

# Hinsdale Public Library

## Investment Policy

### Policy

It is the policy of the Hinsdale Public Library (the Library) to invest idle public funds in relatively risk-averse assets which will provide the highest return possible while meeting the cash flow demands of the Library and conforming to all State Statutes governing the investment of public funds. Many of the controls referred to in this document come from the Public Funds Investment Act (30 ILCS 235/).

### Scope

This investment policy applies to all cash and investments held for each of the funds maintained by the Library including, but not limited to, the operating and capital reserve funds. Monies from individual Library funds may be commingled for investment purposes.

The policies set forth below apply to the activities of the Treasurer and the Custodian of Library Monies (hereafter "Custodian of Monies") as defined in Section 5.4 of the Library bylaws.

### Prudence

1. The standard of prudence to be used under this policy by the Custodian of Monies should be the "prudent person" standard which states:

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

2. The above standard is established for professional responsibility and should be applied in the context of managing the Library's overall portfolio. The Custodian of Monies, acting in accordance with this investment policy, should be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

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### **Objectives**

1. Risk Avoidance - The primary objective of investing Library funds is preservation of principal.
2. Liquidity - The types and length of investments should be managed to enable the Library to meet its cash flow requirements for operations and capital expenditures.
3. Yield - The Library should strive to achieve a maximum return in consideration of the foregoing risk avoidance and liquidity objectives.
4. Local Institutions - Preference will be given to financial institutions located within the Village of Hinsdale as long as yields are competitive with other institutions for comparable instruments.

### **Delegation of Authority**

The Board may appoint the Finance Director of the Village of Hinsdale, or another Village official, the Custodian of Monies responsible for investing and transferring funds. Said Custodian will be appointed by a resolution of the Board, and actions taken by the Custodian with respect to Library funds shall be subject to review and approval by the Treasurer and Finance Committee as well as to the limitations established by Library Bylaws, the authorizing Board resolution and Illinois law. The Custodian of Monies shall be bonded in accordance with Illinois Compiled Statutes (ICS), Chapter 75, Section 5/4-9.

The Custodian of Monies should submit any recommended changes in investment strategies, or fund allocations in writing to the Treasurer and to the Library Director.

The Treasurer, acting on behalf of the Board of Trustees, and after approval by the Finance Committee is authorized to recommend changes to investment strategies and allocation. Such changes will be submitted to the Board of Trustees in writing for approval.

### **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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the Library.

### **Authorized Financial Dealers and Institutions**

All eligible depositories, financial institutions, and security broker/dealers of the Library shall execute a written agreement prior to receiving any deposit or funds for investment. Prior to the

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execution of any such agreement, the Custodian of Monies shall evaluate the financial condition of each depository or financial institution. Data to be considered during this evaluation may be in the form of audited financial statements, FDIC regulatory reports, proof of State registration, or certification by the National Association of Security Dealers (NASD).

An annual review of the financial condition and registration of qualified financial institutions will be conducted by the Custodian of Library Monies.

A current audited financial statement is required to be on file or available on-line for each financial institution or broker/dealer in which the Library invests. Monies deposited at a financial institution shall not exceed 10% of the capital stock and surplus of that institution.

Unless other institutions are specifically approved by the Library Board, Library funds shall be invested only in institutions that have been authorized by the Village of Hinsdale. Any written agreements for depository or investment services that have been approved by the Village of Hinsdale are deemed to also apply to the Library.

### **Allowable Investments**

Investments shall be made in accordance with Illinois Compiled Statutes (ICS), Chapter 30, Section 235, "Public Funds Investment Act," but shall be limited to the following types of investments:

1. U. S. Treasury and Agency obligations held to maturity
2. Certificates of Deposit at commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC)
3. Money Market mutual funds
4. IllinoisFunds, the Illinois Metropolitan Investment Fund (IMET), or any other local government investment pool.

### **Collateral Requirements**

Cash deposit accounts and Certificates of Deposit shall be collateralized within the following requirements:

1. All deposit balances in excess of FDIC limits shall be collateralized.
2. Collateral instruments shall be U. S. Treasury and Agency obligations.
3. Collateral shall have a market value of at least 105% of the applicable deposit balance.
4. The collateral shall be held in the Library's name by a third party institution satisfactory to the Custodian of Monies.

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### **Safekeeping and Custody**

All security transactions entered into by the Custodian of Monies shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Custodian of Monies in the name of the Library and evidenced by safekeeping receipts.

### **Diversification**

In addition to the limitations set forth in State Statutes, the investment portfolio of the Library shall not exceed the following diversification limits unless specifically authorized by the Board:

1. No financial institution shall have on deposit more than 50% of the Library's investment portfolio, exclusive of U.S. Treasury and Agency securities in safekeeping.
2. Deposits in any Public Treasurer's Investment Pool shall not exceed 75% of the Library's investment portfolio.
3. Brokered certificates of deposit shall not exceed 50% of the Library's investment portfolio.

### **Maximum Maturities**

To the extent possible, the Library will attempt to match its investments with anticipated cash flow requirements. Term of investments shall not exceed five years, unless the Library Board specifically authorizes otherwise.

### **Internal Controls**

The Custodian of Monies is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the Library are protected from loss, theft, or misuse.

In conjunction with the annual external audit, the independent auditor shall review compliance with these investment policies and procedures. The review of internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting and record keeping
3. Avoidance of physical delivery securities
4. Clear designation of authority to subordinate staff members
5. Written confirmation of telephone transactions for investment and wire transfers
6. Development of a procedure for making wire transfers

Quotes for investments shall be received in accordance with normal Village of Hinsdale procedures.

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### **Performance Standards**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

Portfolio performance should be compared to an appropriate benchmark on a regular basis. The benchmark used by the Custodian of Monies to determine whether market yields are being achieved shall be the three-month U.S. Treasury Bill.

### **Reporting**

Each month the Custodian of Monies provides an investment report listing investments, par value, cost and market value. This document is part of the Treasurer's Report which is presented for approval at each of the Library Board's regular meetings.

The Custodian of Monies shall prepare an investment report at least annually, including a succinct management summary that provides a clear picture of the status of the current investment portfolio. This management summary will be prepared in a manner which will allow the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy.

### **Investment Policy Adoption**

The Library's investment policy shall be adopted by resolution of the Board. This policy shall be reviewed on an annual basis by the Custodian of Monies and any modifications made thereto must be approved by the Library Board.

Hinsdale Public Library Board of Trustees

Approved and Adopted by the Library Board on June 27, 2000. Revised 1/17/08, 1/24/12, and 2/24/15.