

# Bartholomew County Public Library Finance and Investment Policy

## I. Policy Statement / Purpose / Scope

This document governs the finance and investment activities of the Bartholomew County Public Library (hereafter, "Library"). It is the policy of the Library to invest funds in a manner that will provide the highest investment return possible while maintaining the maximum security of the principal and meeting cash flow demands. All investments will conform to the applicable laws and regulations governing the investment of public funds.

## II. Board of Finance

A. The Library's board of directors constitutes the Board of Finance. The Board of Finance shall meet annually after the first Monday and on or before the last day of January. (IC 5-13-7-6(a)) At the annual meeting, the board of finance shall do the following:

1. Elect from the board's membership, a president and secretary for the board of finance;
2. Receive and review the annual report provided by the Treasurer; and
3. Review the Library's investment policy. (IC 5-13-7-7(b))

B. The board shall hold additional meetings as necessary. The president shall convene the board whenever requested to do so by one (1) of the members or whenever necessary to the performance of the duties imposed by IC 5-13-7. (IC 5-13-7-6(b))

C. All meetings of the boards of finance must be open to the public, and the records of the boards shall be subject to public inspection in accordance with IC 5-14-3 and IC 5-15-2, respectively. The secretary of each board shall keep a record of the proceedings, which shall be approved and signed by the president of the board and attested by the secretary. (IC 5-13-7-6(c))

D. The members of the Board of Finance serve without compensation other than the Library's Treasurer who may be compensated in accordance with the Library's policy. (IC5-13-7-5 & IC 36-12-2-22)

## II. Investment Objectives

The primary objectives of the Library's financial investments are (in order of priority):

- A. Legality – All investments shall conform to all applicable legal requirements including, but not limited to, IC 5-13.
- B. Preservation of Capital - All investments shall be undertaken in a manner that seeks to preserve capital. At no time should the safety of the portfolio's principal investment be impaired or jeopardized.
- C. Liquidity – The Library's investment portfolio is to remain sufficiently liquid to enable the Library to meet those operating requirements that might be reasonably anticipated.
- D. Yield/Return on Investments - The library's investments should generate the highest available return without sacrificing the first 3 objectives outlined above.

### **III. Delegation of Authority**

Management responsibility for the Library's investment program is hereby delegated to the Treasurer, who shall serve as the Library's investing officer. The Treasurer shall be responsible for implementation of the Library's investment program and the establishment of investment procedures that are consistent with the law; the procedures outlined in the State Board of Accounts Accounting and Uniform Compliance Guidelines Manual for Libraries; and this policy. No person may engage in an investment transaction except as provided by this policy and the procedures established by the Treasurer.

### **IV. Internal Control**

The Treasurer is responsible for establishing and maintaining internal control to insure that the assets of the Library are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

### **V. Standard of Prudence**

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 probable income to be derived.

### **VI. Depositories**

All public funds of the Bartholomew County Public Library shall be deposited in the designated depositories located in the territorial limits of the Library District (IC 5-13-8-9)

### **VII. Transaction Accounts**

The fiscal officer of the Library shall maintain deposits that are invested or reinvested in at least two (2) of the Library's designated depositories (IC 5-13-9-4)

### **VIII. Investment Cash Management**

The Library may contract with a designated depository for the operation of an investment cash management system (IC 5-13-11-1)

### **IX. Authorized and Suitable Investments**

#### **A. United States Government Securities**

1. Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by any of the following:
  - a. The United States Treasury.
  - b. A federal agency.
  - c. A federal instrumentality.
  - d. A federal government sponsored enterprise. (IC 5-13-9-2(a)(1))
2. Securities fully guaranteed and issued by any of the following:
  - a. A federal agency.
  - b. A federal instrumentality.
  - c. A federal government sponsored enterprise. (IC 5-13-9-2(a)(2))

B. Municipal Securities - Municipal securities issued by an Indiana local governmental entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase. (IC 5-13-9-2(a)(3))

C. Money Market Mutual Funds - Investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no load, management type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et. seq.). (IC 5-13-9-2.5(a))

1. Depositories. Investments in money market mutual funds, described in IC 5-13-9-2.5(a), shall be made through depositories designated by the State Board of Finance as depositories for state deposits under IC 5-13-9.5. (IC 5-13-9-2.5(b))

2. Portfolio. The portfolio of an investment company or investment trust described in IC 5-13-9-2.5 (a) must be limited to the following:

a. Direct obligations of the United States

b. Obligations issued by any of the following:

i. A federal agency.

ii. A federal instrumentality.

iii. A federal government sponsored enterprise.

c. Repurchase agreements fully collateralized by obligations described in subdivisions (a) or (b) directly above. (IC 5-13-9-2.5(c))

3. Rating. The form of securities of or interests in an investment company or investment trust described in IC 5-13-9-2.5(a) must be rated as one of the following:

a. AAAm, or its equivalent, by Standard and Poor's Corporation or its successor.

b. Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. (IC 5-13-9-2.5(d))

4. Final Maturity. The form of securities of an investment company or investment trust described in IC 5-13-9-2.5(a) is considered to have a stated final maturity of one day. (IC 5-13-9-2.5(e))

5. Transaction Confirmations. The State Board of Accounts may rely on transaction confirmations evidencing ownership of the form of securities of or interests in an investment company or investment trust described in IC 5-13-9-2.5(a). (IC 5-13-9-2.5(f))

D. Repurchase Agreements - The Library may enter into repurchase agreements (including standing repurchase or resale agreements, commonly known as sweep accounts) with depositories designated by the state board of finance as depositories for state deposits under IC 5-13-9.5 so long as the agreements involve the political subdivision's purchase and guaranteed resale of any interest-bearing obligations issued, or fully insured or guaranteed, by the United States; a United States government agency; an instrumentality of the United States; or a federal government sponsored enterprise. (IC 5-13-9-3(b))

1. Definition. A repurchase agreement is defined as an agreement:
  - a. Involving the purchase and guaranteed resale of securities between two parties; and
  - b. That may be entered into for a fixed term or arranged on an open or continuing basis as a continuing contract that:
    - i. operates like a series of overnight repurchase agreements;
    - ii. is renewed each day with the repurchase rate and the amount of funds invested determined daily; and
    - iii. for purposes of this article, is considered to have a stated final maturity of one day. (IC 5-13-9-3(a))
2. Collateral. The amount of money in this type of agreement must be fully collateralized by interest-bearing obligations as determined by their current market value. This must be determined daily by the depository. (IC 5-13-9-3(b)) If the market value of the obligations being held as collateral falls below the level required under IC 5-13-9-3(b) or a higher level established by agreement, the depository shall deliver additional securities to the political subdivision to make the agreement collateralized to the applicable level. (IC 5-13-9-3(c)) The collateral involved in a provided by IC 5-13-9-5.6. (IC 5-13-9-3(c))
3. Ownership. To insure that ownership of securities acquired under a repurchase agreement is vested in the governmental unit and to meet the requirements of IC 5-13-9, the repurchase agreements shall be so written as to:
  - a. Vest title of securities in the name of the governmental unit;
  - b. Described the specific securities acquired; and
  - c. Represent a safekeeping receipt for the securities so acquired.

#### E. Other Authorized Investments

1. Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Redevelopment or the African Development Bank. (IC 5-13-9-3.3)
2. The local government investment pool established by IC 5-13-9-11 and known as TrustIndiana.
3. Certificates of deposits, transaction accounts, and other interest bearing deposit accounts under the conditions and procedures stated in IC 5-13-9.

#### **X. Prohibited Investments/Other Restrictions**

- A. The investing officer may not purchase securities on margin or open a securities margin account for the investment of public funds. (IC 5-13-9-9)
- B. The total outstanding investments with maturity dates past two (2) years must not exceed twenty-five percent (25%) of the total portfolio of public funds invested by the Library, including balances in transaction accounts. (IC 5-13-9-5.7)

## **XI. Diversification of Investments**

The Library's investment portfolio shall be diversified by institution, investment instruments, and by maturity schedule as much as is practical and prudent.

## **XII. Maturity of Investments**

The investing officer may make investments having a stated final maturity for not more than five (5) years after the date of purchase or entry into a repurchase agreement. (IC 5-13-9-5.7)

## **XIII. Safekeeping Receipts**

The investing officer shall accept safekeeping receipts or other reporting for securities from a duly designated depository as prescribed by IC 5-13 or a financial institution located either in or out of Indiana having custody of securities with a combined capital and surplus of at least ten million dollars (\$10,000,000) according to the last statement of condition filed by the financial institution with its governmental supervisory body. (IC 5-13-9-2(d))

## **XIV. Manner of Investing Funds / Interest Earnings**

Investments shall be made by fund. All interest devised from the Library's investments shall be receipted into the fund of which they are a part unless required otherwise by IC 5-13-9-6. Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the Library at each maturity date and posted to the appropriate fund. Notwithstanding the above, the terms of an existing bond resolution must be followed. The bond resolution should be reviewed and its terms and conditions adhered to without exception.

## **XV. Accounting of Investments & Reporting**

A. The Treasurer shall maintain an inventory of all obligations and securities and shall provide quarterly investment reports to the Library board that clearly provide the following information regarding the investment portfolio; types of investments; depository institutions; principal balances; maturity dates; rates of return; purchases; and sales.

B. The Treasurer shall make an annual written report to the Library's Board of Finance summarizing the Library's investments during the previous calendar year. The report must contain the name of each financial institution, government agency or instrumentality, or other person with whom the Library invested money during the previous calendar year. (IC 5-13-7-7)

## **XVI. Investment Policy Term, and Modifications**

This policy shall be reviewed, at minimum, annually by the Board of Finance at which time the board may terminate the policy, readopt the policy, or make modifications thereto. Due consideration will be given to new laws or other conditions that impact this policy and any necessary changes may be made to this policy at any time during the year in response thereto.