

Winona County  
Financial Policies and Procedures Manual

<b>Policy: Investments</b>	Policy #: 1.01
Winona County Finance Policies and Procedures	Board approval date: 02/06/2000 Revised date: 12/20/2005

**I. Policy**

Winona County (“County”) recognizes that cash is an earning asset. Pursuant to Minn. Stat. 118A.02, it is the responsibility of the Winona County Treasurer (“Treasurer”) to invest cash balances over amounts required to meet current financial obligations and to achieve the highest rate of return consistent with the primary objectives of preservation of principal and maintenance of adequate liquidity. A secondary objective will be to enhance the County’s inflation-adjusted purchasing power. Pursuant to Minn. Stat. 118A.03, collateral shall be maintained.

**II. Prudent Person Rule**

Investments on behalf of the County will be made in accordance with the “prudent person” rule as defined in Minn. Stat. 356A.04; i.e., investments shall be made with judgment and care, under circumstances then prevailing, that 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.

**III. Scope**

In accordance with Minn. Stat. 385.07, the responsibility for conducting investing transactions resides with the Treasurer.

Unless otherwise noted, this investment policy will apply in its entirety to all monies of the County over which it has direct control as well as those funds that the County is responsible for as custodian and/or trustee. This includes all monies in these County funds: general, special revenue, capital project, debt service, enterprise, and trust and agency.

**IV. Investment Objectives**

- A. The County has as its foremost objective to ensure the safety of its principal. Ensuring safety of principal is accomplished by limiting credit risk and interest rate risk.

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- i. The portfolio of investments will be structured to limit the dollar amount of securities in custodial risk category #3 to no more than 10 percent at any time during the year.
  - ii. The portfolio of investments will be structured to limit the dollar amount of securities in repurchase agreements to no more than 10 percent at any time during the year.
- B. The County will structure its portfolio in a manner that provides the liquidity necessary to pay obligations as they become due by scheduling investments to coincide with the payment of property tax settlements and other debts.
- C. The County seeks to attain a market-average rate of return within these constraints and the cash flow characteristics of the portfolio.

**V. Return on Investments**

- A. The goal of the County's investment program is to achieve a rate of return on investments at least equal to the average rate of return on the one-year U.S. Treasury bill for the reporting period or other appropriate performance measure as determined by the Winona County Board of Commissioners.
- B. The County's selection of portfolio management is active as opposed to passive. Active management uses investment strategies designed to increase portfolio value by exceeding average rates of return normally achieved using passive management.
- C. The Treasurer shall maintain an interest-earning checking account, when it is financially feasible to do so.

**VI. Ethics, Conflicts of Interest, and Public Trust**

- A. The Treasurer and Deputy shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions.

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- B. Personnel Policy 1.03 Conflict of Interest / Outside Work shall be made part of this policy by reference.
- C. All County officials and employees who are part of the investment process shall seek to act responsibly as custodians of the public trust by avoiding any transactions that might impair public confidence in the County's ability to govern effectively.

**VII. Permitted Investments**

Specific investments by Counties are permitted by state statute and the details may be found in Minn. Stat. 118A.04.

**VIII. Competitive Bids**

- A. When practical, purchases and sales of investments will be completed on the basis of competitive bids or offers.
- B. Local certificates of deposit will be bid when the investment amount is \$500,000 or more and the money will be invested with the highest bidder.

**IX. Safekeeping & Collateral**

All deposits will be insured or collateralized in accordance with Minn. Stat. 118A.03. All funds held by the banks must be collateralized by 110%. A third party, not affiliated with the bank that holds the investment, must hold the collateral. The Treasurer must have a receipt for all collateral being held by the third party.

**X. Diversification**

Diversification shall be accomplished as follows:

- A. Investment Instruments: a mixture of instruments, as permitted by Minn. Stat. 118A.04, shall be used.

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- B. Financial Institutions: In order to promote good local and state public relations, the County shall give preference to financial institutions and brokers within Winona County and the State of Minnesota, and shall consider the creditworthiness, experience, and past performances of such institutions in the selection process.
- C. Maturity Schedule: Assets shall be invested in instruments whose maturity shall not exceed three years from the date of purchase. Maturity shall be staggered to avoid undo concentration of assets for specific time periods. The maturities selected shall provide for stability of income and reasonable liquidity.

**XI. Authorized Financial Dealers & Institutions**

Before any business may be transacted with a broker, a broker certificate must be signed and filed with the Treasurer on an annual basis. The Treasurer shall provide the Investment Policy as a statement of restrictions for investing to brokers filing a broker certificate.

**XII. Electronic Transfer**

The Treasurer is authorized to use electronic fund transfers for investment purposes pursuant to Resolution 89-29 adopted April 4, 1989.

**XIII. Reporting and Disclosure for Financial Statement Presentation**

- A. The Treasurer will report the results of the return on investments to the Winona County Board of Commissioners on a quarterly basis and a final report within one month of year-end.
- B. The following items will be disclosed in the notes to the financial statements as defined in GASB Statement No. 40:
  - i. The concentration of credit risk if one issue represents more than five percent of the portfolio.
  - ii. Any interest rate risk information that is available.

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- iii. A table of all investment maturities by investment type.
- iv. Any highly sensitive interest rate changes.
- v. The credit quality of the investments at the financial statement date.
- vi. Category 3 investments as defined in GASB Statement No. 3.

C. Investments shall be audited as part of the required annual audit performed by the Office of the State Auditor or an audit firm contracted by the Winona County Board.

**XIV. Training and Continuing Education**

In order to assure the highest possible professional standards, the County adopts the education standards supported by the Minnesota State Association of County Treasurers and Financial Officers. These standards advocate forty-five (45) hours of CEU initially and ten (10) hours of CEU on an annual basis.