

LaGrange Association Library

Investment Policy

I. Purpose

1.1 This policy establishes the direction for the management of financial assets of the LaGrange Association Library. It is the Library's intention to invest its funds in a manner that will provide a reasonable investment return with the maximum security, while meeting daily cash flow needs.

II. Scope

2.1 The Investment Policy applies to all financial assets of the LaGrange Association Library. These assets are accounted for in the various funds of the Library and include the general operating fund, special revenue funds, debt service funds, capital project funds, reserve funds, restricted funds, trust funds, and any new funds that may be established by the LaGrange Association Library in the future.

III. Responsibility

3.1 The duly elected Treasurer of the LaGrange Association Library Board of Trustees is the Fiscal Officer of the Library. Management responsibility for the Library's investment program is delegated to the Fiscal Officer. Therefore, the Fiscal Officer is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy and shall act only in accordance with the wishes of the Board as described in this Investment Policy.

3.2 Conversely, the Board may wish to retain an Investment Advisor to manage the investment portfolio. In that case, the Investment Advisor shall act only in accordance with the wishes of the Board as described in this Investment Policy.

IV. Review

4.1 The Investment Policy shall be annually presented to, reviewed, and approved by the LaGrange Association Library Finance Committee and Board of Trustees in open public meetings as prescribed by the New York State Committee on Open Government, Public Officers Law, Article 7: Open Meetings Law.

4.2 Revisions to this Investment Policy may be made upon approval by the Board of Trustees.

V. Prudence

5.1 The standard of prudence to be used under this policy by the Fiscal Officer should be the "prudent person rule," which states: 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 possible income to be derived.

5.2 The above standard is established for professional responsibility and should be applied in the context of managing the Library's overall portfolio. The Fiscal Officer, acting in accordance with this policy, should be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

VI. Investment Objectives

6.1 Preservation of Principle – The deposit/investment program shall preserve capital and protect investment principle within defined parameters.

6.2 Risk Avoidance – The security of monies, whether on hand or invested, shall be of primary concern to the Fiscal Officer in selecting depositories or investments. All attempts shall be made to minimize risks in

investment through diversification so as to eliminate the risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities.

6.3 Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated.

6.4 Return – The Fiscal Officer shall seek to attain a market average or better rate of return throughout budgetary and economic cycles, taking into account risk, constraints, cash flows, and legal restriction on investment.

6.4.1 Portfolio performance should be compared to an appropriate benchmark on a regular basis. The benchmark used by the Fiscal Officer to determine whether market yields are being achieved shall be the three-month US Treasury Bill.

6.5 Minimization of Costs – All attempts shall be made to minimize the costs of financial transactions related to implementing investment strategies; for example US government treasury direct.

VII. Investment Guidelines

7.1 Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio.

7.2 To ascertain liquidity of the portfolio, cash flows, actual and projects, should be reviewed at least quarterly.

VII. Ethics and Conflicts of Interest

8.1 Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of their entity.

IX. Allowable Investments

9.1 Interest-bearing accounts, certificates of deposit or interest-bearing time deposits at commercial banks and insured by the Federal Deposit Insurance Corporation.

9.2 Money market mutual funds.

9.3 Notes, bonds, treasury bills or other securities, which are guaranteed by the full faith and credit of the United States of America.

9.4 Short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding \$500,000,000 if such obligations are rated at the time of purchase within the three (3) highest classifications established by at least two (2) standard rating services, and which mature not later than 180 days from the date of purchase; and such purchases do not exceed 10% of the corporation's outstanding obligations.

X. Gifts of Stock

10.1 When the Library receives gifts of stock certificates, the Fiscal Officer will turn the stock over to the local security firm of choice within 2 working days so that Library becomes the owner of record.

XI. Collateral Requirements

11.1 All deposits in excess of FDIC limits shall be collateralized.

11.2 Collateral instruments shall be negotiable obligations of the US Treasury or any agency or instrumentality of the United States government.

11.3 Collateral instruments shall have a market value of at least 100% or greater of the applicable deposit balance.

11.4 The collateral shall be held in the Library's name by a third party institution satisfactory to the Fiscal Officer.

11.4.1 Safekeeping will be documented by an approved written agreement.

XII. Diversification

12.1 The investment portfolio of the Library shall not exceed the following diversification limits unless specifically authorized by the Board:

12.1.1 No financial institution shall have on deposit more than 40% of the Library's investment portfolio, exclusive of US Treasury securities in safekeeping.

12.1.2 Monies deposited at a financial institution shall not exceed 10% of the capital stock and surplus of that institution.

12.1.3 Deposits in any Government Investment Pool shall not exceed 75% of the Library's investment portfolio.

XIII. Maturity Guidelines

13.1 As is reasonably prudent, the Fiscal Officer will attempt to match deposits/investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions. No bond, bond mutual fund, or regular money market fund investment shall have a maturity date, or average maturity date, of more than five (5) years from its date of purchase, unless the investment is matched to a specific obligation or debt of the Library. Individually purchased bonds and obligations shall not carry any provision for call before maturity. Any investment made must be entered into with a reasonable expectation to be held to maturity unless defined opportunities exist to better achieve the deposit/investment objectives denoted in this Investment Policy.

XIV. Reporting

14.1 The Fiscal Officer shall prepare an investment report at least semi-annually, including a succinct management summary that provides a clear picture of the status of the current investment portfolio. This summary will include the following:

14.1.1 A list of individual investments held at the end of the reporting period, including book value and current market value of investments.

14.1.2 Average weighted yield to maturity of portfolio on investments as compared to the benchmark.

14.1.3 Listing of investments by maturity date.

14.1.4 Percentage of the total portfolio that each type of investment represents.

14.1.5 Percentage of the total portfolio that each institution is holding.

14.1.6 Percentage of the total portfolio broken down by maturity periods.

XV. Adoption

15.1 This Investment Policy shall be adopted by resolution of the Library's Board of Trustees.

15.2 The approved Investment Policy must be filed with all entities conducting investment business for or on behalf of the investing authority.

15.3 All brokers, dealers and financial institutions initiating transactions with the Fiscal Officer by giving advice or making investment policy, thereby acknowledge their agreement to abide by the Policy's content.

~Approved by the Board of Trustees March 13, 2008