

INVESTMENT POLICY

Adopted 7/13/04

1. PURPOSE

The intent and purpose of this Policy is to:

- 1.1 Formulate a written County Policy for making investment decisions in compliance with State law;
- 1.2 Formally re-designate the Tuscola County Treasurer as the County's authorized Investment Officer;
- 1.3 Define the approved types of investments and maturities the County Board of Commissioners desires to authorize the County Treasurer to invest in;
- 1.4 Communicate with Brokers, Dealers, Bond Rating Agencies, Investors, the General Public and others; the County Policy with respect to investments.

This investment policy applies to Tuscola County's general investments managed by the County Treasurer. This policy does not apply to assets held in Retirement Funds or Employee Benefit Fund. The Tuscola County Treasurer is responsible for the implementation of this policy.

2. POLICY

- 2.1 DEFINITIONS: Description of Investments which comply with the requirements of Public Act 20 of 1943, as amended (MCL 129.91) include:
 - 2.1.1 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 in a 360-day year.
 - 2.1.2 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.
 - 2.1.3 US Treasury Bonds – Similar to notes except original maturities

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are ten years and longer. Interest is generally payable on February and August 15 or May and November 15, comparable to US Treasury Notes.

- 2.1.4 US Treasury Strips – Separate Trading of Registered Interest and Principal of Securities
- 2.1.5 TINTS – Treasury Interest Securities
- 2.1.6 PRINS or STRIP Ps – Treasury Principal Securities
- 2.1.7 CUBES – Coupons Under Book Entry System
- 2.1.8 US Government Agency Obligations – Obligations issued by various independent federal agencies which are separate corporate entities and that are not direct obligations of the United States Government.
- 2.1.9 Certificate of Deposit – CD – 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.
- 2.1.10 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.
- 2.1.11 Savings Account – 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.
- 2.1.12 Commercial Paper – Short-term, unsecured debt obligation

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issued by a bank holding company, finance company, utility or industrial company to raise short-term cash.

- 2.1.13 Repurchase Agreement – 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.
 - 2.1.13.1 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.
 - 2.1.13.2 The securities under repurchase agreement should also be “Market-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.
- 2.1.14 Bankers’ 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. Bankers’ 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 stable commodities. Bankers’ 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.
- 2.1.15 Investment Pools – Those investment pools organized under the authority of the Urban Cooperation Act of 1967, 1967 (ExSess) 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

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agreement contained in the inter-local agreement, banks and the County Treasurer, respectively. All of the pools are limited to investments described in section 1 (1) (a) through (g) of Public Act 20 of 1963 as amended.

2.2 Prudence Standards

- 2.2.1 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.
- 2.2.2 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 County Treasurer shall act in accordance with written procedures and this Investment Policy, exercise due diligence and shall be relieved of personal responsibility for an individual security risk or market price changes.

2.3 Objectives

- 2.3.1 The primary objectives of this Policy, in compliance with Act 20 of Public Act of 1943, as amended by P.A. 196 of 1997, in priority order, of the County’s investment activities shall be:
 - 2.3.1.1 **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.
 - 2.3.1.2 **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.
 - 2.3.1.3 **Liquidity:** Investment maturities should be matched to the cash needs of the County allowing for sufficient liquid assets in order to enable the County to meet all cash

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operating requirements, which might be reasonably anticipated. The County will strive to invest daily all of its available cash.

2.3.1.4 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 investment risk, legal constraints on investments, County policy constraints on investments and cash flow requirements.

2.4 Delegation of Authority to Invest

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

2.4.1.1 The State of Michigan, Act No. 20 of the Michigan Public Acts of 1943, 1st Extra Session, as amended by Public Act 196 of 1997.

2.4.1.2 This Resolution designating the Tuscola County Treasurer as the County Investment Officer, or in his/her absence, the Deputy County Treasurer.

2.4.2 Management responsibility for the overall investment program is hereby delegated exclusively to the County Treasurer, or in his absence, the Deputy County Treasurer.

2.5 Authorizes Investments

2.5.1 The County 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.

2.5.1.1 Bonds, securities and other obligations of the United States or any agency or instrumentality of the United States.

2.5.1.2 Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.

2.5.1.3 Commercial paper rated at the time of purchase at the

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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.

- 2.5.1.4 Repurchase agreements consisting of instruments in Section 6.4.1.1 above.
- 2.5.1.5 Bankers' acceptances of United States banks.
- 2.5.1.6 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.
- 2.5.1.7 Obligations described in Sections 6.4.1.1 through 6.4.1.6 above, if purchased through an inter-local agreement under the Urban Cooperation Act of 1967. 1967 (ExSess) PA 7, MCL 124.501 to 124.512.
- 2.5.1.8 Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- 2.5.1.9 Investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- 2.5.1.10 Mutual Funds registered under Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-3 and 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. The Mutual Fund must be limited to securities whose intention is to maintain a net asset value of \$1 per share. Only the interest rate will differ from day to day.

2.6 Safekeeping and Custody

- 2.6.1 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.

2.7 Reporting

- 2.7.1 The County Treasurer shall provide at least a yearly investment report to the Board of Commissioners showing in summary form security type, average maturity, portfolio yield and

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other information necessary to ascertain whether investment activities during the reporting period have conformed to this Policy.

2.8 Investment and Banking Objectives

- 2.8.1 As funds become available from time to time for deposit or investment, the County 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.
- 2.8.2 The County Treasurer shall seek to obtain quotations for the purpose of selecting each authorized investment.
- 2.8.3 The County Treasurer shall, whenever possible, accept the quotation providing the County with the greatest return on its investment.