

Parchment Community Library Investment Policy

1. Statement of Purpose

It is the policy of the Parchment Community Library to invest its funds in a manner that will provide the highest investment return with the maximum security, while meeting the daily cash flow needs of the Library, and complying with all state statutes governing the investment of public funds.

2. Scope of Policy

This investment policy applies to all financial assets of the Parchment Community Library. These assets are accounted for in the various funds of the Library and include the General Fund, Nonexpendable Trust Fund and any new funds established by the Library.

3. Investment Objectives

In priority order, the primary objectives of the Parchment Community 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 ensure the preservation of capital in the overall portfolio.

Diversification: The investments will 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.

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4. Delegation of Authority to Make Investments

Authority to manage the investment program is derived from MCL 41.76 and the selection of financial institutions approved at the annual organizational board meeting. Management responsibility for the investment program is hereby delegated to the Board President, who shall establish written procedures and internal controls for operating the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, e-purchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board President. The Board President shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. *[see Section 9 for delineation of these controls.]*

5. Authorized Investment Instruments

Mutual funds may include securities whose net asset value per share may fluctuate on a periodic basis.

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

- 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
 - maintain a principal office or branch office located in the State of Michigan under the laws of this state or the United States.
- Bonds, securities or other obligations of the United States or an agency or instrumentality of the United States.
- 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.
- Repurchase agreements of the United States or an agency or instrumentality of the United States.
- Bankers' acceptances of United States banks.

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- 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.
- Mutual funds registered under the federal Investment Company Act of 1940, composed solely of the investment vehicles described above.
- Obligations described above if purchased through an inter-local agreement under the Urban Cooperation Act of 1967 (e.g. the MBIA Michigan CLASS program).
- Investment pools organized under the Surplus Funds Investment Pool Act (Public Act 367 of 1982) (e.g. bank pools).
- Investment pools organized under the Local Government Investment Pool Act (Public Act 121 of 1985) (e.g. the Kent County investment pool).

6. Provisions for Investments in Stocks or Stock Funds.

Library funds may not be invested in stocks with the following exception: Any stocks or stock funds received as donations to the Library may remain as stock/stock fund investments. Earnings from said stock/stock funds may be reinvested in the same stock/stock fund. At any time that said stock/stock fund investments are liquidated, the liquidated proceeds may only be invested in authorized investments as described in Section 5.

7. Safekeeping and Custody

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Parchment Community Library shall be on a cash basis. Securities may be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts as determined by the Board President.

8. Standard of 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.

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9. Controls

- a. The Board President shall ensure that all investments carry zero credit risk and shall be deposited in institutions that are fully insured by the FDIC, NCUA, or other similar agencies.
- b. No investment contract may be signed without a majority vote of the full board in an open meeting.
- c. The Board President and at least one other board officer must sign any and all investment contracts.
- d. A report, including a copy of the original monthly or quarterly statement, on each investment shall be presented to the full board by the library director at the regular monthly meeting following the receipt of the statement.

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