

# **Investments and Deposits Policy**

## 1. Background

- a) Investment and deposits policy represents a joint policy between the County and the Treasurer.
- b) It is recognized that the Treasurer is an elected official whose responsibilities are delineated by the Code of Virginia and that this policy is meant to illustrate strong fiscal management of a County and not to circumvent the powers of the constitutional office as the Treasurer works with the County in seeking input and collaboration in designing policies, controls and other best practices in treasury management.
- c) Investment and deposits policy is designed to serve as a guideline from which all County deposits and investments will be managed.
- d) In recognition of its fiduciary role in the management of all public funds entrusted to its care, it shall be the policy of the County that all investable balances be invested with the same care, skill, prudence and diligence that a prudent and knowledgeable person would exercise when undertaking an enterprise of like character and aims under circumstances prevailing at that time.
- e) Any modification to this policy shall require the approval of the Treasurer and Board of Supervisors.

## 2. Investment Objectives

- a) Safety - the safeguarding of principle shall be the foremost objective of the investment program by mitigating credit risk and interest rate risk with all other objectives subordinated to the attainment of this objective.
- b) Liquidity - the investment portfolio shall be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as special projects and other operational requirements either known or which might be reasonably anticipated.
- c) Yield - the investment portfolio shall be managed with the objective of obtaining no worse than a fair value rate of return over the course of budgetary and economic cycles, taking into account the constraints contained herein and the cash flow patterns of the County.

## 3. Allowable Investments

- a) Investments shall be diversified so that exposure to market fluctuations is limited.
- b) All investments shall be in compliance at all times with provisions in the Code of Virginia.
- c) No investment maturity or duration will exceed five years.
- d) Investment grades shall be based upon the rating agencies of Moody's Investors Services, Inc. (Moody's), Standard and Poor's, Inc. (S+P), Fitch Investors Service (Fitch) and Thomas Bankwatch.
- e) The following table illustrates County allowable investment constraints with any additional capacity allowed under the Code of Virginia noted.
  - i) 100% maximum in US Treasury Agency Bills, Notes and Bonds.
  - ii) 25% maximum in State bonds, notes and other evidences of indebtedness with an investment grade from two of the rating agencies of at least A by Moody's, A by S+P or A by Fitch (*State capacity is 100%*).
  - iii) 25% maximum county, town, city, district, authority or other public body bonds, notes and other evidences of indebtedness with an investment grade from two of the rating agencies of at least A by Moody's, A by S+P or A by Fitch (*State capacity is 100%*).

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- iv) 100% maximum in savings accounts or time deposits.
- v) 50% maximum in repurchase agreements (*State capacity is 100%*).
- vi) 40% maximum in banker's acceptances with an investment grade of at least B/C by Thomas Bankwatch (*State capacity is 100%*).
- vii) Commercial paper.
  - a) 35% maximum.
  - b) No maturity exceeding 270 days.
  - c) No more than 5% of total funds invested in one issuing corporation.
  - d) Issuing corporation, or its guarantor, has a net worth of at least \$50 million and the net income has averaged \$3 million for the five previous years (*No State restriction*).
  - e) Investment grade from two of the rating agencies of at least P-1 by Moody's, A-1 by S+P or F-1 by Fitch.
- viii) 50% maximum in corporate notes and investment grade from two of the rating agencies of at least Aa by Moody's and AA by S+P (*State capacity is 100%*).
- ix) 100% maximum in certificates of deposit.

### 4. **Prohibited Securities**

- a) The following securities shall be expressly prohibited, unless specifically approved in writing by the Treasurer:
  - i) Derivative products that include any of the following characteristics: high price volatility, illiquid markets, products that are not market tested, highly leveraged products, products requiring a high degree of sophistication to manage, and products that are difficult to value.
  - ii) Reverse repurchase agreements (repos).
  - iii) Any other security not specifically authorized in this policy or related regulation.

### 5. **County Internal Controls**

- a) The County shall maintain a system of internal controls which shall be documented and reviewed with internal and independent auditors and meet the requirements of the Government Accounting Standards Board.
- b) These controls shall be designed to provide reasonable assurance to prevent losses of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.
- c) There shall be a separation of transaction authority from accounting and record keeping with all transaction activity properly documented in the Treasurer's cash receipts system and bank reconciliations to the general ledger performed monthly.
- d) Treasurer and County officials 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.

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- e) The Treasurer shall annually update the Board of Supervisors and at least quarterly update County administration on securities held, maturities, investment returns, unrealized gains (loses), comparisons to established benchmarks, market conditions and prevailing investment philosophy.
- f) Bank transfers.
  - i) Dual authorizations representing the County and the Treasurer shall be in compliance with the Accounting Policy for all transfers that move County funds from a County account to a non-county account (e.g., debt service payments).
  - ii) In addition, the Treasurer's Office will have dual processing procedures requiring two people to conduct transfers with County bank accounts.
  - iii) All financial institutions utilized by the County will have written instructions regarding County authorizations for wire transfers, restrictions on accounts funds can be wired and other procedures that will mitigate unauthorized movement of funds (e.g., call-back to independent person, written confirmations, etc.).