

POLICY NO. 2019-3
INVESTMENT POLICY FOR THE VILLAGE OF INNSBROOK, MISSOURI

PURPOSE. All monies received on behalf of the Village of Innsbrook may be invested and reinvested with the approval of the Board of Trustees. The purpose of this Investment Policy is to establish the investment objectives, standards of investing prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of the funds of the Village of Innsbrook.

OBJECTIVES. The primary objectives in priority order of investment of the funds of the Village of Innsbrook shall be safety, liquidity, yield, and local investment:

Safety. Safety of principal shall be the foremost objective of the Village of Innsbrook funds. Investments will be undertaken so as to ensure the preservation of capital in overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

Liquidity. The Village of Innsbrook's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. A portion of the portfolio may be placed in money market mutual funds to ensure liquidity for short-term funds.

Yield. The investment portfolio will be designed to attain a market rate of return throughout budget and economic cycles. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Local Investment. When possible, funds may be invested for the betterment of the local economy. The Village of Innsbrook may accept a proposal from an eligible institution that provides for a reduced rate of interest, provided that such institution documents the use of deposited funds for community development projects.

DEPOSIT OF PUBLIC FUNDS. The Village shall, if possible, deposit funds in a financial institution conducting business within the Village. The financial institution shall provide pledged collateral in the Village's name for deposits in excess of the FDIC's coverage in accordance with RSMO 110.010.

STANDARD OF PRUDENCE. The standard of prudence to be applied by the investment officer shall be the "prudent person" standard and shall be applied to the context of managing an overall portfolio. 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. The prudent person rule shall be applied in the context of managing the overall portfolio.

The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

CONFLICTS OF INTEREST. The Board of Trustees shall refrain from personal business activity that could conflict with the proper execution and management of the Village of Innsbrook's investments or that could impair their ability to make impartial decisions. They shall disclose any material interests in financial institutions with which the Village conducts business, and further disclose any personal financial or investment positions that could be related to the performance of the Village's investments.

INTERNAL CONTROLS. The Board of Trustees shall establish a system of internal controls, which shall be documented in writing to prevent the loss of invested funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officials of the Village.

AUTHORIZED INVESTMENTS AND INSTITUTIONS. Public deposits shall only be made in qualified public depositories as established by Missouri law. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Village must supply the following as appropriate:

1. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
2. Proof of National Association of Securities Dealers (NASD) certification;
3. Proof of state registration;
4. Certification of having read and understood and agreeing to comply with the Village's investment policy; and
5. Evidence of adequate insurance coverage.

The following investments will be permitted under this policy:

1. U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
2. U.S. Government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
3. Certificates of deposit and other evidences of deposit at financial institutions;
4. Bankers acceptances;
5. Commercial paper, rated in the highest tier by a nationally recognized rating agency;
6. Investment grade obligations of state and local governments and public authorities;
7. Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
8. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

CREDIT RISK. The Village will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by (1) prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Village will do business, and (2) diversifying the portfolio so that potential losses on individual securities will be minimized.

INTEREST RATE RISK. The Village will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by (1) structuring the

investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and (2) investing operating funds primarily in shorter-term securities.

CONCENTRATION OF CREDIT RISK. The Village will minimize concentration of credit risk by limiting investments in any one issuer to 25% of the total cash and investments held by the Village. The exception to this requirement are investments issued or explicitly guaranteed by the U S government and investments insured by the Federal Deposit Insurance Corporation, Securities Investor Protection Corporation, National Credit Union Share Insurance Fund or collateralized by securities held in the Village's name.

COLLATERALIZATION. Section 110.010, RSMo requires all Deposits of Public Funds to be collateralized. The following are accepted collateral:

1. Treasuries
2. U.S. Government Agencies
3. State of Missouri Bonds
4. State Agency Bonds, including Revenue Bonds
5. FHLB Letters of Credit
6. Surety Bonds

Section 110.020, RSMo requires that Market Value of Collateral shall be at least 100% of amount on deposit (less FDIC Insurance)

The Village of Innsbrook shall have a Pledge Agreement and Depository Contract with each bank enumerating rights and responsibilities. The agreement will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The Board of the depository bank must approve a resolution authorizing execution of the pledge agreement.

The Village's contracted auditor will verify collateralization at the time of the audit and report to the Village any discrepancies or uncollateralized periods. The Board of Trustees, at their discretion, may transfer funds to another institution based on those findings.

The foregoing policy is hereby approved and adopted by the Board of Trustees of the Village of Innsbrook, Missouri this 11th day of June, 2019 and effective immediately.

Jeffry S. Thomsen, Chairman
Village of Innsbrook Board of Trustees

Attest:

Carla Ayala
Village Administrator/Clerk

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