

Appendix A

MONROE COUNTY INVESTMENT POLICY

ARTICLE I  
**INTENT AND PURPOSE**

The intent and purposes of this Policy are:

1. To formulate a written County Policy for making investment decisions; and
2. Formally re-designate the Monroe County Treasurer as the Investment Officer; and
3. To define the approved types of investments and maturities the County Board of Commissioners desires to authorize the Treasurer to invest in; and
4. To communicate with brokers, dealers, bond rating agencies, investors, general public and others, the County Policy with respect to investments.

ARTICLE II  
**SCOPE**

The Investment Policy applies to Monroe County's general investments and not Retirement Fund or Employee Benefit Funds assets.

ARTICLE III  
**PRUDENCE STANDARDS**

Investments shall be made by the County Treasurer based on his/her best judgment under circumstances then prevailing, which persons of prudence, discretion and intelligence exercised in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the principal, as well as, liquidity and probable income to be derived from the respective investments.

The standard of prudence to be used by investment officials shall be the prudent person standard and shall be applied in the context of managing an overall portfolio. The Treasurer shall act in accordance with written procedures and this investment policy, and exercise due diligence, and shall be relieved of personal responsibility for an individual security risk or market price changes.

ARTICLE IV  
**OBJECTIVES**

The primary objectives of this Policy, in compliance with Act 20 of Public Act of 1943, as amended by PA 196 of 1997, in priority order, of the County's investment activities shall be:

**SAFETY:** Safety of principal is the foremost objective of the investment program. Investments undertaken on behalf of the County must seek to ensure the preservation of principal in the overall portfolio after consideration of credit worthiness of the specific security.

**DIVERSIFICATION:** The investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**LIQUIDITY:** Investment maturities should be matched to the cash needs of the County allowing for sufficient cash assets in order to enable the County to meet all cash operating requirements, which might be reasonably anticipated. The County will strive to invest daily all of its available cash.

**MARKET RATE OF RETURN:** Investments should yield a rate of return commensurate with a recognized level of risk for like investments. The County's investment portfolio shall be designed with the specific objective of attaining a market rate of return through the various economic cycles taking into account the County's investment risk, legal constraints on investments, County policy constraints on investments and cash flow requirements.

## ARTICLE V DELEGATION OF AUTHORITY TO INVEST

The authority to manage the County's investment program is derived from the following:

1. The State of Michigan, Act No. 20 of the Michigan Public Acts of 1943, 1<sup>st</sup> Extra Session, as amended PA 196 of 1997.
2. This Resolution dated July 7, 1998 designating the Monroe County Treasurer as the County Investment Officer, or, in his absence, the Deputy County Treasurer.

Management responsibility for the overall investment program is hereby delegated exclusively to the County Treasurer, or, in his absence, the Deputy County Treasurer. The County Treasurer shall be responsible for carrying out the banking investment policies of the County.

The Treasurer shall maintain a listing of the Depositories, Custodians, Securities Dealers and financial institutions from which it may acquire Authorized Investments.

On or before the twenty-fifth day of each month, the Treasurer shall prepare a summary of the investment portfolio held at the end of the prior calendar month. Copies of this report shall be delivered to the Board of Commissioners. This report shall include the amount of each Authorized Investment, security type, name of issuer, maturity, portfolio yield and custodian of the Authorized Investment.

ARTICLE VI  
**AUTHORIZED INVESTMENTS**

The Treasurer is authorized to invest in the following types of securities authorized by Public Act 20, of 1943, as amended by Public Act 196 of 1997.

1. Bonds, securities and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
3. Commercial paper rated at the time of purchase at the highest classification (except for GMAC) established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments in Number 1 above.
5. Bankers' acceptances of United States banks.
6. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
7. Obligations described in Numbers 1 through 6 above, if purchased through an interlocal agreement under the Urban Cooperation Act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
8. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
9. Investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

ARTICLE VII  
**SAFEKEEPING AND CUSTODY**

It shall be the responsibility of the County Treasurer to determine which securities will be held by a third party custodian. Securities held in safekeeping by a third party custodian shall be evidenced by a safekeeping receipt.

ARTICLE VIII  
**REPORTING**

The County Treasurer shall provide at least a quarterly investment report to the Board of

Commissioners showing in summary form security type, average maturity, portfolio yield and other information necessary to ascertain whether investments activities during the reporting period have conformed to this Policy.

## ARTICLE IX INVESTMENT AND BANKING OBJECTIVES

As funds become available from time to time for deposit or investment, the Treasurer shall determine, consistent with the objectives of this Policy and other applicable Board resolutions, whether such funds shall be deposited in Demand Deposits or deposited or invested in Authorized Investments to be made or acquired.

The Treasurer shall seek to obtain quotations for the purpose of selecting each Authorized Investment.

The Treasurer shall, whenever possible, accept the quotation providing the County with the greatest return on its investment. However, the Treasurer's foremost responsibility is to comply with the Article IV objectives of safety, liquidity and diversification and market rate of return requirements set forth in this Policy.

## ARTICLE X ETHICS AND CONFLICTS OF INTEREST

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/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 whom business is conducted on behalf of the County of Monroe.

Banking institutions, who provide banking or investment services to the County, are prohibited from providing gratuities, gifts, or other monetary incentives with a value exceeding fifteen dollars, to any elected or appointed County Official, or member of the family or office staff of any elected or appointed County Official as an incentive to induce County Officials to provide business to their institution. Any Banking institution found to be in violation of this policy will be subject to termination of their banking relations with the County of Monroe.

## APPENDIX B

### DEFINITIONS

Description of Investments which comply with the requirements of Public Act 20 of 1943, as amended (MCL 129.91).

**US Treasury Bills:** Obligations of the United States Government sold at a discount from par with a specific maturity date up to a maximum maturity of one year. Available in minimum denominations of \$10,000 and increments of \$5,000 thereafter, interest is discounted and calculated using actual number of days on a 360-day year.

**US Treasury Notes:** Obligations of the United States Government bearing interest payable at six month intervals until maturity. Maturities are from one to ten years. Denominations, after a minimum of \$5,000 are in \$1,000 multiples.

**US Treasury Bonds:** Similar to notes except original maturities are ten years and longer. Interest is generally payable on February and August 15th or May and November 15th, comparable to US Treasury Notes.

**US Treasury Strips:** Separate Trading of Registered Interest and Principal of Securities.

**TINTS:** Treasury Interest Securities

**PRINS or STRIP Ps:** Treasury Principal Securities

**CUBES:** Coupons Under Book Entry System

**US Government Agency Obligations:** Obligations issued by various independent federal agencies which are separate corporate entities and which are not direct obligations of the United States Government.

**Certificate Of Deposit (CD):** Is a receipt of funds deposited in a financial institution for a specified period at a specified rate of interest. A negotiable receipt may be in bearer or registered form and can be traded in the secondary market. A non-negotiable receipt is always registered and has no secondary market. Denominations can be any agreed amount, and interest is normally calculated using actual number of days on a 360-day year. However, each financial institution's calculations vary, and the investor should ask to avoid misunderstanding.

**Savings Deposit Receipt:** A non-negotiable receipt evidencing a deposit with interest to be paid at a stated rate. Maturity may be fixed, but normally is subject to presentation by the depositor for payment. The amounts may be small or large but Federal Regulations will regulate the interest rate to be paid. This instrument is somewhat outdated due to popularity of regular passbook and statement savings accounts with daily interest.

**Savings Accounts:** A deposit evidenced by a passbook or monthly statement. Entries are made for each deposit and withdrawal and interest is paid in accordance with the policy of the financial institution. It is often used to accumulate small amounts of funds until a larger, higher yielding investment can be made.

**Commercial Paper:** Short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash.

**Repurchase Agreement:** Is not a security but a contractual arrangement between a financial institution or dealer and an investor. The agreement normally can run for one to thirty days, but some can go longer. The investor puts up his funds for a certain number of days at a stated yield. In return, he takes title to a given block of securities as collateral. At maturity, the securities are returned and the funds repaid plus interest. Usual amounts are \$500,000 or more, but some repurchase agreements can be smaller. Interest is calculated the same as certificates of deposit. Extreme caution should be exercised to obtain an undivided interest in the securities under repurchase agreement. Furthermore, if the securities are held for you in safekeeping, they should be held in a customer-segregated safekeeping account, preferably by a third party. The securities under repurchase agreement should also be “Marked-to-Market” meaning that the value of the securities should be maintained during the entire life of the agreement at levels equal to or greater than the amount advanced for the agreement.

**Banker’s Acceptance:** A negotiable time draft or Bill of Exchange drawn on and accepted by a commercial bank. Acceptance of the draft irrevocably obligates the bank to pay the bearer the face amount of the draft at maturity. Banker’s acceptances are usually created to finance the import and export of goods, the shipment of goods within the United States and the storage of readily marketable staple commodities. Banker’s acceptances are sold at a discount from par similar to US Treasury Bills, and, since an acceptance is tied to a specific loan transaction, the amount and maturity of the acceptance are fixed.

**Investment Pools:** Those investment pools organized under the authority of the Urban Cooperation Act of 1967, (Ex Sess) PA 7 (MCL 124.501 to 124.512), the Surplus Funds Investment Pool Act, 1982 PA 367 (129.111 to 129.118) and the local government Investment Pool Act, 1985, PA 121, (MCL 129.141 to 129.150). Those pools are managed by contractual agreement contained in the interlocal agreement, banks and the County Treasurer, respectively. All of the pools are limited to investments described in section 1 (1) (a) through (g).

**ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY  
AND AGREEMENT TO COMPLY**

I have read and fully understand Act 20 of PA 1943, as amended, and the Investment Policy of the County of Monroe.

Any investment advice or recommendation on investments given by \_\_\_\_\_, representing \_\_\_\_\_ to the Monroe County Treasurer shall comply with the requirements of Act 20 of PA 1943, as amended, and the investment policy of the County of Monroe. Any existing investment not conforming with the statute or the policy will be disclosed promptly to the Monroe County Treasurer.