

1116 - Investment Policy Statement

IN ACCORDANCE WITH LA RS33:2955(D)

Date Policy Approved: May 26, 2011 by DeSoto Parish Library Board of Control

Introduction

In accordance with the provision of LA R.S. 33:2955 (D), the DeSoto Parish Library Board is authorized and required to make rules and regulations and to establish administrative policies and procedures relating to the cash management and investment policies of the DeSoto Parish Library Board.

It is anticipated that this policy statement will be reviewed and evaluated on a regular basis, to ensure that the policies and procedures expressed herein are responsive to the prevailing cash management and investment environment. This policy statement must, therefore, be appropriately amended, expanded, or purged on a continuing basis.

General Policies

In general, the DeSoto Parish Library Board shall operate under the "Prudent Person" rule, exercising judgment and care, under the circumstances prevailing, which people of ordinary prudence would employ in the management of their own affairs - not in regard to speculation, but as to the permanent disposition of their funds, considering both income and safety of capital.

This policy is not intended to remain static. Normally, the DeSoto Parish Library Board will review this policy at least annually and, if deemed advisable, recommend changes. Recommendations from outside professionals leading to improvement in policies, procedures, and operations are always welcome.

Objectives

The primary investment objective of the DeSoto Parish Library Board is to ensure that the current and future obligations are adequately funded in a cost effective manner. The goals of this investment policy shall be (1) safety of principal, (2) liquidity, and (3) yield.

Preservation of capital and the realization of sufficient total return to ensure the ongoing financial integrity of the funds are essential. Preservation of capital encompasses two goals:

- Managing the risk of loss of principal for the fund as a whole
- Managing the erosion of principal value through inflation

The DeSoto Parish Library Board shall establish internal controls for any derivatives in use to ensure that the risks inherent in derivatives are adequately managed. For purposes of this policy, "derivative" means any financial instrument created from or whose value depends on the value of one or more underlying assets or indexes of asset value.

Responsibility

The investments of funds shall be managed by the Treasurer, subject to the approval of the DeSoto Parish Library Board, and may be accomplished by the selection of an investment managers (s). The selection must be approved by the Board in accordance with the criteria established by the finance Committee. The investment manager (s) must acknowledge in writing his obligations as a fiduciary responsible for the investment of the DeSoto Parish Library Board assets.

Prospective investment managers shall be registered investment advisors with the Securities and Exchange Commission under the Investment Act of 1940 or bank trust departments regulated by the Office of the Comptroller of the Currency and shall have offices in DeSoto Parish Management fees shall be competitive.

Guidelines

The assets of the DeSoto Parish Library Board shall be invested, as provided in R.S. 33:2955 (A) (1), (A) (2), as amended, as follows. :

(1) All municipalities, parishes, school boards, and any other political subdivisions of the state are hereby authorized and directed to invest such monies in any general fund or special fund of the political subdivision, and any other funds under the control of the political subdivision which they, in their discretion, may determine to be available for investment in any of the following obligations:

(a) Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States.

(b) (i) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the United States of America, which obligations include but are not limited to:

(aa) U.S. Export-Import Bank.

(bb) Farmers Home Administration.

(cc) Federal Financing Bank.

(dd) Federal Housing Administration Debentures.

(ee) General Services Administration.

- (ff) Government National Mortgage Association - guaranteed mortgage-backed bonds and guaranteed pass-through obligations.
- (gg) U.S. Maritime Administration - guaranteed Title XI financing.
- (hh) U.S. Department of Housing and Urban Development.

(ii) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, and such obligations include but are not limited to:

- (aa) Federal Home Loan Bank System.
- (bb) Federal Home Loan Mortgage Corporation.
- (cc) Federal National Mortgage Association.
- (dd) Student Loan Marketing Association.
- (ee) Resolution Funding Corporation.

(iii) Notwithstanding the foregoing list of investments, in no instance shall a political subdivision invest in obligations described in Items (i) and (ii) of this Subparagraph which are collateralized mortgage obligations that have been stripped into interest only or principal only obligations, inverse floaters, or structured notes. For the purposes of this Item "structured notes" shall mean securities of U.S. government agencies, instrumentalities, or government-sponsored enterprises which have been restructured, modified, and/or reissued by private entities.

- (c) Direct security repurchase agreements of any federal book entry only securities enumerated in Subparagraphs (a) and (b). "Direct security repurchase agreement" means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in Subparagraphs (a) and (b).
- (d) (i) Time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by R.S. 6:703(16) or (17), or share accounts and share certificate accounts of federally or state-chartered credit unions issuing time certificates of deposit. For those funds made available for investment in time certificates of deposit, the rate of interest paid by the banks shall be established by contract between the bank and the political subdivision; however, the interest rate at the time of investment shall be a rate not less than fifty basis points below the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity.

- (ii) Notwithstanding any other provision of law to the contrary, the DeSoto Parish Library Board of DeSoto Parish shall be entitled to a rate of interest on funds made available for investment in time certificates of deposits at a rate of not less than fifty basis points below the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity or the prevailing rate of interest on time certificates of deposit that is offered by the bank to its other customers, whichever is greater.
- (e) Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.
- (f) Funds invested in accordance with the provisions of R.S. 33:2955(A)(I)(d) shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution, or in any one savings and loan association, or National Credit Union Administration, unless the uninsured portion is collateralized by the pledge of securities in the manner provided in R.S. 39:1221.
- (g) Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program for political subdivisions which financing program is approved by the State Bond Commission and offered by a public trust having the state as its beneficiary, provided further that no such investment shall be for a term longer than eighteen months, and provided further that any such guaranteed investment contract shall contain a provision providing that in the event the issuer of the guaranteed investment contract is at any time no longer rated in either of the two highest short-term rating categories of Standard & Poor's Corporation or Moody's Investors Service, the investing unit of local government may either be released from the guaranteed investment contract without penalty, or be entitled to require that the guaranteed investment provider collateralize the guaranteed investment contract with any bonds or other obligations which as to principal and interest constitute direct general obligations of, or are unconditionally guaranteed by, the United States of America, including obligations set forth in Subparagraphs (a) and (b) to the extent unconditionally guaranteed by the United States of America.
- (h) Investment grade (A-1/P-1) commercial paper of domestic United States corporations.

(2) Investment of funds in such mutual or trust fund institutions shall be limited to twenty- five percent of the monies considered available for investment as provided by this Section. In no event shall monies be considered available for investment under the authority of this Section unless and until such funds are determined by the treasurer or chief financial officer of said subdivisions, in the exercise of prudent judgment, to be in excess of the immediate cash requirements of the fund to which the monies are credited. As a criteria in making such a determination, any amount of money exceeding ten thousand dollars which is on demand deposit to the credit of a subdivision, or to the credit of any fund and which is not required to meet an obligation for at least forty-five days, or any amount of money exceeding one hundred thousand dollars which is on demand to the credit of a subdivision or to the credit of any fund and which is not required to meet an obligation for at least fifteen days shall be construed available for investment.

The DeSoto Parish Library Board shall also include in the following in the footnotes to the Consolidated Annual Financial Report the disclosures required by Governmental Accounting Standards Board Statements 3 and 40. These footnotes shall address the common deposits and investments risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.