

Dolores Library District Board of Trustees

Investment Policy

Scope

This policy applies to the investment activities of the Dolores Library District (District) regarding the eligible portions of the District's fund balance and excluding any funds required for operations.

Objectives

Funds of the District will be invested in accordance with this policy and Colorado Revised Statutes (C.R.S. § 24-75-601-709 Funds—Legal Investments of Public Funds;

C.R.S. § 11-57-205 Public Securities—Delegation of Authority; and C.R.S. § 15-1-301 Fiduciary Investments). Investments shall be based on statutory constraints.

The District's investment portfolio shall be managed in a manner to attain a reasonable rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio. The primary investment criteria in priority sequence are safety, liquidity, and yield. Investment maturity terms must be selected and planned to ensure availability of funds for budgeted expenses.

Delegation of Authority

The District's Board of Trustees are responsible for necessary changes to the investment policy and adherence to the policy and regulations. A standing Finance Committee shall be formed and will be composed of the Library Director and those board trustees assigned by the Board President. The Finance Committee is authorized to research and recommend investments in accordance with the District's investment policy. The Finance Committee shall make recommendations to the Board with the rationale for the investment(s). The Board shall then vote to approve or reject the investment recommendation.

Prudence

The standard of prudence to be applied to the Dolores Library District Board of Trustees shall be the Colorado Uniform Prudent Investor Act (C.R.S. § 15-1.1-101-115). Under Section 101:

a) Except as otherwise provided in subsection (b) of this section, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in this article.

(b) The prudent investor rule, a default rule, may be expanded, restricted, eliminated, or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provisions of the trust.

Specifically, under Section 102:

(a) A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements, and other circumstances of the trust, and with the requirements of this article.

Additionally, the standard of prudence that applies to local government investment pool trust fund moneys as found in C.R.S. § 24-75-705 states the following:

(1) The board of trustees of any local government investment pool trust fund moneys authorized by this section shall invest in compliance with the requirements of this section and with that degree of judgment and care, under the 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 and need for liquidity as well as the probable income to be derived.

(2) The board shall exercise the functions over which such board has substantial discretion solely in the interest of the participating local governments and for the exclusive purpose of providing earnings and defraying expenses incurred in administering the trust fund. The board shall act in accordance with the provisions of this part 7 and with the care, skill, and due diligence in light of the circumstances then prevailing that a person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

(3) It is unlawful for a member of the board to engage in any activities which might result in a conflict of interest with such member's functions as a fiduciary of the trust fund.

The Finance Committee, acting in accordance with this policy and exercising due diligence, shall not be held personally responsible for specific investment transactions, a security's credit risk, or market price changes.

Safety and Liquidity of Funds

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.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. To ensure that adequate funds are available to pay the District's projected financial obligations, investments will be purchased, or deposits made, that reasonably match the anticipated cash disbursements of the District.

Portfolio Management and Monitoring

All investments will be made in accordance with Colorado Revised Statutes, which include the following: 1) § 30-10-708 Deposit of Funds in Banks and Savings and Loan Associations; 2) § 11-10.5-101-112 Public Deposit Protection Act (PDPA); 3) § 24-75-601.1 Funds—Legal Investments of

Public Funds; 4) § 24-75-603 Depositories; and 5) § 24-75-702 Local Governments—Authority to Pool Surplus Funds. Any revisions or extensions of these sections of the statutes will be part of this policy immediately upon the effective date following enactment.

Short-term investment maturities for all funds shall be scheduled to coincide with projected cash flow needs. No long-term investment shall exceed five years without the approval of the District's Board of Trustees (C.R.S. § 24-75-601.1).

The Finance Committee shall organize, control, and make recommendations relating to cash flow needs and investment opportunities for Board approval. When entering into any fixed-term investment, the Finance Committee shall select investments with maturity terms consistent with the District's future cash flow requirements. Instruments should be selected that provide the greatest value within the maturity required and within the parameters of this policy. In addition, the Finance Committee shall conduct a due diligence review of the condition and the regulatory history of each financial institution, including state pools, prior to investing.

The contents of the investment portfolio shall be reviewed by the Finance Committee quarterly or as required. The Board shall receive reports bi-annually or as required. The report shall consist of the ratings of investments, yield, benchmark comparisons, and narratives. Other internal controls may be adopted by the District's Board of Trustees to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

The Finance Committee may seek the advice of knowledgeable citizen(s) to act as advisor(s). These advisor(s) shall have no power to modify these investment policies or make any decision delegated to the Finance Committee under these policies.

Portfolio Diversification

All investments will be considered either short-term (less than one year) or long-term (one to five years). Investments should be chosen by the Finance Committee to meet the objectives for cash flows set forth in Board-approved strategic plans and budgets.

The Finance Committee may diversify investments using multiple investment vehicles so that, whenever possible, the total portfolio is well diversified.

Safekeeping and Collateralization

All fixed term investment securities purchased under this policy shall be held in third party safekeeping by a custodial institution (Custodian) eligible under C.R.S. § 11-10.5-106. The Custodian shall issue a legal document listing all public funds received from the District. This document shall list the specific instrument, rate, maturity and other relevant information.

Deposit-type securities, such as certificates of deposit, shall be collateralized as required by PDPA for any amount exceeding Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) coverage. Money market instruments such as US Securities and Exchange Commission (SEC) registered money market mutual funds qualified under C.R.S. § 24-75-601.1 and state pools under C.R.S. § 24-75-701 shall be collateralized as required by law. The Library Director shall be responsible for the collection and safekeeping of all receipts of acquired

investment purchases, statements, and other legal documentation received from the custodial institution(s).

Qualified Depositories and Financial Institutions

The District shall work from the eligible list of banking institutions approved by the State of Colorado as depositories for its public funds which are qualified under C.R.S. § 24-75-603, are federally insured, and which collateralize deposits according to the Public Deposit Protection Act (C.R.S. § 11-10.5-106).

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