

Investment Policy

Purpose

It is the policy of the Mount Clemens Public Library (MCPL) to invest its funds in a manner that will provide the highest investment return with maximum security, while meeting the Library's daily cash flow needs and complying with all applicable state statutes governing the investment of public funds. Idle funds should be invested as they become available to maximize the return.

Scope of Policy

This investment policy applies to all financial assets of the MCPL that are not employee retirement funds. These assets are accounted for in the various Library funds, including but not limited to the general fund, fund balance and any new fund established by the Library.

Objectives

In priority order, the primary objectives of the Library's investment activities are:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be made in a manner that seeks to ensure the preservation of capital.
2. **Diversification:** The investment portfolio shall be diversified by security type and institution to minimize risk of loss due to overconcentration.
3. **Liquidity:** The portfolio shall remain sufficiently liquid to meet anticipated operating requirements.
4. **Return on Investment:** The portfolio shall be designed to obtain a reasonable return throughout budgetary and economic cycles, consistent with risk and liquidity constraints.

Authority

Management responsibility for the investment program is delegated to the Library Director, with input from the Bookkeeper.

Only the Library Director and the Executive Assistant may engage in investment transactions, and only with prior approval from the Library Board. The Director is responsible for all transactions undertaken and shall maintain a system of internal controls.

Authorized Investment Instruments

The Library may invest funds in instruments permitted by Michigan Public Act 20 of 1943, as amended. Authorized investments include:

1. Interest-bearing savings and checking accounts
2. Negotiable and non-negotiable certificates of deposit
3. Repurchase agreements
4. U.S. Treasury bills and securities
5. Federal agency instruments
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan or its political subdivisions rated as investment grade
8. Commercial paper rated at time of purchase within the top two ratings:
 - a. S&P: A-1, A-2

- b. Moody's: Prime-1, Prime-2
- 9. Money market funds maintaining a net asset value of \$1.00 per share
- 10. Mutual funds, interlocal unit agreement pools, or investment pools whose portfolios consist solely of approved investments
- 11. Investment pools organized under:
 - c. Surplus Funds Investment Pool Act (1982 PA 367)
 - d. Local Government Investment Pool Act (1985 PA 121)

Safekeeping and Custody

Investment securities purchased by the Library shall be held in third-party safekeeping by an institution designated as a primary agent. The Library Director may execute a third-party safekeeping agreement, which will detail:

- Responsibilities of all parties
- Delivery vs. payment terms
- Contingency procedures (e.g., wire failures)

Certificates of deposit, mutual funds, direct purchases of commercial paper, or bankers' acceptances are exempt from third-party custody requirements.

Standard of Prudence

Investments shall be made with the care, skill, prudence, and diligence under prevailing circumstances that a prudent person would use, considering the preservation of capital and expected income. This fiduciary standard shall guide all investment decisions.

Statement of Ethics

The Library Director and all involved staff shall avoid personal business activity that could conflict with proper execution of the investment program or impair impartial decision-making. All investment activities shall be conducted with honesty, integrity, and in full compliance with the law.

Reporting

The Library Director shall annually provide a written report to the Library Board summarizing investment activity and performance. The Library shall comply with all applicable statutory standards, as they now exist or may be amended. Any portion of this policy found to be inconsistent with state law is void.

