

INVESTMENT POLICY

I. Purpose.

It is the policy of the Bath Township Public Library (“Library”) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state statutes and Library policies governing the investment of public funds.

II. Scope.

This Investment Policy (“Policy”) applies to all transactions involving the financial assets and related activity of the Library except for any financial asset or money that is otherwise subject to a public act or bond authorizing ordinance or resolution that permits investment in fewer than all the investment options listed in this Policy or imposes one or more conditions upon an investment listed in this Policy. Further, this Policy does not apply to any funds which are governed by an act other than 1943 PA 20, the Investment of Surplus Funds of Political Subdivisions Act (“Act 20”).

III. Objectives.

Funds of the Library will be invested in accordance with Act 20, as amended, and in accordance with the following objectives in order of priority:

- A. Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital and preservation of investment in the overall portfolio.
- B. Diversification - The investments shall be diversified by specific maturity dates, individual financial institution(s) or a specific class of securities in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- C. Liquidity - The investment portfolio will remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated.
- D. Return on Investment - The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

IV. Authority; Delegation of Authority.

Authority to manage the investment program is derived from state law, including Act 20, as amended, and the District Library Establishment Act, 1989 PA 24. Management responsibility for the investment program is hereby delegated to the Library Board, which shall establish procedures and internal controls for the operation of the investment program, consistent with the Investment Policy. No person may engage in investment transactions except as provided under the terms of this Policy and the procedures established by the Library Board. The Library Board shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Library Board, after approval by the Library Board, may hire consultants, including a bookkeeper, to assist with Library investments.

V. Authorized Instruments.

In accordance with Act 20, as amended, the surplus funds of the Library may be invested as follows:

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

B. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States. In addition, the Library Board by resolution may authorize its investment officer to invest the funds of the Library in certificates of deposit or depository accounts in accordance with all of the following conditions:

- 1) Certificates of deposit in accordance with all of the following conditions:
 - a) The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - b) The financial institution arranges for the investment of the funds in certificates of deposit in one (1) or more insured depository institutions, as defined in 12 USC 1813, or one (1) or more insured credit unions, as defined in 12 USC 1752, for the account of the public corporation.
 - c) The full amount of the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States.
 - d) The financial institution acts as custodian for the public corporation with respect to each certificate of deposit.
 - e) At the same time that the funds of the Library are deposited and the certificate or certificates of deposit are issued, the financial institution receives

an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially invested by the public corporation through the financial institution.

- 2) Deposit accounts of a financial institution that meet all of the following conditions:
 - a) The funds are initially deposited in a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - b) The financial institution arranges for the deposit of the funds in deposit accounts in one (1) or more insured depository institutions, as defined in 12 USC 1813, or one (1) or more insured credit unions, as defined in 12 USC 1752, for the account of the public corporation.
 - c) The full amount of the principal and any accrued interest of each deposit account is insured by an agency of the United States.
 - d) The financial institution acts as custodian for the public corporation with respect to each deposit account.
 - e) On the same date that the funds of the Library are deposited under subdivision b) above, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially deposited by the Library in the financial institution.
- C. Commercial paper rated at the time of purchase within the two (2) highest classifications established by not less than two (2) standard rating services and that matures not more than 270 days after the date of purchase.
- D. Repurchase agreements consisting of instruments listed in subdivision A. above. Repurchase agreements must be executed by the bank or dealer and shall be negotiated only with dealers or financial institutions with whom the Library has negotiated a master repurchase agreement approved by the Library's legal counsel.
- E. Bankers' acceptances of United States Banks.
- F. 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 (1) standard rating service.
- G. Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public

corporation. The authorization to invest in mutual funds includes securities whose net asset value per share may fluctuate on a periodic basis. However, a mutual fund is not disqualified as a permissible investment solely by reason of the following:

- 1) The purchase of securities on a when-issued or delayed delivery basis.
- 2) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- 3) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

H. Obligations described in 5A through 5G above if purchased through an interlocal agreement under state law (Urban Cooperation Act of 1967) e.g., the MBIA Michigan CLASS program.

I. Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121 and the Surplus Funds Investment Pool Act, 1982 PA 367.

VI. Safekeeping and Custody.

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Library shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts as determined by the Treasurer.

VII. 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.

VIII. Reports.

The Treasurer may elect to have certificates and other evidence of investments held by a financial institution and sufficient documentation and acknowledgment of investments held on behalf of the Library, provided that such documentation is provided on a quarterly basis. The Treasurer shall provide a quarterly report to the governing body concerning the investment of funds.

IX. Conflict.

The Treasurer shall comply with all statutes related to public fund investments. Any provision of this Policy in conflict with state law, as amended from time to time, is void.

BATH TOWNSHIP PUBLIC LIBRARY

CERTIFICATION

I hereby certify that I have received the Investment Policy of the Bath Township Public Library, have personally read the Investment Policy, and agree to comply with the terms of the Investment Policy regarding the investment of the Bath Township Public Library funds.

Any investment not conforming with your Investment Policy will be disclosed promptly.

We also pledge to exercise due diligence in informing you of all foreseeable risks associated with financial transactions conducted with our firm.

Institution

Address

Authorized Official & Title

Signature

Date

POLICY APPROVED: _____

EFFECTIVE: _____

PRESIDENT: _____