

Northville District Library Policy on Investments

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

Section 1.0 DEFINITIONS.

As used herein and incorporated into this Investment Policy of the Northville District Library, Counties of Wayne and Oakland, State of Michigan, the following terms shall be defined as follows:

“Financial Institution” 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 and that maintains a principle office or branch office located in this state under the laws of this state or the United States.

“Governing body” means the Northville District Library Board of Trustees.

“Funds” means the money of the Northville District Library, the investment of which is not otherwise subject to a public act of this state or bond authorizing ordinance or resolution of the Northville District Library that permits investment in fewer than all of the investment options in 1943 PA 20, as amended, (“Act 20”) or imposes 1 or more conditions upon an investment in an option listed in Act 20, as amended.

“Investment Officer(s)” means the Treasurer and Library Director, or any other individual so designated by the Northville District Library Board.

“Public Corporation” means the Northville District Library created under the District Library Establishment Act, 1989 PA 24, as amended, MCL 397 et seq. (“Act 24”).

Section 2.0 SCOPE.

This Investment Policy applies to all financial assets of the Northville District Library. These assets are accounted for in the various funds of the Northville District Library and include the: Operating Fund, Debt Service Fund, Reserve Fund, and any new fund established by the Northville District Library.

Section 3.0 OBJECTIVES

Northville District Library funds will be invested in accordance with Act 20 and in accordance with the following Objectives in order of priority:

Section 3.1 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.

Section 3.2 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.

Section 3.3 Liquidity.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. The Investment Officer(s) shall be responsible for maintaining the required level of liquidity.

Section 3.4 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.

Section 4.0 DELEGATION OF AUTHORITY TO MAKE INVESTMENTS.

Pursuant to Act 24, authority to manage the investment program is derived from the Board of Trustees. Management responsibility for the investment program is hereby delegated to the Library Director and the Board Treasurer, acting together (the "Investment Officer(s)"), who shall establish procedures and internal controls for the operation of the investment program, consistent with this Investment Policy. No person may engage in investment transactions except as provided under the terms of this Policy and the procedures established by the Investment Officer(s). The Investment Officer(s) shall be responsible for all transactions undertaken and shall establish a system of control to regulate the activities of subordinate officials and shall report these procedures to the Library auditors and the Board of Trustees for review.

Section 5.0 AUTHORIZED INVESTMENT INSTRUMENTS.

Pursuant to Act 20, the surplus funds of the Northville District Library may be invested in one or more of the following investment instruments:

- (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 law or rule of Michigan or the United States.
- (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).~~
- ~~(e)~~(d) Banker's acceptances of United States banks.
- ~~(f)~~(e) 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.
- ~~(g)~~(f) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. The net asset value of such funds may fluctuate on a periodic basis. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) 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.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- ~~(h)~~(g) Obligations described in subdivisions (a) through (f) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 – 124.512.
- ~~(i)~~(h) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 – 129.118.
- ~~(j)~~(i) Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under this Section.

Section 6.0 SAFEKEEPING AND CUSTODY.

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

Section 7.0 PRUDENCE.

Investments shall be made with that level of 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.

Before executing an order to purchase or trade the funds of the Northville District Library, the Investment Officer(s) shall provide the financial intermediary, broker, or dealer with a copy of the Northville District Library Investment Policy. The financial intermediary, broker, or dealer shall:

- (a) Acknowledge receipt of the Investment Policy of the Northville District Library.
- (b) Agree to comply with the terms of the Investment Policy the Northville District Library regarding the buying or selling of securities. (See Acknowledgment of Receipt and Agreement to Comply attached as Exhibit A hereto.)

Section 8.0 REPORTING REQUIREMENTS.

The Treasurer shall prepare an annual written report concerning the Investment of Funds which shall be provided to the Northville District Library Board of Trustees no later than 120 days after the end of the Library's fiscal year.

Section 9.0 EFFECTIVE DATE.

This Policy shall become effective as of the ~~xx~~th-20th day of 2013, the day following adoption by the Northville District Library Board of Trustees.

Approved by the Board of Trustees May 26, 2005

Second Reading of RevisionRevision approved by Board of Trustees December 19, 2013

EXHIBIT A

**ACKNOWLEDGEMENT OF RECEIPT OF INVESTMENT POLICY AND
AGREEMENT TO COMPLY**

I hereby certify that I have received the Investment Policy of the Northville District Library, have personally read the Investment Policy, and agree to comply with the terms of the Investment Policy regarding the investment of the funds of the Northville District Library. Any investment not conforming to the Investment Policy will be disclosed promptly.

Institution

Address

Signature

Name and Title

Date

ALLOWABLE INVESTMENTS

Description of Investments which comply with the requirements of 1943 PA 20, as amended: MCL 129.91.

US Treasury Bills: Obligations of the United States Government sold at a discount from par with a specific maturity date up to a maximum maturity of one year. Available in minimum denominations of \$10,000 and increments of \$5,000 thereafter, interest is discounted and calculated using actual number of days on a 360 day year.

US Treasury Notes: Obligations of the United States Government bearing interest payable at six month intervals until maturity. Maturities are from one to ten years. Denominations, after a minimum of \$5,000, are in \$1,000 multiples.

US Treasury Bonds: Similar to notes except original maturities are ten years and longer. Interest is generally payable on February and August 15 or May and November 15, comparable to U.S. Treasury Notes.

US Treasury STRIPS: Separate Trading of Registered Interest and Principal of Securities.

TINTS: Treasury Interest Securities.

PRINS or STRIP Ps: Treasury Principal Securities.

CUBES: Coupons Under Book Entry System.

US Government Agency Obligations:

Certificate of Deposit—CD: Is a receipt of funds deposited in a financial institution for a specified period at a specified rate of interest. A negotiable receipt may be in bearer or registered form and can be traded in the secondary market. A non-negotiable receipt is always registered and has no secondary market. Denominations can be any agreed amount, and interest is normally calculated using actual number of days on a 360 day year. However, each financial institution's calculations vary, and the investor should ask to avoid misunderstanding.

Savings Deposit Receipt: A non-negotiable receipt evidencing a deposit with interest to be paid at a stated rate. Maturity may be fixed, but nominally is subject to presentation by the depositor for payment. The amounts may be small or large but Federal Regulations will regulate the interest rate to be paid. This instrument is somewhat outdated due to popularity of regular passbook and statement savings accounts with daily interest.

Savings Account: A deposit evidenced by a passbook or monthly statement. Entries are made for each deposit and withdrawal and interest is paid in accordance with the policy of the financial institution. It is often used to accumulate small amounts of funds until a larger, higher yielding investment can be made.

Commercial Paper: Short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash.

Bankers' Acceptance: A negotiable time draft or bill of exchange drawn on and accepted by a commercial bank. Acceptance of the draft irrevocably obligates the bank to pay the bearer the face amount of the draft at maturity. Bankers' acceptances are usually created to finance the import and export of goods, the shipment of goods within the United States and the storage of readily marketable staple commodities. Bankers' acceptances are sold at a discount from par similar to U.S. Treasury Bills, and, since an acceptance is tied to a specific loan transaction, the amount and maturity of the acceptance are fixed.

Investment Pools: Those investment pools organized under the authority of the urban cooperation act of 1967, 1967 (Ex Sess) PA 7 (MCL 124.501 to 124.512), the surplus funds investment pool act, 1982 PA 367 (129.111 to 129.118) and the local government investment pool act, 1985 PA 121, (MCL 129.141 to 129.150). Those pools are managed by contractual agreement contained in the interlocal agreement, banks and a county treasurer, respectively. All of the pools are limited to investments described in section 5 (1) (a) through (i) of the Investment Policy.

PROHIBITED INVESTMENTS

Description of Investments which **do not** comply with the requirements of 1943 PA 20, as amended (MCL 129.91).

The following potential investments are not securities but are contractual agreements between a broker or dealer and an investor. They are not investments in the underlying securities. Repurchase agreements are contractual agreements specifically authorized by the Act, while these contractual agreements are not mentioned in the Act and are therefore specifically excluded.

CATS: Certificates of Accrual on Treasury Securities originated by Salomon Brothers in 1984.

COUGRs: Certificates on Government Receipts ("Cougars") originated by A.G. Becker.

ETRs: Easy Growth Treasury Receipts ("Eaters") issued by Dean Witter.

TBRs: Treasury Bond Receipts ("Teddy Bears") originated by E.F. Hutton.

TIGRs: Treasury Investment Growth Receipts (“Tigers”) issued by Merrill Lynch.

TRs: Treasury Receipts, the generic form of zero coupons issued by a group of dealers. “TRs” is also the generic term used to reference the family or “zoo” of Proprietary/Government Guaranteed Receipts.

ZCTOs: Zero Coupon Treasury Obligations (“Zitcos”) originated by Lehman Brothers.

CMOs: Pools (not mutual funds) of GNMAAs packaged as a bond and are classically derivatives per the October 14, 1994 edition of the Wall Street Journal, “those arcane securities, whose returns are based on or derived from some underlying asset or index.”

Certificate of Deposit—CD: Some brokers and dealers have programs whereby \$100,000, federally insured, certificates of deposit from numerous institutions are packaged in million-dollar multiples and sold on an average yield of all the institutions participating in the package. This type of arrangement does not fall under the authority for investment pools under the Urban Cooperations Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512, the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118 or the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150 and is therefore NOT appropriate.