

Jessamine County Public Library		
Investment of Public Funds Policy		
Effective date: 06-16-2010	Last revised: 10-19-2022	Last reviewed: 10-19-2022

Purpose and Scope

The purpose of this policy statement is to outline the responsibilities, general objectives, and specific guidelines for management of public funds by the Jessamine County Public Library. Its scope is all public funds of the Library.

Responsibilities

All investment policies and procedures of the Jessamine County Public Library will be in accordance with Kentucky Law—KRS 66.480 *Investment of Public Funds* (current version attached). Administration and execution of these policies are the responsibility of the Treasurer who is hereby designated as the “chief investment officer” of the Library acting under the authority of the Library Board of Trustees.

Delegation of Authority [KRS 66.480(3)(a)]

Management and administrative responsibility for the investment program is hereby delegated to the Chief Investment Officer. The Chief Investment Officer, or by designation, the Executive Director, is responsible for establishing internal controls and written procedures for the operation of the investment program.

“Prudent Person” Standard

All Library investment activities shall use a “prudent person” standard of care. This standard shall be applied in the context of managing an overall portfolio and specifies that 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. Investment officers, acting in accordance with this Policy and the written procedures of the Library, and exercising due diligence, shall be relieved of personal responsibility for a security’s credit risk or market price/value changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objectives [KRS 66.480(3)(c)]

In selecting financial institutions and investment instruments to be used, the following general objectives should be considered in the priority listed:

- Provide investments conforming with all legal requirements
- Provide a safe and liquid vehicle for investment funds
- Provide a suitable balance of quality and diversification to Library assets
- Provide a stable yield of dependable earnings
- Provide simplicity of management

Guidelines [KRS 66.480(3)(d)]

The Following guidelines should be used to meet the general investment objectives:

A) Legality and Safety:

Investments will be made only in securities guaranteed by the U.S. government, or in SAIF or FDIC insured institutions. Deposit accounts in banks or savings and loan institutions will not exceed the amount insured by FDIC coverage (unless adequately collateralized pursuant to Regulations of the Federal Reserve regarding custody and safekeeping of collateral). To further safeguard investments, institutions from which investments are issued must be rated in one of the three highest categories by a nationally recognized rating agency.

B) Liquidity:

In general, investments should be managed to meet liquidity needs for the current month plus one month (based on forecasted needs) and any reasonable anticipated special needs. It is expected to have investments coming due at various times following a general laddered approach.

C) Yield – Return on investment:

Every effort should be made to maximize return on investments made. All available funds will be placed in investments or kept in interest bearing deposit accounts; except as limited by law.

D) Simplicity of management:

The time required by Library administrative staff to manage investments shall be kept to a minimum.

Acceptable Investments and Diversification [KRS 66.480(3)(b) and (f)]

Investments will be composed from among those listed in KRS 66.480. Acceptable investments are diverse in nature. As the Chief Investment Officer chooses from among these investments, he or she will also seek to invest with multiple banks/firms in order to facilitate diversification of institutions.

Reporting [KRS 66.480(3)(e) and (h)]

Investments, fund balances, and the status of such accounts will be reported at each regularly scheduled meeting of the Library Board and at least quarterly include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date. The Chief Investment Officer shall periodically review this Policy for any needed modifications and report to the Board on the investment portfolio, its effectiveness in meeting the Library's need for safety, liquidity, rate of return, diversification and general performance.

Controls

In addition to these guidelines, the annual financial audit of the Library will insure the Board of Trustees that the investment policy is being followed. A written report will be presented to the Board of Trustees by the auditing firm not less than annually.

Authorized Financial Dealers and Institutions [KRS 66.480(3)(g)]

Any investment advisors, money managers, and financial institutions shall be considered and authorized only by the action of the Board of Library Trustees upon the recommendation of the Chief Investment Officer. The Chief Investment Officer will maintain a list of financial dealers and institutions authorized to provide investment services (see sample page attached).

Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that might conflict with the proper execution and management of this investment program, or that could impair their ability to make impartial decisions, or that could give the appearance of impropriety.

List of financial dealers and institutions authorized to provide investment services

All Jessamine County Banks that meet the standards of KRS 66.480. J.J.B.

Robert W. Baird & Co.
Louisville, Kentucky

JP Morgan Securities
Louisville, Kentucky

PNC Investments
Louisville, Kentucky

First Kentucky Securities Corporation
Frankfort, Kentucky

SAMPLE

66.480 Investment of public funds -- Limitations -- Written investment policy -- Duties of state local debt officer -- Investment pool -- Rating agency.

- (1) The governing body of a city, county, urban-county, charter county, school district (provided that its general procedure for action is approved by the Kentucky Board of Education), or other local governmental unit or political subdivision, may invest and reinvest money subject to its control and jurisdiction in:
 - (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;
 - (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
 1. United States Treasury;
 2. Export-Import Bank of the United States;
 3. Farmers Home Administration;
 4. Government National Mortgage Corporation; and
 5. Merchant Marine bonds;
 - (c) Obligations of any corporation of the United States government, including but not limited to:
 1. Federal Home Loan Mortgage Corporation;
 2. Federal Farm Credit Banks;
 3. Bank for Cooperatives;
 4. Federal Intermediate Credit Banks;
 5. Federal Land Banks;
 6. Federal Home Loan Banks;
 7. Federal National Mortgage Association; and
 8. Tennessee Valley Authority;
 - (d) Certificates of deposit or other interest-bearing accounts issued through a bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
 - (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one (1) of the three (3) highest categories by a competent rating agency;
 - (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a competent rating agency;
 - (g) Commercial paper rated in the highest category by a competent rating agency;

- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
 - (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a competent rating agency;
 - (j) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
 - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section;
 - (k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
 - (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 - 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 - 2. Have a standard maturity of no more than ten (10) years; and
 - 3. Are rated in the three (3) highest rating categories by at least two (2) competent credit rating agencies.
- (2) The investment authority provided by subsection (1) of this section shall be subject to the following limitations:
- (a) The amount of money invested at any time by a local government or political subdivision in any one (1) of the categories of investments authorized by subsection (1)(e), (f), (g), (k), and (l) of this section shall not exceed twenty percent (20%) of the total amount of money invested by the local government;
 - (b) The amount of money invested at any one (1) time by a local government or a political subdivision in the categories of investments authorized in subsection (1)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent (40%) of the total money invested unless the investment is in a mutual fund consisting solely of the investments authorized under subsection (1)(a), (b), (c), (h), or (i) of this section, or any combination thereof;
 - (c) No local government or political subdivision shall purchase any investment authorized by subsection (1) of this section on a margin basis or through the use of any similar leveraging technique; and
 - (d) At the time the investment is made, no more than five percent (5%) of the

total amount of money invested by the local governments or political subdivisions shall be invested in any one (1) issuer unless:

1. The issuer is the United States government or an agency or instrumentality of the United States government, or an entity which has its obligations guaranteed by either the United States government or an entity, agency, or instrumentality of the United States government;
 2. The money is invested in a certificate of deposit or other interest-bearing accounts as authorized by subsection (1)(d) and (e) of this section;
 3. The money is invested in bonds or certificates of indebtedness of this state and its agencies and instrumentalities as authorized in subsection (1)(h) of this section; or
 4. The money is invested in securities issued by a state or local government, or any instrumentality or agency thereof, in the United States as authorized in subsection (1)(i) of this section.
- (3) The governing body of every local government or political subdivision that invests or reinvests money subject to its control or jurisdiction according to the provisions of subsection (1) of this section shall by January 1, 1995, adopt a written investment policy that shall govern the investment of funds by the local government or political subdivision. The written investment policy shall include but shall not be limited to the following:
- (a) A designation of the officer or officers of the local government or political subdivision who are authorized to invest and oversee the investment of funds;
 - (b) A list of the permitted types of investments;
 - (c) Procedures designed to secure the local government's or political subdivision's financial interest in the investments;
 - (d) Standards for written agreements pursuant to which investments are to be made;
 - (e) Procedures for monitoring, control, deposit, and retention of investments and collateral;
 - (f) Standards for the diversification of investments, including diversification with respect to the types of investments and firms with whom the local government or political subdivision transacts business;
 - (g) Standards for the qualification of investment agents which transact business with the local government, such as criteria covering creditworthiness, experience, capitalization, size, and any other factors that make a firm capable and qualified to transact business with the local government or political subdivision; and
 - (h) Requirements for periodic reporting to the governing body on the status of invested funds.
- (4) Sheriffs, county clerks, county attorneys, and jailers, who for the purposes of this section shall be known as county officials, may invest and reinvest money subject to their control and jurisdiction, including tax dollars subject to the provisions of KRS

Chapter 134 and 160.510, as permitted by this section.

- (5) The provisions of this section are not intended to impair the power of a county official, city, county, urban-county, charter county, school district, or other local governmental unit or political subdivision to hold funds in deposit accounts with banking institutions as otherwise authorized by law.
- (6) The governing body or county official may delegate the investment authority provided by this section to the treasurer or other financial officer or officers charged with custody of the funds of the local government, and the officer or officers shall thereafter assume full responsibility for all investment transactions until the delegation of authority terminates or is revoked.
- (7) All county officials shall report the earnings of any investments at the time of their annual reports and settlements with the fiscal courts for excess income of their offices.
- (8) The state local debt officer is authorized and directed to assist county officials and local governments, except school districts, in investing funds that are temporarily in excess of operating needs by:
 - (a) Explaining investment opportunities to county officials and local governments through publication and other appropriate means; and
 - (b) Providing technical assistance in investment of idle funds to county officials and local governments that request that assistance.
- (9) (a) The state local debt officer may create an investment pool for local governments, except school districts, and county officials; and counties and county officials and cities may associate to create an investment pool. If counties and county officials and cities create a pool, each group may select a manager to administer their pool and invest the assets. Each county and each county official and each city may invest in a pool created pursuant to this subsection. Investments shall be limited to those investment instruments permitted by this section. The funds of each local government and county official shall be properly accounted for, and earnings and charges shall be assigned to each participant in a uniform manner according to the amount invested. Charges to any local government or county official shall not exceed one percent (1%) annually on the principal amount invested, and charges on investments of less than a year's duration shall be prorated. Any investment pool created pursuant to this subsection shall be audited each year by an independent certified public accountant, or by the Auditor of Public Accounts. A copy of the audit report shall be provided to each local government or county official participating in the pool. In the case of an audit by an independent certified public accountant, a copy of the audit report shall be provided to the Auditor of Public Accounts, and to the state local debt officer. The Auditor of Public Accounts may review the report of the independent certified public accountant. After preliminary review, should discrepancies be found, the Auditor of Public Accounts may make his or her own investigative report or audit to verify the findings of the independent certified public accountant's report.

- (b) If the state local debt officer creates an investment pool, he or she shall establish an account in the Treasury for the pool. He or she shall also establish a separate trust and agency account for the purpose of covering management costs, and he or she shall deposit management charges in this account. The state local debt officer may promulgate administrative regulations, pursuant to KRS Chapter 13A, governing the operation of the investment pool, including but not limited to provisions on minimum allowable investments and investment periods, and method and timing of investments, withdrawals, payment of earnings, and assignment of charges.
 - (c) Before investing in an investment pool created pursuant to this subsection, a local government or county official shall allow any savings and loan association or bank in the county, as described in subsection (1)(d) of this section, to bid for the deposits, but the local government or county official shall not be required to seek bids more often than once in each six (6) month period.
- (10) (a) With the approval of the Kentucky Board of Education, local boards of education, or any of them that desire to do so, may associate to create an investment pool. Each local school board which associates itself with other local school boards for the purpose of creating the investment pool may invest its funds in the pool so created and so managed. Investments shall be limited to those investment instruments permitted by this section. The funds of each local school board shall be properly accounted for, and earnings and charges shall be assigned to each participant in a uniform manner according to the amount invested. Charges to any local school board shall not exceed one percent (1%) annually on the principal amount invested, and charges on investments of less than a year's duration shall be prorated. Any investment pool created pursuant to this subsection shall be audited each year by an independent certified public accountant, or by the Auditor of Public Accounts. A copy of the audit report shall be provided to each local school board participating in the pool. In the case of an audit by an independent certified public accountant, a copy of the audit report shall be provided to the Auditor of Public Accounts, and to the Kentucky Board of Education. The Auditor of Public Accounts may review the report of the independent certified public accountant. After preliminary review, should discrepancies be found, the Auditor of Public Accounts may make his or her own investigative report or audit to verify the findings of the independent certified public accountant's report.
- (b) The Kentucky Board of Education may promulgate administrative regulations governing the operation of the investment pool including but not limited to provisions on minimum allowable investments and investment periods, and methods and timing of investments, withdrawals, payment of earnings, and assignment of charges.
- (11) As used in this section, "competent rating agency" means a rating agency certified or approved by a national entity that engages in such a process. The certification or

approval process shall include but not necessarily be limited to the following elements the subject rating agency must possess:

- (a) A requirement for the rating agency to register and provide an annual updated filing;
- (b) Record retention requirements;
- (c) Financial reporting requirements;
- (d) Policies for the prevention of misuse of material nonpublic information;
- (e) Policies addressing management of conflicts of interest, including prohibited conflicts;
- (f) Prohibited acts practices;
- (g) Disclosure requirements;
- (h) Any policies, practices, and internal controls required by the national entity; and
- (i) Standards of training, experience, and competence for credit analysts.

Effective: July 14, 2022

History: Amended 2022 Ky. Acts ch. 178, sec. 2, effective July 14, 2022. -- Amended 2021 Ky. Acts ch. 152, sec. 2, effective June 29, 2021; and ch. 155, sec. 22, effective June 29, 2021. -- Amended 2019 Ky. Acts ch. 11, sec. 1, effective June 27, 2019. -- Amended 2009 Ky. Acts ch. 10, sec. 58, effective January 1, 2010. -- Amended 1998 Ky. Acts ch. 554, sec. 3, effective July 15, 1998. -- Amended 1996 Ky. Acts ch. 362, sec. 6, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 275, sec. 1, effective July 15, 1994; and ch. 508, sec. 39, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 291, sec. 2, effective July 13, 1990; and ch. 476, Pt. V, sec. 298, effective July 13, 1990. -- Amended 1988 Ky. Acts ch. 393, sec. 3, effective July 15, 1988. -- Amended 1986 Ky. Acts ch. 261, sec. 1, effective July 1, 1986. -- Amended 1982 Ky. Acts ch. 57, sec. 1, effective March 9, 1982. -- Created 1966 Ky. Acts ch. 205, sec. 1.

Legislative Research Commission Note (7/15/94). This section was amended by 1994 Ky. Acts chs. 275 and 508. Where these Acts are not in conflict, they have been codified together. In cases where stylistic changes made in Acts ch. 508 conflict with substantive changes in Acts ch. 275, the provisions of Acts ch. 275 have prevailed. Cf. KRS 7.123(1).

Legislative Research Commission Note (7/13/90). The Act amending this section prevails over the repeal and reenactment in House Bill 940, Acts ch. 476, pursuant to section 653(1) of Acts ch. 476.