

# INVESTMENT

## I. Policy

It is the policy of Cass County to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the County and conforming to all State Statutes and local ordinances governing the investment of public funds.

## II. Scope

This investment policy applies to all financial assets of Cass County held by the County Treasurer. These assets are accounted for in Cass County's annual financial report and shall include any new fund created by the Board of Commissioners, unless specifically exempted by the Board of Commissioners.

This investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

## III. Investment Objectives

The following investment objectives, in priority order, will be applied in the management of the County's funds:

### Safety

The primary objective of Cass County's investment activities is the preservation of capital in the overall portfolio and the protection of the principal investment.

The authorized investment staff will employ mechanisms to control risks and diversify investments regarding specific security types or individual financial institutions.

### Liquidity

The investment portfolio will remain sufficiently liquid to enable Cass County to meet operating requirements which might be reasonably anticipated.

### Return on Investment

Subject to the foregoing constraints, Cass County will strive to maximize the return on the portfolio and to preserve the purchasing power but will avoid assuming unreasonable investment risk. To attain this objective, diversification is required.

### Diversification

The County Treasurer shall diversify his/her investments by security type and institution. Except for U.S. Treasury securities and authorized pools, no more than 40% of the total investment portfolio will be invested in a single financial institution.

The objective of the investment portfolio shall be designed to regularly exceed the average return of three-month U.S. Treasury Bills, institutional investment pools, and/or money market funds. The investment program shall seek to augment returns above this benchmark, consistent with risk limitations identified herein and prudent investment principles.

## IV. Prudence

In managing its investment portfolio, Cass County officials shall avoid any transaction that might impair public confidence. 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 probable income to be derived.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the overall portfolio. Investment officers of Cass County, acting in accordance with State Statute, this Investment Policy, written procedures that may be established, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

## **V. Delegation of Authority**

Authority to manage Cass County's investment program is delegated to the County Treasurer as required by State Statute.

Daily management responsibility for the investment program is hereby delegated to the Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under terms of this Policy and procedures established by the Treasurer. Such procedures should also include reference to safekeeping, (PSA) repurchase agreements, wire transfer agreements, collateral or depository agreements and banking service contracts. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## **VI. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity which could conflict with proper execution of the investment program, or which could impair, or create the appearance of an impairment on, their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Chairman of the Board of Commissioners (Chief Executive Officer) any material financial interests in financial institutions that conduct business with the unit, and they shall further disclose any large personal financial investment positions that could be related to the performance of Cass County's portfolio. Employees and officers shall subordinate their personal investment transactions to those of Cass County, particularly about the time of purchases and sales.

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

The Treasurer will maintain a list of financial institutions, which have been authorized by the Board of Commissioners on an annual basis, to provide investment and depository services (Appendix A). In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness, who maintain an office in the State of Michigan or who are "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State Law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with the following: audited financial statements for the most recent fiscal year; certification of having read Cass County's Investment Policy and the pertinent State Statutes (Appendix B); proof of National Association of Security Dealers certification; and proof of State registration, where applicable.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer. Information indicating a loss or prospective loss of capital on existing investments must be shared with the Chairperson of the Board of Commissioners and the County Administrator immediately upon notification.

## **VIII. Authorized and Suitable Investments**

Cass County is empowered by State Statute (1943 Public Act 20 as amended, M.C.L. 129.91) to invest in all permitted specific securities as listed and amended in M.C.L. 129.91, Section 1 (1).

## **IX. Cash Management**

Cass County's Policy regarding cash management is based upon the principle that there is a time-value to money. Temporarily idle cash may be invested for various lengths of time depending upon when the money is needed. The maturity period may be for as little as one day or for several years. The Treasurer's Office will communicate with the Finance Officer to determine cash flow requirements.

**Receipts:** All monies due Cass County shall be collected as promptly as possible.

Monies that are received shall be deposited in an approved financial institution no later than the next business day after receipt by Cass County. (Amounts received after 3:00 p.m. will be included with transactions for the following day). Amounts that remain uncollected after a reasonable length shall be subject to any available legal means of collection.

**Cash Forecast:** A cash forecast shall be prepared by the Treasurer using expected revenue sources and items of expenditure to project cash requirements over the fiscal year. The forecast shall be updated from time to time to identify the probable investable balances that will be available.

**Pooling of Cash:** Except for cash in certain restricted and special accounts, the investment officer may pool cash of various funds to maximize investment earnings.

Investment income shall be allocated to the various funds according to Statute.

## **X. Accounting**

Cass County maintains its records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of Cass County in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board.

On an annual basis Cass County will have an audit performed by an independent accounting firm which includes a review, on a test basis, of all accounts of the County including investment transactions and balances.

## **XI. Investment Performance and Reporting**

The Treasurer shall submit a monthly investment report to the Board of Commissioners and County Administrator that provides the principal and type of investment by fund and the annualized interest rate.

Performance of the portfolio shall be reported periodically and submitted at least quarterly to the Board of Commissioners. These reports shall be prepared in a manner which will allow the Board of Commissioners to ascertain whether investment activities during the reporting period have conformed to the investment policy.

## **XII. Safekeeping and Custody**

All securities purchased by Cass County under this section shall be properly designated as an asset of the proper fund and held in safekeeping by a third-party custodial bank or other third-party custodial institution, chartered by the United States government or the State of Michigan, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the Treasurer as authorized herein, or by his/her respective designees.

Cass County will execute third-party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements will include letters of authority from Cass County, details as to responsibilities of each party, notification of security purchases, sales, delivery, repurchase agreements and wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps including liability of each party.

Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

### **XIII. Internal Controls**

The Treasurer shall establish a system of internal controls, documented in writing, which is designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third-parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County. Required elements of the system of internal controls shall include:

1.) the timely reconciliation of all bank accounts (i.e., monthly reconciliation within 15 days of the end of the monthly cycle) and,  
2.) details of delivery versus payment procedures and trust receipts documentation. Internal controls will also encompass at a minimum these additional issues:

- o Transfers of all funds (purchases, sales, etc.)
- o Separation of functions including transaction authority and accounting and record-keeping
- o Custodial safekeeping
- o Delegation of authority to subordinate staff members
- o Written confirmation of telephone transactions
- o Supervisory control of employee actions
- o Specific guidelines regarding securities losses and remedial action(s)
- o Identification and minimization of the number of authorized investment officials
- o Documentation of decisions made by the Treasurer and of transactions by investment officials

### **XIV. Investment Policy Adoption**

Cass County's investment policy, as amended, shall be adopted by resolution of the Board of Commissioners.

**Amended 09/13/01**  
**Amended 06/17/04**  
**Amended 04/04/20**

**Amended 04/28/04**  
**Amended 03/06/08**

**Amended 05/20/04**  
**Amended 04/17/08**