

INVESTMENT POLICY

A. Scope

This investment procedure applies to all funds of the Village of Forsyth. These funds are accounted for in the Village of Forsyth's annual financial report and include all current funds, and any other funds that may be created from time to time. All transactions involving the Village of Forsyth's funds and related activity of any funds shall be administered in accordance with the provisions of this policy and the canons of the "prudent person rule."

B. Objectives

1. Safety of Principal - Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.
2. Liquidity - The Village of Forsyth's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due.
3. Return on Investments - The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the risk constraints, the cash flow characteristics of the portfolio and legal restrictions for return on investments.
4. Maintaining the Public's Trust - The investment officers shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Village of Forsyth, the Board or the Treasurer.

C. Investment Instruments

The Village of Forsyth may invest its funds only in those instruments listed below:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities;
 - a) Investments in Federal National Mortgage Association issues are limited to short-term discount notes.

2. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (the "Act");
3. Certificates of deposit with federally insured institutions that are collateralized or insured at levels acceptable to the Village of Forsyth in excess of the \$100,000 provided by the Federal Deposit Insurance Corporation coverage limit;
4. Collateralized repurchase agreements which conform to the requirements stated in paragraph 2(g) or 2(h) of the Act;
5. The Illinois Public Treasurer's Investment Pool;
6. Any other investment instruments now permitted by the Act or hereafter permitted by reason of amendment of the Act.
7. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation.
8. Investment products that are considered as derivatives are specifically excluded from approved investments.

D. Diversification

It is the policy of the Village of Forsyth to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the Treasurer. The diversification shall be as follows:

- a) Up to 100% of C.1 or C.5.
- b) Up to 90% of C.2., or C.3., or
- c) Up to 33% of C.4.

E. Collateralization

1. It is the policy of the Village of Forsyth to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.
2. Eligible collateral instruments are any investment instruments acceptable under the Act. The collateral must be placed in safekeeping at or before

the time the Village of Forsyth buys the investments so that it is evident that the purchase of the investment is predicated on the securing of collateral.

3. Safekeeping of Collateral

- a) Third party safekeeping is required for all collateral. To accomplish this, the securities must be held at one or more of the following locations:
 - i) at a Federal Reserve Bank or its branch office; or
 - ii) at another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve.
- b) Safekeeping will be documented by an approved written agreement between the Treasurer and the governing board of the bank that complies with FDIC regulations. This may be in the form of a safekeeping agreement.
- c) Substitution or exchange of securities held in safekeeping for the Village of Forsyth can be approved by the Treasurer, (or in the absence of the Treasurer, the Administrator or Mayor) and only if the market value of the replacement securities is equal to or greater than the market value of the securities being replaced.
- d) The Treasurer (or in the absence of the Treasurer, Administrator or Mayor) may release or add securities held in safekeeping for the Village of Forsyth when necessary.

F. Safekeeping of Securities

1. Third party safekeeping is required for all securities. To accomplish this, the securities must be held only at one or more of the following locations:
 - a) at a Federal Reserve Bank or its branch office;
 - b) at another custodial facility, which shall be a trust or safekeeping department through book-entry at the Federal Reserve, unless physical securities are involved; or
 - c) in an insured account at a primary reporting dealer.
2. Safekeeping will be documented by an approved written agreement between the Treasurer and the holder of the securities. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

3. Original certificates of deposits may be held by the originating bank. A safekeeping receipt will be acceptable documentation.

G. Qualified Financial Institutions and Intermediaries

1. Depositories - Demand Deposits

- a) Any financial institution selected by the Village of Forsyth shall provide normal banking services, including, but not limited to: checking accounts, wire transfers and safekeeping services.
- b) The Village of Forsyth will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the Village of Forsyth 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 Village of Forsyth.
- c) To qualify as a depository, a financial institution must furnish the Treasurer with copies of the latest two statements of condition which it is required to furnish to the Comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statements to the Treasurer within 45 days of the end of each quarter.
- d) Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Treasurer. Fees for services shall be substantiated by a monthly account analysis.
- e) Each financial institution acting as a depository for the Village of Forsyth must enter into a depository agreement with an authorized Village of Forsyth official that incorporates this policy by reference.

2. Banks and Savings and Loans - Certificates of Deposit

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

- a) provide wire transfer and certificate of deposit safekeeping services;
- b) 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 Village of Forsyth; and

- c) meet at all times the financial criteria as established in the investment procedures of the Village of Forsyth.

The Treasurer shall maintain a list of financial institutions authorized by the Board and shall annually review the list.

3. Intermediaries

Any financial intermediary selected to be eligible for the Village of Forsyth's competitive investment program must:

- a) provide wire transfer and deposit safekeeping services;
- b) maintain appropriate federal and state registrations for the type of business in which they are engaged;
- c) provide an annual audit upon request;
- d) maintain an office within the State of Illinois and be licensed to conduct business in this State; and
- e) be familiar with the Board's policy and accept financial responsibility for any investment not appropriate according to the policy.

H. Management of Program

1. The Treasurer is authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this policy:

These documents include:

- a) Wire Transfer Agreement;
 - b) Depository Agreement;
 - c) Safekeeping Agreement;
 - d) Custody Agreement; and
 - e) Collateral Agreement.
2. Management responsibility for the investment program is hereby delegated to the Treasurer who shall establish a system of internal controls. The Treasurer shall be responsible for all transactions undertaken.

3. The wording of agreements necessary to fulfill the investment responsibilities is the responsibility of the Treasurer who shall periodically review them for their consistency with Village of Forsyth policy and State law and who shall be assisted in this function by Village of Forsyth legal counsel and auditors. These agreements include but are not limited to:
 - a) Wire Transfer Agreement;
 - b) Depository Agreement;
 - c) Safekeeping Agreement;
 - d) Custody Agreement; and
 - e) Collateral Agreement.
4. The Treasurer may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit. These intermediaries shall meet the criteria set forth in Section G(3) above and shall be approved by the Board.
5. All wire transfers made by the Treasurer shall require a secondary authorization by the Mayor or Administrator.

I. Performance

The Treasurer will seek to earn a rate of return appropriate for the type of investments being managed given the portfolio objectives defined in Section B of this document for all funds. In general, the Treasurer will strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time for the average weighted maturity of the Village of Forsyth's investments.

J. 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 of the investment program, or which could impair their ability to make impartial investment decisions. Further, except as permitted under Section 3.2 of the Public Officer Prohibited Practices Act, no officer involved in the investment process shall have any interest in, or receive any compensation from, any investments in which the Village of Forsyth is authorized to invest, or the sellers, sponsors or managers of those investments.

K. Indemnification

Investment officers and employees of the Village of Forsyth acting in accordance with this Investment Procedure and such written operational policies as may be established by the Village of Forsyth, and who otherwise exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for an individual security's credit risk or market changes.

L. Reporting

The Treasurer shall submit to the Board a monthly Treasurer's Report, which shall include information regarding a summary of fund balances, expenses and revenues. Generally accepted accounting principles shall be used for valuation purposes. The report shall indicate any areas of policy concern and suggested revisions of investment strategies, if any.

M. Amendment

This procedure shall be reviewed from time to time by the Treasurer with regard to the procedure's effectiveness in meeting the Village of Forsyth's needs for safety, liquidity, rate of return, diversification, and general performance. Any substantive changes will be reported to the Board.