Pentwater District Library

Investment Policy

It is the policy of the Pentwater **District** Library (Library) to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Library and comply with all state statutes governing the investment of public funds.

This investment policy applies to all financial assets of the Library.

The primary objectives, in priority order, of the Library's investment activities shall be:

Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

The objective will be to minimize credit risk and interest rate risk.

Credit Risk (Custodial Credit Risk and Concentration Credit Risk)
The Library will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the section Authorized Investments of this Investment Policy: and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

The Library will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issue will be minimized.

Interest Rate Risk
The Library will minimize Interest Rate Risk, which is the risk that the Market value of the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

Foreign Currency Risk
The Library is not authorized to invest in investments which have a foreign currency risk.

Diversification - The investments shall be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Return on Investment - The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Authority to Make Investments

Authority to manage the investment program shall remain with the Board of Trustees ~~of the Library.~~ However, authority to engage in investment transactions such as safekeeping, investment accounting, transfers between accounts, and bank service contracts is hereby delegated to the **Library Director**.

Authorized Investments

The Library is limited to investments authorized by Act 20 PA 1943, as amended, and may invest in:

1. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. The financial institution must be:

   - a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States Government, and
   - that maintains a principal office or branch office in the State of Michigan under the laws of this state or the United States.

2. Bonds, securities or other obligations of the United States or an agency or instrumentality of the United States.

3. Commercial paper rated at the time of purchase within the two highest classifications by at least two rating services and that matures not more than 270 days after the date of purchase.

4. Repurchase agreements of the United States or an agency or instrumentality of the United States.

5. Bankers' acceptances of United States banks.

6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one rating service.

7. Mutual funds registered under the federal Investment Company Act of 1940 with authority to purchase only investment vehicles described above. Such mutual funds shall be limited to mutual funds whose intention is to maintain a net asset value of $1.00 per share.

8. Obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.

9. Investment pools organized under the Surplus Funds Investment Pool Act (Public Act 367 of 1982).

10. Investment pools organized under the Local Government Investment Pool Act (Public Act 121 of 1985).

Safekeeping and Custody

All security transactions shall be entered into by the Library on a cash basis. Securities may be held by a third party custodian and evidenced by safekeeping receipts.

Prudence

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.

Notification of Investment Policy

Before executing an order to purchase or trade the funds of the Library, a financial intermediary, broker, or dealer shall be provided with a copy of this investment policy and shall acknowledge receipt of a copy of the policy and agree to comply with the terms of the investment policy regarding the buying or selling of securities.

Annual Report

The Library Director shall annually provide a written report concerning the investments for the **Board of Trustees**.

Ethics and Conflicts of Interest

The **Library Director** shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair one's ability to make impartial investment decisions. Also, the **Library Director** shall disclose to the Board any material financial interests in financial institutions that conduct business with the Library and shall further disclose any material personal financial/investment positions that could be related to the performance of the Library's investment program.

Revised August 12, 2014.

Adopted at a regular meeting of the Pentwater District Library Board of Trustees: