



Investment

Last modified **OCTOBER 18 2023**

It is the policy of the Rowan County Public Library (“the Library”) to invest funds in a manner which provides the highest returns with maximum security of principle while meeting the Library’s daily cashflow demands and conforming to all applicable statutes and the Library’s own regulations governing the investment of funds.

SCOPE

This policy applies to all financial assets held directly by the Library. Such assets are accounted for in the Library’s annual financial report and include all monies in investment fund accounts.

Investment Objectives

The Library’s primary investment objectives, in order of priority, are as follows:

- 1. Safety:** Safety of principle is the foremost objective of the Library’s investment program. Investments shall be undertaken in a manner which seeks to ensure the preservation of capital in the overall portfolio.
- 2. Liquidity:** The Library’s investment portfolio shall remain sufficiently liquid to enable the Library to meet all operating requirements which might reasonably be anticipated.
- 3. Return on Investment:** The Library’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, with consideration for the Library’s investment risk constraints and the cashflow characteristics of the portfolio.

INVESTMENT AUTHORITY

Management responsibility for the investment portfolio may be delegated by the Library Board of Trustees to a designated officer or agent of the Library, generally the Executive Director or Board Treasurer. Any such officer shall have the authority to establish additional specific written procedures for the operation of the Library’s investment program, which must be consistent with and appended to this policy. Such procedures shall include explicit delegation of authority, if any,



Investment

Last modified **OCTOBER 18 2023**

to persons responsible for investment transactions. No person may engage in an investment transaction except as provided for by the terms of this policy and all appended procedures, if any.

A designated officer shall be ultimately responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of any subordinate officials, agents, or employees. These controls shall be designed to prevent and control losses of funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by officers, agents, and employees. Any designated officer(s) shall likewise maintain all records related to the Library's investment program, and furnish a monthly investment report to the Board for approval.

Under the statutory requirements of KRS 173.360(2), 173.540(5), and 173.755(5), the Board Treasurer shall be bonded in the amount of \$400,000.00USD. Furthermore, as a function of this policy, the Library requires that the Executive Director and Treasurer be likewise bonded in the amount of \$400,000.00USD each.

Prudent Person Rule

The actions of a designated officer in the performance of their duties as manager of the Library's funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care like that 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.

Authorized Investments

The funds of the Library available for investment shall be invested in accordance with this policy, with all applicable statutes, laws, and regulations, and only in the following types of investment instruments.

- Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.



Investment

Last modified **OCTOBER 18 2023**

- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of a United States governmental agency, and/or obligations of any corporation of the United States government as per KRS 41.240.
- Certificates of deposit insured by, or other interest-bearing accounts of, any bank or savings and loan institution which is insured by the Federal Deposit Insurance Corporation (FDIC) or a similar entity, or which is collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4).
- Shares of mutual funds and money markets, each of which must have the following characteristics:
 - Mutual funds shall be an open-ended, diversified investment company registered under the Federal Investment Company Act of 1940, as amended; and
 - any management entity of such an investment company shall have been in operation for at least five (5) years; and
 - all securities in the mutual fund shall be investments characterized as eligible under this section of this policy.

Limitation on Investment Transactions

With regard to investments authorized in this section, the following limitation shall apply: That no investments shall be purchases for the Library on a margin basis or through the use of any similar leveraging technique.

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 to closing investments prior to maturity because of unanticipated cashflow needs. Diversification of the Library's investment portfolio by type of investment instrument and term to maturity is the primary method to minimize investment risk.

To the extent possible, the Library will attempt to match its investments with anticipated cashflow requirements. Unless matched to a specific cashflow need, the Library's funds should not, in general, be invested in securities maturing more than one (1) year from the date of purchase. However, the Library may collateralize its repurchase agreements using longer-dated investments



Investment

Last modified OCTOBER 18 2023

not to exceed 30 years, if maturities of the investments are made to coincide as nearly as is practical with the expected use of the funds.

Reserve funds, defined by the Library's reserve funds policy, may be invested in securities exceeding one (1) year if maturities of the investments are made to coincide as nearly as is practical with the expected use of the funds.

Authorized Financial Dealers and Institutions

The Board shall maintain a list of financial institutions authorized to provide investment services to the Library. All financial institutions that desire to provide investment services to the Library must supply the Board with information sufficient to adequately evaluate the institution and to answer any and all inquiries posed by the Board, including the following:

- Audited financial statements; and
- regulatory reports on financial condition; and
- a written memorandum of agreement for the deposit of public funds and/or trading resolution, as appropriate; and
- any additional information considered necessary for the Board to evaluate the creditworthiness of the institution

No financial institution shall be selected as a depository of Library funds if the Library funds on deposit at any time will exceed 10% of that institution's capital surplus and stock.

The Board shall evaluate the financial capacity and creditworthiness of financial institutions prior to the placement of Library funds, and shall conduct an annual review of the financial condition and registrations of financial institutions. Pursuant to such a review, the Board shall make any recommendations regarding changes to the Library's investment policy and/or program, as such are determined to be necessary.

Safekeeping and Custody

To protect against potential fraud and embezzlement, investment assets shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Any officer, agent, or employee of the Library authorized to engage in



Investment

Last modified OCTOBER 18 2023

investment transactions shall be bonded in an amount established by the Board. Collateralized securities, such as repurchase agreements, shall be purchased using the “delivery versus payment” procedure. The safekeeping procedures utilized in the Library’s investment program shall be reviewed by an independent auditor in accordance with KRS 65.065.

Collateral

It is the policy of the Library to require that all cash and investments be collateralized when they are maintained in any financial institution named as a depository and are in excess of the amount insured by the FDIC. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 100% of the market value of principal, plus accrued interest.

Collateral shall be limited to the types of instruments authorized as collateral for state funds under KRS 41.240. Collateral shall always be held by an independent third-party custodian with whom the Library has a current and active custodial agreement. A clearly-marked evidence of ownership (such as a safekeeping receipt) must be supplied to the Library and retained by the Board.

Investment Reporting

The designated officer(s) shall prepare and submit to the Board a monthly report regarding the status of the Library’s investment program. For each investment, this report shall include the following:

- The name of the financial institution from which the investment was purchased or in which assets are deposited; and
- the type of investment; and
- the investment’s certificate or other reference number, if applicable; and
- the investment’s percentage yield on an annualized basis; and
- the investment’s purchase price and maturity date; and
- the current market value of the investment.



Investment

Last modified **OCTOBER 18 2023**

Furthermore, such a report shall explain the month's total investment return and compare the return with applicable budgetary expectations.

Audit

In connection with any audit of Library funds conducted by an independent, certified public accountant, the auditor shall conduct a review of the Library's investment program, including internal controls and procedures. The results of such a review, including any and all recommended changes, shall be included in the Library's audit.

INVESTMENT POLICY ADOPTION, REVISION, AND AMENDMENT

This policy is adopted by order of the Board and is effective as of the date set forth herein. This policy shall be reviewed annually and revised as appropriate. Any amendments to this policy must be made by order of the Board, and a history of revisions shall be retained by the Board alongside this policy in the form of copies of each prior version so revised and/or amended, for comparison to any current version.

At maturity or liquidation, any monies previously invested, if reinvested, shall be invested only in accordance with this policy. The Board may act over a reasonable period of time to adjust the Library's existing portfolio in accordance with the provisions of this policy to avoid the premature liquidation of any current investment(s).

Think. Connect. Library.