

FRANKFORT SQUARE PARK DISTRICT

INVESTMENT POLICY

Policy

The Frankfort Square Park District ("District") recognizes that cash is an earning asset. It is District policy to invest cash balances over amounts required to meet current financial obligations to achieve the highest rate of return consistent with the other primary objectives of preservation of principal and maintenance of adequate liquidity. The term Treasurer as used in this policy will refer to the District Treasurer or his/her designee as authorized by the Board of Commissioners.

Purpose

The investment of District funds is the responsibility of the Board of Commissioners ("Board"). The purpose of this investment policy is to indicate a conscious, formal effort by the Board to develop, implement and monitor the investment of District funds. It is always prudent for any government entity to have an Investment Policy in place for the purpose of safeguarding funds, equitably distributing the investments and maximizing income. The Frankfort Square Park District hereby adopts the following Policy.

Scope of Investment Policy

This Investment Policy applies to the investment activities of all funds under the jurisdiction of the District Treasurer, who is hereby designated the District's Chief Investment Officer. This investment policy will also apply to any new funds or temporary funds placed under the jurisdiction of the Treasurer. The Illinois Public Funds Investment Act, 30 ILCS 235/1 et seq., will take precedence except where this policy is more restrictive.

Objectives

The purpose of this Investment Policy is to establish cash management and investment guidelines for the stewardship of public funds under the jurisdiction of the District Treasurer. The specific objectives of this Investment Policy are as follows:

1. Safety of principal. Safety of principal is the foremost objective of the investment program. Investments shall be taken in a manner that seeks to insure the preservation of capital in the portfolio.
2. Diversity of investment. To avoid unreasonable risks, diversification of the investment portfolio shall be consistent with the objectives in the investment policy.

3. The portfolio shall remain sufficiently liquid to meet all operating costs, which may be reasonably anticipated.
4. Return —The Treasurer shall seek to attain a market average or better rate of return throughout budgetary and/or economic cycles, taking into account risk, cash flow, legal restrictions on investment, and any other constraints.
5. The District's selection of portfolio management is active as opposed to passive. Active management uses investment strategies designed to increase portfolio value by exceeding average rates of return normally achieved using passive management. The basis used by the investment manager to determine whether market returns are being achieved shall be a benchmark recommended by the investment committee.

Investment Guidelines

1. In maintaining its investment portfolio, the Treasurer shall avoid any transaction that might impair public confidence.
2. Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio. To avoid unreasonable risks, diversification of investment is required.
3. The Treasurer will give consideration to the financial institution's positive community involvement when consideration is given to the financial institution to be used as a depository.
4. All funds will be invested for a period of one day or longer, depending on the requirement for the disbursement of funds.
6. All funds shall be deposited within ten working days at prevailing rates or better in accordance with Illinois Compiled Statutes.
6. The Treasurer will act in a manner consistent with the objectives of this policy.

Performance Measures

The use of U.S. Treasury bills, average Fed Fund rate, Illinois Funds, or other stable markets can be used to determine whether market average yield benchmarks are being achieved.

Responsibility

The Board shall be responsible for all transactions and shall establish a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the District. The Board of Commissioners may delegate other individuals to carry out the investment activities and policies.

Standard of Care

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. The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the District Treasurer's portfolio.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Accounting

The Treasurer or the Treasurer's staff shall record all investment transactions. A report will be generated, at least monthly, listing all active investments and transfers between banking and investment institutions. This report will be submitted to the Park District Board of Commissioners.

Financial Institutions

The Park District Board of Commissioners, with the advice of the District Treasurer, will have the responsibility to select which financial institutions will be depositories for Frankfort Square Park District funds.

The Treasurer will take into consideration security, size, location, condition, service, fees, and the community relation's involvement of the financial institution when choosing a financial institution.

All financial institutions having any type of financial relationships, deposits, investments, loans, etc. are required to provide a complete and current "Call Report" required by the appropriate regulatory authority each calendar quarter within 30 days of the "Call" request date.

Depositories – Demand Deposits

Any financial institution selected by the District shall provide normal banking services, including, but not limited to:

- Checking accounts,
- Wire transfers and
- Safekeeping services.

The District will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the District will not maintain funds in any institution that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the District.

Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Treasurer on an annual basis. Fees for services shall be substantiated by a monthly account analysis.

Banks and Savings and Loans - Certificates of Deposit

Any financial institution selected to be eligible for the District's competitive certificate of deposit purchase program must:

- provide wire transfer and certificate of deposit safekeeping services;
- be a member of FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the District; and
- meet at all times the financial criteria as established in the District's Depositing and Investing of District Funds Ordinance

Security Broker/Dealers and Investment Advisors

The Treasurer will have the responsibility to investigate and recommend for approval to the Board of Commissioners any security brokers/dealers or investment advisors he wishes to utilize. Such persons must possess the certifications commonly recognized in their industry, have sufficient credit and agree to comply with this policy.

Investment Vehicles

The Treasurer will use investments approved for governmental units as set forth in the most version of the Illinois Public Funds Investment Act, including Securities Exchange Commission registered and AAA rated by Moody's and Standard and Poor's money market mutual funds consisting of U.S. Government Treasuries.

Maturity Restrictions

The District recognizes that any portfolio of fixed rate securities is subject to interest-rate risk. The volatility of fixed-income markets makes the possibility of principal loss a key consideration in structuring portfolio maturities. Hence, in an attempt to limit the District's exposure to the possibility of loss due to interest-rate fluctuations, the District will commit no less than 80% its the funds to maturities of no more than three (3) years from date of purchase. No more than 20% of the funds may be invested in maturities of up to five (5) years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten (10) years from the date of purchase.

The final maturity of investments made as legal reserves for bonded indebtedness shall not exceed the final maturity date of the bond issue to which they are pledged.

Collateral

The Treasurer shall guarantee that any funds in any single financial institution that exceed FDIC insurance levels are collateralized. At all times, the Treasurer will require that deposits in excess of 10% of the capital and surplus of a financial institution will be collateralized.

The Treasurer may request collateral for any part of deposits in financial institutions when the Treasurer determines it to be in the best interest of safeguarding the funds on deposit. When collateral is required, 105% of the deposit will be required. Only the following collateral will be accepted:

- U.S. Government direct securities
- Obligations of Federal Instrumentalities
- Obligations of Frankfort Square Park District
- Obligations of Federal Agencies
- Obligations of the State of Illinois
- Acceptable collateral as identified in the Public Funds Investment Act.

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 involved in the investment process shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the District absent approval of the Board of Commissioners.

Security Controls

The Treasurer is authorized to establish financial accounts for the office of Treasurer with the advice and consent of the Park District Board of Commissioners. At all times the Treasurer will be authorized to sign on financial accounts of Frankfort Square Park District. Authorized signatories will not be permitted to reconcile bank accounts at any time.

Safekeeping & Custody

All security transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus-payment (“DVP”) basis.

Securities will be held in the name of the Frankfort Square Park District by a third party custodian, designated by the Treasurer and evidenced by safekeeping receipts or Federal Reserve book-entry reporting.

Miscellaneous

This policy shall be reviewed from time to time by the Treasurer with regards to the procedure’s effectiveness in meeting the District’s needs for safety, liquidity, rate of return, diversification, and general performance. The Board of Commissioners must approve any changes to this policy.

Conflict

In the event of any conflict between this Policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, the Statutes and case law decisions shall govern.

Adopted this _____ day of _____, 2016

Frankfort Square Park District
President

Frankfort Square Park District
Secretary