

INVESTMENT AND CASH MANAGEMENT

Scope & Purpose

This policy applies to all funds of the "Library". The purpose of the Investment and Cash Management Policy (Policy) is to provide a clear and concise statement of objectives by the Board of Trustees of the Library as to management of Library funds.

Objectives

1. Safety of principal: The Library shall maintain funds in a financial institution only if that institution is a member of the FDIC system or SIPC. No funds shall be invested in any financial institution in excess of the amount covered by any applicable insurance plan.
2. Liquidity: The investment portfolio shall remain sufficiently flexible to enable the Library Director to meet all operating requirements for three months, which may be reasonably anticipated in any fund.
3. Return on Investment: The investment portfolio shall be designed to maximize returns consistent with risk limitations identified herein and prudent investment principles.

Investment Selection

Except for monies set aside for operating expenses, the Board may invest in any of the following types of investment instruments:

1. Interest bearing savings accounts, interest bearing certificates of deposit, interest bearing time deposits, interest bearing money market instruments or any other investment constituting direct obligations of any bank that is insured by the Federal Deposit Insurance Corporation (FDIC).
2. Direct obligations of the federal government and any agencies thereof with maturities of one year or less.
3. Illinois Funds
4. Any other instruments deemed appropriate by the Board.

Prudence

Investments shall be made with the judgment and care under the 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 preservation of their capital as well as the probable income to be derived. This "prudent person" standard shall be used by the Finance Committee of the Library and shall be followed in making investments for the Library and in managing those investments.

Financial Institutions

The Board shall approve all financial institutions on an annual basis, and will conduct periodic review of investment advisors and money managers. The Board will also periodically review the nature and purpose of invested funds.

OPERATING POLICY

Diversification

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Internal Controls

The Library's Finance Committee shall establish a system of internal controls, which shall be documented in writing and filed with the Library's Board of Library Trustees for review. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

Authorized Officers and Employees

The Board shall designate those officers and employees as having the authority and responsibility for implementing the Policy.

Reporting

The Library Director shall develop appropriate procedures for the legal and financial review and approval of all documents entered into to implement the Policy. Investments, fund balances, and the status of such accounts will be reported quarterly at Board Meetings and will include information regarding securities in the portfolio by class or type, all income earned, and market value as of the report date.

Ethics and Conflicts of Interest

Authorized investment officers of the Library and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Library any material financial interests in financial institutions which conduct business with the Library, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

No person acting as Treasurer or financial officer for the Library, or who is employed in any similar capacity by or for 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.

Compliance

The Policy shall at all times comply with all applicable laws and statutes, By-laws and Resolutions of the Board.

OPERATING POLICY

Indemnification

The individual who has performed his or her duties responsibly should not be held personally liable for any loss. Individuals acting in accordance with the Policy shall be relieved of personal responsibility for unforeseen fluctuations in the value of the portfolio of investments resulting from, but not limited to, changes in credit standings or market conditions, provided that such deviations are reported in a timely fashion and appropriate actions taken to control adverse developments.

Procedures

1. Procedures defined herein are not all inclusive, therefore the Library Director is authorized to develop additional procedures where deemed appropriate to implement the Policy.
2. For the investment of new dollars or for the roll-overs of maturing certificates of deposit with new terms, the Library Director shall consult when necessary with the Treasurer or the Chairman of the Finance Committee with a recommendation as to what instruments and where the investment should be placed.
3. Such recommendations shall include a comparison of applicable rates at various financial institutions, one of which should be a local financial institution.
4. The investment portfolio will be reviewed every two years by the Finance Committee.