

POLICY NO. 95

BOARD OF COUNTY ROAD COMMISSIONERS
OF THE
COUNTY OF ST. CLAIR

SUBJECT: Establishment of Investment Policy

Adopted by the Board of County Road Commissioners August 21, 2007.

I. Intent and Purpose:

In so much as the Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintains the cash of the Road Commission, the intent and purposes of this policy are:

- a) To structure the Road Commission's investment policy to be equivalent to the County Investment Policy.
- b) To determine the scope of this policy.
- c) To note the objectives of this policy.

II. Scope:

This investment policy applies to all financial assets of the Road Commission. These assets are accounted for in the various funds of the Road Commission and include the general fund, debt service funds, and any other funds established by the Road Commission through the County Treasurer.

III. Objectives

Funds of the Road Commission will be invested in accordance with the Michigan Public Act 20 of the Public Acts of 1943, as amended, and in accordance with the following objectives, in order of priority:

- a) Safety – Safety of principle is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio, after consideration of credit worthiness of the specific security.
- b) Diversification & Maturities – The investments shall be diversified by maturity dates, individual financial institutions, and/or security type so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- c) Liquidity – The investment portfolio shall remain sufficiently liquid to meet cash requirements that may be reasonably anticipated.

- d) Return on Investment – Investments should yield a rate of return commensurate with the recognized level of risk for like investments. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

IV. Standards of Care

- a) Authority to Invest – Management responsibility for the investment program is hereby delegated to the County Treasurer, or in his/her absence, the Deputy County Treasurer. The County Treasurer shall establish procedures and internal controls for the operation of the investment program, consistent with the investment policy. No person may engage in investment transactions, except as provided under the terms of this policy and under the procedures established by the County Treasurer. The County Treasurer shall establish a system of controls to regulate the activities of subordinate officials.
- b) Prudence – 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. In accordance with Michigan statute, investment officers acting in conformity with this policy and departmental procedures, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes.
- c) Conflicts of Interest and Ethics – 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 investment decisions. Any officer or employee with investments or loans in excess of \$500,000 in or with an entity that the County has declared as a depository or regularly conducts investment business with shall be declared in writing to the County Administrator/Controller.

V. Investment Portfolio

- a) Authorized Investments – In accordance with Public Act 20 of the Public Acts of 1943, as amended, the surplus funds of the Road Commission may be invested as follows:
 - 1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than 50% of the Road Commission funds shall be invested in commercial paper.
4. Repurchase agreements consisting of instruments listed in (1.) above.
5. Bankers' acceptances of United States banks, with a maturity date not to exceed 270 days. Not more than 50% of the Road Commission funds shall be invested in banker's acceptances.
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 one standard rating service.
7. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Obligations described in (1.) through (7.) above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
9. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
10. Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 TO 129.150.

VI. Safekeeping and Custody

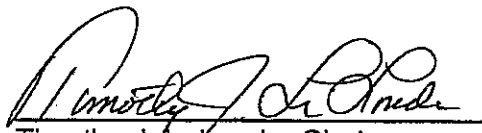
- a) Eligible Institutions – The County Treasurer shall maintain a listing of the Depositories, Custodians, Securities Dealers, and Financial Institutions from which he/she may acquire Authorized Investments. This list shall be revised by the Treasurer as he/she deems necessary. In order to be approved, depositories, custodians, dealers, and institutions must have a branch office located in this state and shall provide, at minimum, quarterly and annual financial statements. Securities Dealers must also provide proof of membership in the

National Association of Securities Dealers and the Securities Investor Protection Corporation. An annual evaluation of each company's credit worthiness shall be conducted to determine whether it should be on the Eligible Institution Listing. In accordance with PA 20 of 1943, as amended, depositories, custodians, dealers, and institutions must receive a copy of this approved policy and return an executed certification prior to being listed as an Eligible Institution.

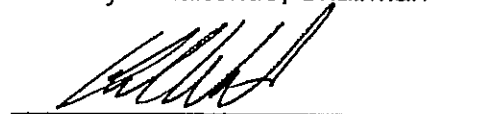
- b) Safekeeping – All security transactions entered into by St. Clair County shall be on a cash (or delivery vs. payment) basis. Securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts, as determined by the Treasurer. Non-negotiable, non-collateralized Certificates of Deposit shall be evidenced by a safekeeping receipt from the issuing institution.

VII. **Accounting and Reporting**

- a) Reporting Frequency and Format – The County Treasurer shall prepare and provide to the Board of Commissioners, at a minimum, a quarterly summary report on the investment portfolio as of the end of the previous calendar month. The County Treasurer shall provide a copy of this report to the County Board of Road Commissioners.
- b) Accounting for Investments – Investment accounting shall be recorded by the County Treasurer, or his/her designee, through the cash receipts and general ledger modules of the County's computerized accounting system. Investment statements shall be balanced monthly to the general ledger by the County Treasurer, or his/her designee.



Timothy J. LaLonde, Chairman



Kirk D. Weston, Managing Director