



Investment Policy

Purpose

It is the policy of Fruitport District Library (“the library”) to invest public funds in a manner that will provide preservation of capital, meet the daily liquidity needs of the library, diversify the library’s investments, conform to all local and state statutes governing the investment of public funds, and generate market rates of return. It is also the policy of the library to invest public funds with banks, investment firms, and other financial institutions that comply with all laws, reporting obligations, disclosures, fair practice standards and other regulatory agencies’ requirements.

Funds of the library shall be invested in accordance with PA 20 of the Public Acts of 1943.

The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the library’s funds.

SCOPE

The Investment Policy applies to all financial assets of the library.

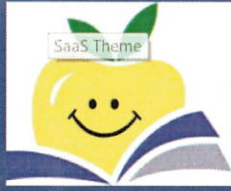
Any and all library funds are subject to the terms of this Investment Policy:

All cash may be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average daily balances relative to the total pooled balance in the investment portfolio.

INVESTMENT OBJECTIVES

The library’s funds shall be invested in accordance with all applicable library policies, Michigan statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Diversification to avoid incurring unreasonable market risks.
4. Attainment of a market rate of return.



DELEGATION OF AUTHORITY

Authority to manage the library investment program is derived from MLC 397.182 and the FDL Board of Directors resolution to adopt the Investment Policy. As such, the Library Treasurer is vested with responsibility for managing the library's investment program and for implementing the Investment Policy. The Board of Directors along with the library Treasurer shall establish written procedures and internal controls for the operation of the investment program consistent with this investment policy.

PRUDENCE

The standard of prudence to be used for managing the library's assets is the Michigan Prudent Investor Rule, found in Section 700.1502 of Act 386 of 1998. It states that "A fiduciary shall invest and manage assets held in a fiduciary capacity as a prudent investor would, taking into account the purposes, terms, distribution requirements expressed in the governing instrument, and other circumstances of the fiduciary estate. To satisfy this standard, the fiduciary must exercise reasonable care, skill, and caution."

ETHICS AND CONFLICTS OF INTEREST

The Library Treasurer shall refrain from personal business activity that could conflict with proper execution of the library's investment program or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions.

AUTHORIZED SECURITIES AND TRANSACTIONS

Investments for the library shall be made in accordance with Act 20 of 1943. Any revisions or extensions of these statutes will be assumed to be part of this Investment Policy immediately upon being enacted.

This Investment Policy further restricts the investment of the library funds to the following types of securities and transactions:

1. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).



3. Commercial Paper with an original maturity of 270 days or less from the date of trade settlement that is rated at least A1+ or the equivalent at the time of purchase by at least two Nationally Recognized Statistical Rating Organizations (NRSROs). If the commercial paper issuer has senior debt outstanding, it must be rated, at the time of purchase at least AA- or the equivalent by each NRSRO that rates the issuer.
4. Repurchase agreements consisting of instruments listed in subdivision (a).
5. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one (1) standard rating service.
6. Mutual Funds composed of investment vehicles which are legal in the State of Michigan for direct investments.
7. Investment Pools organized under Act 367 of 1982, MCL 129.111 to 129.118, Surplus Funds Investment Pool Act, that are “no-load”; have a constant net asset value per share of \$1.00; limit assets of the fund to securities authorized in MCL 129.91 as legal investments; and have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940.

It is the intent of the library that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be pre-approved by the Library Board of Directors.

INVESTMENT DIVERSIFICATION

It is the intent of the library Treasurer to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should be flexible depending upon the outlook for the economy, the securities markets and the library’s anticipated cash flow needs.

INVESTMENT MATURITY AND LIQUIDITY

The portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. To the extent possible, investments shall be matched with anticipated cash flows and known future liabilities. Investments shall be limited to maturities not exceeding four years from the date of trade settlement.



SELECTION OF BROKER/DEALERS

Per Section 129.96 of Michigan's Act 20 of 1943, 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 the investment policy and provide the following:

1. Audited Financial Statements
2. Proof of NASD certification or FDIC insurance
3. Proof of state registration
4. Certification of having read, understood and agreement to comply with the Library Investment Policy

SAFEKEEPING AND CUSTODY

The Treasurer shall approve one or more investment institutions to provide safekeeping and custodial services for the Library. A Library approved safekeeping agreement shall be executed with each custodian financial institution/bank. To be eligible, they must be eligible to be a depository of funds belonging to the State of Michigan.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the Library. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investments shall be evidenced by a safekeeping receipt or a customer confirmation issued to the Library by the custodian institution stating that the securities are held in the Federal Reserve System in a Customer Account for the custodian bank which will name the Library as "customer."

PERFORMANCE BENCHMARKS

The Library's investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the portfolio shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the Library's portfolio, all fees involved



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with managing the portfolio shall be included in the computation of the portfolio's rate of return net of fees.

REPORTING

The Treasurer shall submit to the Library Board a report of the Library's investment program and investment activity at least quarterly.

TERMINATION FOR ACTIONS CONTRARY TO INVESTMENT POLICY OR UNFAIR BUSINESS PRACTICES

Should the Treasurer become aware of any bank, investment firm, broker/dealer or other financial institution engaging in activities or omissions contrary to the Library's Investment Policy, including, but not limited to, violations of any laws or engaging in unfair business practices as acknowledged by the appropriate regulatory agency, the Treasurer shall notify the Library Board of such information and take whatever actions are deemed appropriate by the Treasurer, including, but not limited to, terminating the Library's relationship with the individual or entity.

INVESTMENT POLICY ADOPTION AND REVISIONS

This Investment Policy shall be adopted by resolution of the Library Board. It shall be reviewed periodically by the Treasurer, and may be amended by the Library Board as conditions warrant.

Motion by: Donna Pope

Supported by: Laura Oldt


Roll Call: Donna Pope, Laura Oldt, Corri Esenberg, Mary Weimer

Ayes: Joshua Datta, Donna Pope, Rose Dillon

Nays: None

Adopted: August 15, 2018

We do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Library Board of the Fruitport District Library, County of Muskegon, State of Michigan, at a regular meeting held on August 15, 2018, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, as amended.


Rose J. Dillon, President


Mary Weimer, Secretary