

City of Holland
Cash and Investment Policy
Adopted April 17, 1985, Amended December 16, 1998 and January
21, 2009

(In Compliance with Act 20 PA 1943, as amended)

– – INTRODUCTION – –

For purposes of efficiency and effort, the City of Holland consolidates the cash and investments of its several funds, with certain unique exceptions. The number of banking and institutional accounts established for deposit, custody and security of cash and investments is kept to the minimum level considered necessary.

Sections 6.6 thru 6.8 of the City Charter outline the primary responsibilities of the treasurer and finance (city auditor) operations. The finance operation is primarily responsible to establish an accounting system that conforms to State of Michigan requirements, together with adequate internal controls and safeguards to impede mistakes and losses. The treasurer operation essentially focuses on the collection and custodial responsibilities for all public funds.

With the consolidation of the two functions, the operations and responsibilities prescribed by the Charter remain unchanged. Procedures and internal controls are implemented that allow for efficient and prudent administration of cash and investments.

– – CASH – –

Collections – Various Methods

Cash and cash equivalents are collected at both the Finance/Treasurer Office as well as at several of the individual departments. Instruments of money are also received by technological means, such as electronic deposits to the City's bank accounts; and by acceptance of debit/credit card payment for various designated items of revenue. All collected funds must cross-reference to individual receipts or other approved method of indicating the purpose, source, and date of collection.

Collections – Individual Department Sites

The Finance Officer/Treasurer approves procedures for collection, administration, and custody of cash and cash equivalents collected at individual department sites. The frequency with which departments submit their collections and related receipts/reports to the Finance/Treasurer Office is predicated on the circumstances related to each individual department. However, departments that collect unusually large sums of cash and cash equivalents on certain days of the year, should place such collections with the Finance/Treasurer Office on the same day. If same day deposit of the funds is not feasible, the department is responsible to safeguard the money in a secured safe or night deposit box.

- - CASH - -

Collections - Credit / Debit Cards

Certain designated departments are authorized to accept payments in the form of credit and debit cards. The City Finance/Treasurer Office establishes which credit / debit cards are accepted, and provides the equipment that is considered necessary to operate efficiently. Each department is responsible to submit a detailed report of all transactions to the Finance/Treasurer Office for each business day. The Finance/Treasurer Office is responsible to reconcile daily report totals to the bank account that is credited with card transaction funds received.

Collections - Electronic

The City of Holland receives certain payments in the form of various electronic entries directly to the appropriate bank account. Electronic Funds (Wire) Transfers are most often received as the result of maturing investment proceeds being forwarded from a financial institution to the City's designated deposit account. Payments received for grants from federal and state agencies are also received in such a manner; as are the proceeds from the sale of a bond issue.

Collections - City Treasurer's Office

The Finance/Treasurer's Office is the centralized location for all collections from all sources. All collections from all sources must flow-through the Finance/Treasurer's Office. It physically receives collections from walk-in customers, drop-box in the City Hall parking lot, U.S. Postal Service, and deposits placed by individual City departments.

No checks or other items of value are to be "held" or by the Finance/Treasurer Office for the purpose of providing temporary financial assistance for any individual.

Collections - Reporting

At the close of each business day, the current day collections are reconciled to the receipts and other forms of evidence that identify specific collections. A final *Cash Receipt Report* is prepared that summarizes the day's business and the corresponding cash count. The cash and checks are prepared for bank deposit, together with deposit slips for the appropriate bank accounts to be credited.

Collections - Security and Deposits

At the close of most business days, the cash and check collections are placed into a safe that provides more than sufficient security. The following day, the collections (of the previous day) are deposited to the appropriate bank account(s). If unusually large sums of cash and checks are received on any given day, the Finance/Treasurer Office will decide whether or not to make a special same-day deposit into the bank. Once deposited, the bank is responsible to verify the deposit total and inform the Finance/Treasurer Office of its accuracy.

- - CASH - -

Disbursements - Various Methods

With the exception of small sums of Petty Cash, the Finance/Treasurer Office is responsible for the disbursement of cash and cash equivalents. Instruments of disbursement may include:

- Checks (accounts payable and payroll)
- Electronic Funds Transfers (EFT)
- Automated Clearing House (ACH) Transfers
- Imprest Petty Cash.

All disbursements, using whichever means of payment, must cross-reference to properly approved supporting documentation. Prior to issuance of payment, the Finance/Treasurer Office is responsible to examine and verify:

- the legitimacy for the disbursement
- the proper accounting distribution
- the availability of funds
- signatures of approval.

Reconciliations - Bank Statement Balances

The Finance/Treasurer Office is responsible to reconcile each of the various financial institution accounts to the City's ledgers and/or registers in a timely manner. Any discrepancies in the reconciliation process must be immediately investigated and resolved to the satisfaction of the Finance/Treasurer Office.

- - INVESTMENTS - -

Statement of Purpose

It is the policy of the City of Holland to invest its available funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow needs of the City; and to comply with all state statutes governing the investment of public funds.

Scope of Policy

This investment policy applies to all financial assets of the City of Holland. These assets are accounted for in the various funds of the City 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 funds established by the City.

- - INVESTMENTS - -

Investment Objectives

The primary objectives of the City's investment activities shall be, in order of priority:

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

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.

Liquidity

The portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Return on Investment

The 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

Authority to manage the investment program is derived from the following:

City Charter -

- The City Charter does not designate a specific position to administer the investment of available funds on behalf of the City.
- Section 9.9 of the City Charter provides for the City Council to specify the depositories for the City's funds. Depositories and financial institution accounts are established or discontinued from time to time, with the approval of the City Council. Immediately following an election for City Council positions, the new City Council takes formal action to approve the existing depositories that had been previously approved by former City Councils.

City Council Action No. 85.230 dated April 17, 1985 -

- As part of an approved resolution the approved the City's initial Investment Policy, the City's *Finance Officer/Treasurer* is directed to perform the responsibilities and duties of investment officer.

The *Finance Officer/Treasurer* is designated as *investment officer* of the City (to exclude those funds administered by the Holland Board of Public Works), with responsibility and duty to manage the investment program in accordance with the terms and conditions stated in this policy. No person may engage in an investment transaction except as provided under the terms of this policy and procedures as established by the investment officer. In the absence of the Finance Officer/Treasurer, the Assistant Finance Officer shall assume such responsibilities.

The investment officer may delegate certain of the procedural responsibilities and duties to one or more of the designated staff members of the Finance/Treasurer Office.

- - INVESTMENTS - -

Procedural Controls

The investment officer shall be responsible for all investment transactions, and shall establish a system of written procedures and internal controls for operation of the investment program, and to regulate activities of subordinate staff members. Procedures should include references to: delivery vs payment, custodial and safekeeping measures, investment accounting, repurchase agreements, electronic transfer agreements, collateral/depository agreements, and banking service contracts.

Prudence

The standard of discretion and caution to be used by the investment officer shall be the "prudent person" standard, and shall be applied in the context of total portfolio management. Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own financial affairs, not for speculation, but for investment; taking into consideration the probable safety of capital as well as the probable income to be derived.

Securities Custody and Safekeeping

All security transactions, including collateral for repurchase agreements and deposits with financial institutions, shall provide for one of the following 'delivery vs payment' and custodial procedures:

- custody maintained by the City of Holland
- custody maintained by the financial institution through which the investment was transacted, as evidenced by a safekeeping receipt(s)
- custody maintained by a designated third-party, as evidenced by a safekeeping receipt(s).

Written Report of Investment Funds

At least annually, and more frequently if requested by the Council, the investment officer shall prepare a written report for the City Manager and City Council concerning the investment of funds.

- - INVESTMENTS - -

Authorized Investments

The investment officer, limited to investments authorized by Public Act 20 of 1943 as amended, shall invest available funds of the City in the following:

- Obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution. The financial institution:
 - must be a state or nationally chartered bank or a state or federally chartered savings & loan association, savings bank, or credit union.
 - whose deposits are insured by an agency of the United States government
 - which maintains a principal office or branch office in Michigan under the laws of this State or the United States or as otherwise authorized by Public Act 20.
- Commercial paper rated at the time of purchase within the two highest classifications by at least two rating services and that mature not more than 270 days after the date of purchase.
- Repurchase agreements of the United States or an agency or instrumentality of the United States.
- Bankers' acceptances of United States banks.
- Obligation of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one rating service.
- Money market mutual funds registered under the Federal Investment Company Act of 1940, composed of the investment vehicles as described above. Authorization for investment in mutual funds is limited to those whose intention is to maintain a net asset value of \$1.00 per share.
- Obligations described above, if purchased through an interlocal agreement under the Urban Cooperation Act, PA 7 of 1967 – (MCL 124.501 to 124.512)
- Investment pools organized under authority of:
 - the Surplus Funds Investment Pool Act (e.g., bank pools)
PA 367 of 1982 – (MCL 129.111 to 129.118)
 - the Local Government Investment Pool Act (e.g., county investment pools)
PA 121 of 1985 – (MCL 129.141 to 129.150).

