

Warren-Newport Public Library District

Lake County, Illinois

Board of Trustees

Policy 2005

Investment of Public Funds

Adopted: February 13, 1996

Reviewed/Revised: February 9, 1999; February 10, 2004; October 20, 2009; September 17, 2013;
September 21, 2015; July 17, 2018

ARTICLE 1. PURPOSE

The purpose of this policy statement is to outline the responsibilities, general objectives, and specific guidelines for management of public funds by the Warren-Newport Public Library District (WNPLD).

ARTICLE 2. RESPONSIBILITIES

All investment policies and procedures of WNPLD will be in accordance with Illinois law. The authority of the Board of Library Trustees to control and invest public funds is defined in the Illinois Public Funds Investment Act [30 ILCS 235], and the investments permitted are described therein. Administration and execution of these policies are the responsibility of the Treasurer, and, by designation, the Executive Director acting under the authority of the Board of Library Trustees. Investments, fund balances, and the status of such accounts will be reported at each regularly scheduled meeting of the Board of Trustees.

ARTICLE 3. “PRUDENT PERSON” STANDARD

All WNPLD 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 primarily the safety of their capital and secondarily the probable income to be derived. Investment officers, acting in accordance with this Policy and the written procedures of WNPLD 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 as soon as they are known and appropriate action is taken to control adverse developments.

ARTICLE 4. OBJECTIVES AND GUIDELINES

Section 4.01 General Objectives

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered:

- safety of principal;
- maintenance of sufficient liquidity of funds to meet obligations as they come due;
- return on investment; and
- simplicity of management.

Section 4.02 Safety of Principal

Investments will be made only in securities guaranteed by the U.S. government or in FDIC-insured institutions. Deposit accounts in banks or savings-and-loan institutions shall not exceed the amount insured by FDIC coverage, unless the accounts are adequately collateralized in accordance with Regulations of the Federal Reserve regarding custody and safekeeping of collateral. Authorized investments include Certificates of Deposit, Treasury Bills and other securities guaranteed by the U.S. Government, participation in the Illinois Funds managed by the Illinois State Treasurer, and any other investments allowed under the Illinois Compiled Statutes that satisfy the investment objectives of WNPLD. All WNPLD funds being invested shall be invested directly into a federally insured investment. Investing in derivatives of FDIC-insured instruments, including funds whose underlying investments are FDIC-insured instruments, is strictly forbidden. To avoid unreasonable risks, diversification of the investment portfolio shall be consistent with the objectives in this investment policy.

Section 4.03 Liquidity of Funds

In general, investments should be managed to meet liquidity needs for the current month plus one month (based on forecasted needs).

Section 4.04 Return on Investment

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

Section 4.05 Simplicity of Management

The time required by library administrative staff to manage WNPLD investments shall be kept to a reasonable amount.

ARTICLE 5. INTERNAL CONTROLS

In addition to these guidelines, the Executive Director is designated as the chief investment officer and is responsible for establishing and maintaining a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, theft, misuse of funds, employee error, misrepresentation by third parties, or imprudent actions by employees.

ARTICLE 6. PERFORMANCE MEASURES

Performance measures shall be as expected appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio.

ARTICLE 7. REVIEWING AND REPORTING

Appropriate review of the investment portfolio shall be done on a quarterly basis to determine its general performance and its effectiveness in meeting WNPLD needs for safety, liquidity, rate of return, and diversification. The Business Manager is designated as the chief financial officer and shall submit investment reports to the Board of Library Trustees and the Executive Director on at least a quarterly basis. These reports shall include information regarding securities in the portfolio by class or type and the book value, income earned, and market value of each security as of the report date.

ARTICLE 8. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

An investment advisor, money manager, or financial institution shall be used only after the Board of Library Trustees authorizes its use. The Treasurer and Executive Director are responsible for recommending appropriate investment advisors, money managers, and financial institutions to the Board. The Executive Director shall maintain a list of financial dealers and institutions authorized to provide investment services.

ARTICLE 9. CONFLICTS OF INTEREST

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, that could impair their ability to make impartial decisions, or that could give the appearance of impropriety.
