accounts shall be reported at each regularly scheduled meeting of the Library Board by the Chief Investment Officer or Library Director, and such reports should include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date. At least annually, the Chief Investment Officer shall review this Policy for any needed modifications and report to the Board on the investment portfolio, its effectiveness in meeting the Library's need for safety, liquidity, and rate of return, diversification and general performance. These reports shall be made available to the general public upon request.

VII. Internal Controls

In addition to these guidelines, the Chief Investment Officer shall establish or approve a system of internal controls and written operational procedures designed to prevent loss, theft or misuse of funds.

VIII. Authorized Financial Dealers and Institutions

Any investment advisors, money managers and financial institutions shall be considered and authorized only by the action of the Board of Library Trustees upon the recommendation of the Chief Investment Officer. The Chief Investment Officer shall maintain a list of financial dealers and institutions authorized to provide investment services.

IX. Statutory Prohibitions and Conflicts of Interest

- A. Officers and employees involved in the investment process shall refrain from personal business activities that might conflict with the proper execution and management of this investment program, or that could impair their ability to make impartial decisions, or that could give the appearance of impropriety.
- B. Those officers and employees involved in the investment process must disclose any personal business activities that could be related to the performance of the Library's investment portfolio or the financial institutions that conduct business with the Library.

- C. No person acting as an investment advisor for the Library, or who is employed in any similar capacity by the Library, may do any of the following:
1. Have any interest, directly or indirectly, in any investments in which the Library is authorized to invest;
 2. Have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments;
 3. Receive, in any manner, compensation of any kind from any investments in which the Library is authorized to invest.

Appendix A -Permitted Investments, Public Funds Investment Act
(As Of 5/20/13)

I. All investments shall be those permitted by state law (30 ILCS 235/2) as follows:

- A. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, that are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- B. Bonds, notes, debentures or other similar obligations of the United States of America, or its agencies and instrumentalities;

[For purposes of this Policy, the term “agencies of the United States of America” includes (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 *et seq.*) and Acts amendatory thereto; and (ii) the federal home loan banks and the Federal Home Loan Mortgage Corporation; and any other agency created by Act of Congress.]

- C. Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 *et seq.*), provided, however, that such investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation;
- D. Short-term 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 three highest classifications established by at least two standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation’s outstanding obligations, and (iii) no more than one-third of the District’s funds are invested in short-term obligations of corporations;
- E. Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C.A. ‘80a-1 *et seq.*), provided that the portfolio of the money market mutual fund is limited to obligations described in Section 2(a)(1) and (2) of the Public Funds Investment Act (30 ILCS 235/2(a)(1) and (2));
- F. Short term discount obligations of the Federal National Mortgage Association (established by or under the National Housing Act (1201 U.S.C. §1701 *et seq.*)), or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of Illinois or any other State or under the laws of the United States, provided, however, that the shares or investment certificates of such savings banks or savings and loan associations are insured by the Federal Deposit Insurance Corporation;
- G. Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States; provided, however, the principal office of the credit union must be located within the State of Illinois; and, provided further, that such investments may be made only in those credit unions the accounts of which are insured by applicable law;
- H. The Public Treasurer’s Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17) or in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company, or use the services of such an entity to hold and invest or

advise regarding the investment of any public funds;

- I. Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (15 U.S.C.A. §780-5) subject to the provisions of that Act and the regulations issued thereunder, provided, however, that such government securities, unless registered or inscribed in the name of the District, shall be purchased through banks or trust companies authorized to do business in the State of Illinois; and such other repurchase agreements as are authorized in subsection (h) of Section 2 of the Public Funds Investment Act (30 ILCS 235/2).
Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the District's established standards, which shall include mutual execution of a Master Repurchase Agreement adopted by the District;
 - J. Any other investment instruments now permitted by the Public Funds Investment Act or hereafter permitted by the Public Funds Investment Act by reason of amendment thereof.
- II. Investments may be made only in those savings banks or savings and loan associations, the shares or investments of which are insured by the Federal Deposit Insurance Corporation.

