

MACKINAC COUNTY INVESTMENT POLICY

Purpose

It is the policy of Mackinac County to invest its funds in a manner which will provide the investment return consistent with the policy of Mackinac County safety objective security while meeting the daily cash flow needs of Mackinac County and comply with all state statutes governing the investment of public funds.

Scope

This investment policy applies to all surplus funds of Mackinac County. These assets are accounted for in the various funds of Mackinac County and include the general fund, special revenue funds, debt service funds, capital project funds, enterprise funds, internal service funds, trust and agency funds and any new fund established by the County.

Objectives

The primary objectives, in priority order, of Mackinac County's investment activities shall be:

- **SAFETY** - Safety of principal 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.
- **DIVERSIFICATION** - The investments will be diversified by security type and institution in order that potential losses on individual securities are minimized.
- **LIQUIDITY** - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- **RETURN ON INVESTMENT** - 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.

Delegation of Authority to Make Investments

Authority and management responsibility for the investment program is hereby delegated to the County Treasurer as required by state statute (MCL 48.40). Procedures should include references to: safekeeping, delivery v. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer. The County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Authorized Investments

The County Treasurer is limited to investments authorized by Public Act 20 of 1943, as amended and may invest in the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2) of Public Act 20 of 1943.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) 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.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 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 the County. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- i) Investment pools organized under the Surplus Funds Investment Pool Act of 1982.
- j) The investment pools organized under the Local Government Investment Pool Act of 1985.

Safekeeping and Custody

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into shall be on a cash (or delivery v. payment) basis. Securities may be held by a third party custodian designated by the authorized official and evidenced by safekeeping receipts as determined by the authorized official.

The County Treasurer, shall recommend financial institutions and depositories (Appendix 2) for approval for the safekeeping of county funds based on an evaluation of the performance and solvency of the institution, as well as past performance in exercising due care and prudence in managing the custody of funds and custody of funds held in trust, if applicable. The County Treasurer shall periodically evaluate approved and potential financial institutions and depositories and shall make recommendations as to appropriate changes in approved financial institutions and depositories when warranted.

All financial institutions with which the County conducts business with shall certify that they have (1) received the County's investment policy, (2) have read the policy and (3) will comply with said terms of the policy by executing the form attached as Appendix 1.

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.

Deposit and Investment Risk Management Objectives

- **CREDIT RISK** - Mackinac County will minimize credit risk by: maintaining ongoing analysis of the credit quality ratings of investments in debt securities as provided by nationally recognized rating agencies; limiting investments to the safest types of securities; pre-qualifying financial institutions, brokers, dealers, intermediaries, and advisors; diversifying its investment portfolio so that potential losses on individual securities will be minimized.
- **CUSTODIAL CREDIT RISK** - The above section on Safekeeping and Custody addresses custodial credit risk.
- **INTEREST RATE RISK** - Mackinac County will minimize the risk that the market value of securities in its investment portfolio will fall as a result of changes in overall interest rates by: structuring investments so that securities mature to meet cash flow needs, thereby avoiding the necessity of liquidating securities at a loss; investing in securities with varying maturities; investing operating funds primarily in shorter-term instruments.

- **CONCENTRATION OF CREDIT RISK** - Mackinac County will minimize concentration of credit risk by limiting investments to no more than 60% of total investment portfolio with a single financial institution.
- **FOREIGN CURRENCY RISK** - Mackinac County will only invest in U.S. dollar denominated securities.

Reporting

The County Treasurer shall provide at least an annual report to the Board of Commissioners, which provides a clear picture of the status and types of investments of the current investment portfolio. This report shall be prepared in such a way that will allow the County to ascertain whether investment activities during the reporting period have conformed to the investment policy.

Adoption

The County's investment policy shall be adopted by the Board of Commissioners. The policy shall be reviewed annually by the County Treasurer. Any revision to the policy shall be brought to the Board of Commissioners for adoption.

APPENDIX # 2
OF MACKINAC COUNTY INVESTMENT POLICY

**MACKINAC COUNTY TREASURER
RECOMMENDED FINANCIAL INSTITUTIONS AND DEPOSITORIES
2023**

Institutions currently invested in:

- ***** Baybank, Gladstone
- ***** Central Savings Bank, St. Ignace
- *** First National Bank, St. Ignace
- ***** Flagstar Bank FSB, Troy
- n/a MERS, Lansing
- n/a Michigan CLASS Investment Pool, Ann Arbor
- n/a Cantella & Co, Grand Rapids
- n/a Multi-Securities Bank, Southfield
- ***** State Savings Bank, Manistique
- *** UP State Credit Union, St. Ignace
- ***** Horizon Bank, Michigan City, IN

Potential institutions to invest in:

- **** Blissfield State Bank, Blissfield
- ***** Century Bank & Trust, Coldwater
- ***** Citizens State Bank, Royal Oak
- ***** Exchange State Bank, Carsonville
- **** First Community Bank, Harbor Springs
- **** First National Bank & Trust, Iron Mountain
- **** First National Bank of Wakefield, Wakefield
- **** Gogebic Range Bank, Bessemer
- ***** JP Morgan Chase, Dearborn
- ***** Mayville State Bank, Mayville
- ***** Mercantile Bank of Michigan, Grand Rapids
- ***** Miners State Bank, Iron River
- **** Northstar Bank, Bad Axe
- ***** Old Mission Bank, Sault Ste. Marie
- n/a PNC Capital Markets, Grand Rapids
- ***** Peoples State Bank, Munising
- ***** Port Austin State Bank, Port Austin
- ***** Range Bank, Marquette
- ***** Soo Co-op Credit Union, Sault Ste. Marie
- ***** Superior National Bank, Hancock

n/a UBS, Grand Rapids
***** Upper Peninsula State Bank, Escanaba

***** Financial institution ratings are through Bauer Financial using a 5 star rating system:

5 stars – Superior
4 stars – Excellent
3+ stars – Good
3 stars – Adequate
2 stars – Problematic
1 star – Troubled
zero - Lowest star rating