



# INVESTMENT POLICY

**STATEMENT OF PURPOSE:** It shall be the purpose of this policy to outline guidelines and investment objectives for the management of financial assets belonging to the North Lake County Public Library District (“Library”). This investment policy applies to all financial assets held directly by the Library and available for investment on the Library’s behalf.

## I. Investment Authority and Responsibility

The Board of Trustees (“Board”) is vested with the authority to control public library funds pursuant to Mont. Code Ann. § 22-1-707. The Board shall have the authority, in its discretion, to develop procedures and internal controls for the investment program consistent with this Policy, and to employ the services of a qualified professional for assistance in discharging investment-related responsibilities. The Library Director shall maintain all records related to the Library’s investment program, and furnish a quarterly investment report, or as needed, to the Board for their approval.

## II. Responsibilities and Ethics

All investment policies and procedures of the Library will be in accordance with Montana law, including but not limited to Mont. Code Ann. §§ 7-6-201 through 213; 17-6-204 and 22-1-716.

Officers, employees, and agents involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the Library’s investment program, that could impair their ability to make impartial decisions, or that could give the appearance of impropriety. Officers, employees, and agents involved in the investment program must disclose any significant outside activity or interest that could be related to the Library’s investment performance.

## III. Prudent Person Standard

All Library investment activities shall be evaluated using the “prudent person” standard. Investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion, and intelligence would 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. The Board, including its agents, acting in accordance with this Policy and other written procedures of the Library and exercising due diligence, shall be relieved of personal responsibility for a security’s risk or market price/value changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## IV. Investment Objectives

The Library’s primary investment objectives, in order of priority, are the following:

- A. Legality. All investments shall be made in accordance with applicable state and federal laws.
- B. Safety. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital, and includes diversification appropriate to the nature and amount of the funds.
- C. Liquidity. The Library's investment portfolio shall remain sufficiently liquid to enable the Library to meet all current operating requirements, and those which might be reasonably anticipated.
- D. Return on Investment. Within the constraints imposed by considerations of legality, safety, and liquidity, every effort should be made to achieve a maximum return on investment.

## **V. Investment Guidelines**

The funds of the Library available for investment shall be invested in accordance with this policy and applicable Montana law. Authorized investment instruments include:

- A. United States government treasury bills, notes, and bonds
- B. United States treasury obligations, such as state and local government series (SLGS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations
- C. Obligations of the following agencies of the United States, so long as the investment is a general obligation of the agency, has a fixed or zero-coupon rate, and does not have prepayments based on underlying assets or collateral:
  - a. Federal home loan bank
  - b. Federal national mortgage association
  - c. Federal home mortgage corporation
  - d. Federal farm credit bank
- D. United States government security money market fund which is sold and managed by a management-type investment company or trust registered under the Investment Company Act of 1940, consists of the above mentioned eligible securities, has an average maturity that does not exceed 397 days, and is listed in a national financial publication as a "money market mutual fund"
- E. Demand deposits with a solvent bank
- F. Time or savings deposits with a solvent bank, savings and loan association, or credit union

G. Repurchase agreements

H. Any other investments allowed under Montana law that satisfy the investment objectives of the Library, subject to prior authorization by the Board of Trustees

## **VI. Diversification of Investments**

The Library recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to market price changes or closing investments prior to maturity due to unanticipated cash flow needs. The Library's investment portfolio shall be diversified by type of investment instrument and term to maturity so as to minimize investment risk.

## **VII. Authorized Financial Institutions and Depositories**

The types of institutions and depositories which may be used for investment, custody, or income are those contained in Mont. Code Ann. §§ 7-6-201 through 215. Where possible, in selecting financial institutions, preference should be given to those in the local area when the standards and objectives of this policy are not otherwise compromised.

## **VIII. Investment Reporting**

The Library Director, or its agent, shall prepare and submit to the Board a quarterly report, or as needed, regarding the status of the Library's investment program. As to each investment, the report shall include the following information:

- A. Name of financial institution from which the investment was purchased or in which assets are deposited.
- B. Type of investment.
- C. Certificate or other reference number, if applicable.
- D. Percentage yield on an annualized basis.
- E. Purchase price, and maturity date.
- F. Current market value of the investment.

In addition, the report shall explain the quarter's total investment return and compare the return with budgetary expectations.

## **IX. Deviation from Policy**

Any deviation from policy guidelines shall require the approval of the Board.

This policy was reviewed and approved by the North Lake County Public Library District Board of Trustees on **July 27, 2021**.

### **Signed:**

Clint Hoxie, Board Chair

Abbi Dooley, Library Director

