

<p style="text-align: center;">Cromaine District Library Policy</p>	<p>Policy #: 6005 Page 1 of 3</p>
<p style="text-align: center;"><i>INVESTMENT OF LIBRARY FUNDS</i></p>	<p style="text-align: center;"><u>Tracking Record</u> Date Approved: 3/19/98; Review by Counsel: 2/98 Revised: 3/01; 11/02; 12/9/10; 8/16/12; 12/8/16 Reviewed: 11/12/08; 11/11/09; 12/13/11; 12/12/12; 12/11/13; 12/10/14; 12/9/15; 12/12/17; 12/13/18; 1/9/2020; 12/10/2020; 12/09/21;12/8/22;12/14/23</p>

Purpose

It is the intent of the Board of Trustees of the Cromaine District Library to establish an investment strategy for the investment of surplus funds using investment methodology that invests in asset classes designed to potentially lower volatility and increase return, and which adheres to the Prudent Investor Rule of fiduciary responsibility.

1. This policy is based on Michigan Public Act 20 of 1943, Investment of Surplus Funds of Political Subdivisions, as amended (MCL 129.91-129.96). This Act shall have precedence in all instances of the investment policy of the Cromaine District Library.
2. The Board of Trustees authorizes and directs the Library Treasurer to invest in asset classes allowable for the investment of surplus funds of political subdivisions; and to time liquidity in the following types of investments so that funds are available without penalty when needed:
 - a. In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the government national mortgage association.
 - b. In certificates of deposit (including those of the Certificates of Deposit Registration Service), savings accounts, deposit accounts, or depository receipts of a “financial institution,” which means 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, that maintains a principal office or branch office located in this state under the laws of this state or the United States, but only if the “financial institution” complies with subsection (2) of the Act.
 - c. In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
 - d. In United States government or federal agency obligation repurchase agreements.
 - e. In bankers’ acceptances of United States banks.
 - f. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The mutual fund may maintain a net asset value of \$1.00 per share, or may have values that fluctuate on a periodic basis.

3. The objectives of this policy are:

Foremost: Maintain safety of principal of library funds;

Secondarily: Maintain a diversified investment portfolio; maintain adequate liquidity;
achieve a market rate of return on relatively safe investment instruments.

4. To accomplish these objectives, decisions and actions involving the library's investment portfolio shall meet the following criteria:

Safety: Safety of principal is the foremost objective of the library's investment practices. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The treasurer shall minimize credit risk by investing only in the safer types of securities, pre-qualifying financial institutions, brokers/dealers, intermediaries, and advisers with whom the library will do business; and diversifying the investment portfolio so that the impact on the investment portfolio resulting from losses on individual securities will be minimized.

Diversification: The investments shall be diversified by avoiding over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities). Investments shall have varying maturities. Investment instrument selection shall avoid high credit risks and shall include use of readily available funds such as local government investment pools or mutual funds to maintain sufficient liquidity.

Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Securities shall have maturity dates concurrent with cash flow needs. Securities with active secondary or resale markets, as well as money market mutual funds offering same-day liquidity for short-term funds shall also be used to ensure liquidity. The treasurer shall minimize interest rate risk by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term-securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio; or to meet liquidity needs.

Return on Investment: The investment portfolio shall be designed to attain a market average rate of return during budgetary and economic cycles while taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives. The core of investments is limited to relatively low risk securities, and a fair rate of return relative to risk is assumed.

5. The treasurer shall make such investments and only such investments as a prudent person would make in dealing with the property of another, having in view the preservation of the principal and the amount and regularity of the income to be derived. The standard of prudence to be used shall be the fiduciary standard and shall be applied in context of managing an overall portfolio.

6. The Library each year will produce an analysis of anticipated cash flow in and out of the Library's account. This analysis along with the current and next fiscal years' budgets will be used to determine the asset classes suitable to meet the Library's liquidity needs while attempting to achieve higher investment returns. The accounts will be reviewed and adjusted periodically to maintain proper balance consistent with the stated investment objectives.
7. The Library may obtain the advice of an independent financial professional regarding investment strategy and who may provide investments which meet all the objectives stated above. The Library is authorized to pay fees as appropriate for such advice. An Investment Advisory Agreement will be required if fees are to be paid.
8. The treasurer may elect to have certificates and other evidence of investments held by a financial institution, provided that the financial institution presents to the library treasurer sufficient documentation and acknowledgment of the investment instruments held on behalf of the library.
9. An item(s) deemed of such value as needing to be stored in secured environment must be housed in either the on-site safe, space allowing, or in a secured safety deposit box that is large enough to accommodate the item to be stored until such a time that a permanent or long term solution is determined.
10. The treasurer shall refrain from personal business activity that could conflict with the proper execution and management of library investments, or that could impair the treasurer's ability to make impartial investment decisions.
11. Financial activity reports shall be created and given to members of the Finance Committee on a monthly basis (typically by the date of the monthly Finance Committee meeting). A summary of the reports will be provided to all members of the Board at the regular monthly Board meeting.