



# INVESTMENT POLICY

## I. POLICY

It is the policy of the Skokie Public Library to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the library and conforming to all state and local statutes governing the investment of public funds.

## II. SCOPE

This Investment Policy (Policy) applies to all Funds of the Skokie Public Library governed by the Board. The Funds included are all those in existence at the time this Policy is enacted and all those added to or deleted from the books and records of the library as required from time to time.

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.

## III. OBJECTIVES

In selecting financial institutions and investment instruments, the following general objectives should be considered in the priority listed:

- 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.

## IV. RESPONSIBILITY

The Board will retain ultimate fiduciary responsibility for the investment portfolio. The Board will receive regular 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 Finance 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.

## V. ETHICS AND CONFLICTS OF INTEREST

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. Specifically, library board members, officers, and employees involved in the investment process may not 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; and 3) receive, in any manner, compensation of any kind from any investments in which the library is authorized to invest.

## VI. 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
- Illinois State-administered governmental investment pools (LGIP). Pools include Illinois Funds, Illinois Trust local government investment pool, and Illinois Public Reserves Investment Management Trust (IPRIME).
- Interest-bearing-savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.
- Fully FDIC insured certificates of deposit issued by banks and savings associations through reciprocal transactions of the certificates of deposit registry service ("CDARS"), provided that (a) the funds are placed through a bank or savings association designated an authorized depository by the Library Board
- Money Market Accounts with SIPC Insurance

## VII. 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.

## VIII. 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.

## IX. 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. See other specifications for safekeeping receipts under VIII. Collateralization.

## X. 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.

## XI. MAXIMUM MATURITIES

To the extent foreseeable, the library shall structure the maturities of its investments so that it can meet, when due, its anticipated cash flow requirements. Within the constraints of the preceding sentence, maturities of investments of Operating Funds are generally not to exceed two years.

### Debt Service Reserve:

Maximum maturity no longer than is sufficient to pay, when due, debt service.

### Special Reserve:

At such time as the library establishes a Special Reserve for building requirement, the maximum of investments therein shall not exceed five years.

For callable securities, the final maturity date, rather than the call date, is to be used to measure its maturity.

## XII. INTERNAL CONTROL

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 Finance 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 Skokie 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.

### XIII. REPORTING

The Director shall prepare a quarterly report on investments and their returns for the Board. An annual report in a format suitable for review by the general public will also be provided to the Board. The annual report shall include name of banking institution, maturity, rate of return, par value, and date of purchase.

### XIV. 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.

### XV. INVESTMENT POLICY ADOPTION AND REVIEW

The Investment Policy shall be adopted by the Board of Trustees and reviewed on a biennial basis. Any modifications to the policy must be approved by the Board of Trustees.

*Adopted by the Skokie Public Library Board of Trustees, December 14, 1988; Revised November 10, 1999; December 11, 2013; October 19, 2016; November 14, 2018; Reviewed November 11, 2020; Revised November 9, 2022*

