

VILLAGE OF ARTHUR, ILLINOIS  
INVESTMENT POLICY

12-206-99

1.01      Policy:

It is the policy of the Village of Arthur 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 entity and conforming to all state and local statutes governing the investment of public funds.

1.02      Scope:

This policy includes all funds governed by the Board of Trustees. The Finance Director shall be Finance Chairmen.

1.03      Prudence:

Investments shall be made with judgement and care, under circumstances then prevailing, which person 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.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.

1.04      Objective:

The primary objective, in order of priority, shall be:

- \* 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;
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\* Yield - Attainment of market rates of return;

The portfolio should be reviewed periodically as to its effectiveness in meeting the entity's needs for safety, liquidity, rate of return, diversification and its general performance.

1.05 Delegation of Authority:

Management and administrative responsibility for the investment program is hereby delegated to the Finance Director who, under the delegation of the Board of Trustees, shall establish written procedures for the operation of the investment program.

1.06 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.

1.07 Authorized Financial Dealers and Institutions:

The Finance Director will maintain a list of financial institutions authorized to provide investment services.

In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness.

1.08 Authorized and Suitable Investments:

Investments may be made in any type of security allowed for in Illinois statutes regarding the investment of public funds.

Investments shall be made that reflect the cash flow needs of the fund type being invested.

1.09 Collateralization:

Funds on deposit (checking account, certificates of deposit, ect.) in excess of FDIC limits must be secured by some form of

collateral, witnessed by a written agreement and held at an independent - third party institution in the name of the municipality.

1.10 Safekeeping and Custody:

All security transaction, including collateral for repurchase agreement, entered into by the Village of Arthur, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by an independent third party custodian designated by the Finance Director and evidenced by safekeeping receipts and a written custodial agreement.

1.11 Diversification:

The entity shall diversify its investments to the best of its ability based n 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.

1.12 Maximum Maturities:

To the extent possible, the Village of Arthur, shall attempt to match its investment with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village of Arthur will not directly invest in securities maturing more than Five years from the date of purchase.

Reserve funds may be invested in securities exceeding Five years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

1.13 Internal Control:

The Finance Director is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the entity are protected form loss, theft or misuse. The

internal control structure shall be designed to provide reasonable assurance that these objectives are met. The internal controls shall address the following points:

- \* Control of collusion
- \* Separation of transaction authority from accounting
- \* Custodial safekeeping
- \* Written confirmation of telephone transactions for investments and wire transfers

1.14      Performance Standards:

This investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a comparable rate of return during a market/economic environment of stable interest rates. Portfolio performance should be compared to benchmarks with similar type, maturity with liquidity and credit quality as the portfolio.

1.15      Reporting:

The Finance Director shall prepare an investment report at least monthly. The report should be provided to the Board of Trustees and available on request. The report should be in a format suitable for review by the general public. An annual report should also be provided to the Board.

1.16      Marking to Market:

A statement of the market value of the portfolio shall be issued to the Board of Trustees quarterly.

1.17      Investment Policy Adoption:

The investment policy shall be adopted by the Board of Trustees. The policy shall be reviewed on an annual basis by the Finance

Director and any modifications made thereto must be approved by the Board of Trustees.

PASSED AND APPROVED THIS 20<sup>th</sup> DAY OF December,  
A.D., 1999.

  
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Village President

ATTEST:

  
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Village Clerk

This Policy shall become effective immediately upon its passage and execution.