

MISSION STATEMENT

The Algona Public Library will act as a center to provide materials and services to help meet the informational and recreational needs of all patrons.

ENDOWMENT FUNDS INVESTMENT POLICY

Section 1 - Scope of Investment Policy

The endowment funds investment policy of the Algona Public Library shall apply to all endowment funds and all investment transactions involving gifts, bequests and other funds accounted for in the financial statements of endowment funds of the Algona Public Library. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written investment policy.

This policy is intended to comply with Iowa Code Chapter 12B or subsequent code references.

Upon passage and upon future amendment, if any, copies of this policy shall be delivered to all of the following:

1. The Board of Trustees of the Algona Public Library.
2. All depository institutions or fiduciaries for public funds of the Algona Public Library.
3. Clerk of the City of Algona.
4. Treasurer of the Algona Public Library endowment funds.

Section 2 - Delegation of Authority

In accordance with Section 12 B of the Code of Iowa, the responsibility for conducting investment transactions resides with the Trustees of the Algona Public Library. Only the Trustees and those authorized by resolution may invest public funds and a copy of any such resolution shall be attached to this Investment Policy.

All contracts or agreements with outside persons investing public funds, advising on the investment of public funds, directing the deposit or investment of public funds or acting in a fiduciary capacity for the Algona Public Library shall require the outside person to notify in writing the Chairperson of the Board of Trustees within thirty days of receipt of all communication from the auditor of

the outside person or any regulatory authority of the existence of a material weakness in the internal control structure of the outside person or regulatory orders or sanctions regarding the type of services being provided to the Algona Public Library by the outside person.

The records of the investment transactions made by or on behalf of the Algona Public Library are public records and are the property of the Library whether in the custody of the Treasurer of the Algona Public Library endowment funds, or in the custody of a fiduciary or other third party.

The endowment fund Treasurer shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those trustees or employees of the Algona Public Library responsible for elements of the investment process and to address the capability of investment management. The controls shall provide for the receipt and review of the audited financial statement and related report on internal control structure of all outside persons performing any of the following for this public body:

1. Investing public funds
2. Advising on the investment of public funds
3. Directing the deposit or investment of public funds
4. Acting in a fiduciary capacity

A Federally insured depository services shall not be required to provide an audited financial statement and related report on internal control structure.

Section 3 - Objectives of Investment Policy

This Investment Policy shall honor the restrictions that are attached to endowments or gifts to the Algona Public Library. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Algona Public Library endowment funds shall be the following:

1. SAFETY - Safety and preservation of principal in the overall portfolio
2. LIQUIDITY - Maintaining the necessary liquidity to match expected expenditures
3. RETURN - Obtaining a reasonable return

Section 4 - Prudence

The Trustees of the Algona Public Library and the Treasurer of the endowment funds when investing the public funds shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the Section 3 investment objectives. This standard requires that when making investment decisions, they shall consider the role that the investment or deposit plays within the portfolio of the assets of the Algona Public Library and the investment objectives stated in Section 3.

When investing assets of the Algona Public Library for a fixed period, the Treasurer of the endowment funds is encouraged to obtain competitive investment proposals for comparable investments from all authorized named depositories. Investment decisions should be at the discretion of the Treasurer with an annual review by the Board of Trustees.

Based on the reasons below, the Investment Policy of the Board of Trustees of the Algona Public Library shall not allow the investment of its endowment funds in shares of stock or mutual funds:

1. Section 3 (1).
2. The individual Trustees' general lack of expertise and experience in securities markets.
3. The Board of Trustees of the Algona Public Library meets infrequently in comparison to the ability of the securities markets to change in the interim.

If the Algona Public Library receives, as a gift or bequest, shares of stock or mutual funds the Board of Trustees at its next meeting shall act to direct the Treasurer of the endowment fund to convert such investment to cash at the earliest possible date to comply with Section 3 (1).

Section 5 - Instruments Eligible for Investment

Assets of the Algona Public Library endowment funds may only be invested in the following:

1. Interest bearing savings accounts, interest bearing money market accounts, and interest bearing checking accounts at any federally

insured financial institution maintaining an office in Algona. Each financial institution shall be properly declared as a depository by the Board of Trustees of the Algona Public Library.

2. Obligations of the United States Government, its agencies and instrumentalities.
3. Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Chapter 453 of the Code of Iowa or subsequent Code references.
4. Obligations of the City of Algona.

All instruments eligible for investment are further qualified by all other provisions of this Investment Policy, including Section 7 investment maturity limitations, and Section 8 diversification requirements.

Section 6 - Prohibited Investments and Investment Practices

Assets of the Algona Public Library shall not be invested pursuant to the following investment practices:

1. Trading of securities for speculation or the realization of short-term trading gains.
2. A contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
3. If a fiduciary or other third party with custody of public investment transaction records of the Algona Public Library endowment fund fails to produce requested records when requested by this public body within a reasonable time, the Algona Public Library Board of Trustees shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

Section 7 - Investment Maturity Limitations

Accumulated and spendable funds making up a part of the endowment funds must be identified and distinguished from all other funds available for investment. "Accumulated and spendable funds" are defined as funds which,

under the terms of the gift or bequest may be expended by the Trustees of the Library Board at any time.

All investments authorized in Section 5 are further subject to the following investment maturity limitations:

1. Accumulated and spendable funds may only be invested in instruments that mature within eighteen (18) months.
2. The Board of Trustees of the Algona Public Library may direct the Treasurer of the endowment funds to invest those funds not identified as accumulated and spendable funds in investments with maturities longer than eighteen (18) months. However, all investments of the Algona Public Library shall have maturities that are consistent with the needs and use of Algona Public Library.

Section 8 - Diversification

When the endowment funds are sufficient to justify doing so, it is the policy of the Algona Public Library Board of Trustees to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
2. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on instruments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

Section 9 - Safekeeping and Custody

All invested assets of the Algona Public Library endowment funds involving the use of a public funds custodial agreement, as defined in Section 12B of the Code of Iowa shall comply with all rules adopted pursuant to Section 12B of the Code

of Iowa. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the State of Iowa.

All invested assets of the Algona Public Library endowment funds eligible for physical delivery shall be entrusted to the treasurer of the endowment fund.

Section 10 - Reporting

The Treasurer of the endowment funds shall submit a report to the Trustees annually or more frequently if requested by the Board of Trustees. The investment report shall set out the current portfolio in terms of maturity, rates of return and other features and summarize all investment transactions that have occurred during the reporting period. The annual report shall be available to the Board of Trustees for the July or August meeting of each year.

Section 11 - Investment Policy Review and Amendment

This Investment Policy shall be reviewed every 3 years or more frequently as appropriate. Notice of amendments to the Investment Policy shall be given to all parties noted in Section 1.

Section 12 - Endowment Gifts with Restrictions

In the application of this policy, it is recognized that endowments frequently originate from gifts, devices and bequests which contain restrictions, conditions or directions regarding investment or use of the assets given to the Algona Public Library and may also require or recommend the retention of a specific investment which is the subject matter of the gift. In those instances where this Investment Policy is in conflict with the restrictions, conditions or directions given to the Library Board of Trustees by the donor of the gift, the Library Board of Trustees, will comply with the terms of the gift.

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