

BURLEIGH COUNTY FINANCE DEPARTMENT

316 N. 5th St.
Bismarck, ND 58501
701-712-8353

DATE: NOVEMBER 13, 2024
TO: MARK SPLONSKOWSKI
County Auditor
FROM: LEIGH J JACOBS, CPA
Finance Director
RE: Q1 2024 Investment Report to Burleigh County Commission

Please place the attached Q1 2024 Investment Report to the Burleigh County Commission on the next Burleigh County Board agenda.

ACTION REQUESTED:

Receive the Q1 Investment Report as required by the County Investment Policy.

BACKGROUND:

The County Investment Policy requires quarterly and annual investment reports to be delivered to the Burleigh County Commission. This requirement has been neglected in recent years. Consequently, the Finance Department prepared a quarterly report for Q1 2024 to begin to get the County up to date on its reporting requirements to the Commission.

RECOMMENDATION:

It is recommended that the Board review the attached Q1 2024 Investment Report. Staff will be available at the meeting to answer questions.

**BURLEIGH COUNTY, NORTH DAKOTA
REPORT ON INVESTMENT RETURN
Q1 2024**

Prepared by

BURLEIGH COUNTY FINANCE DEPARTMENT

NOVEMBER 1, 2024

EXECUTIVE SUMMARY

The County’s investment policy requires a quarterly report to management on the following topics: disclosure of all transactions during the quarter; summary of the quarter’s total investment return; indication of any areas of policy concern (if identified); and suggested changes to investment strategy.

TRANSACTIONS DURING THE QUARTER

The County made only two **active investment decisions** during the quarter. The **first active decision** made on February 2nd was to invest January’s sales tax and the proceeds from a matured US Treasury (“Treasury” or “Treasuries”); however, February and March sales tax were **not** invested during the quarter, nor was a Treasury which matured in February. The **second active decision** made effective February 28th was to re-invest with Choice Bank Certificates of Deposit (CDs) from Choice Bank which matured during the quarter. It is unclear if the County received bids when making this decision. The re-invested CDs had significantly lower yields than the Treasury benchmarks. For example, the County purchased a 3-month CD with Choice for \$2,400,000 which yielded 4.0% when Treasuries purchased the same day with the same 3-month maturity yielded 5.38%.

The County made **passive investment decisions** during the quarter. The County allowed CDs to mature into money markets at First International Bank. The money markets yielded lower than Treasuries. The County also allowed sales taxes and maturing Treasuries at the Bank of North Dakota (“BND”) to accrue in BND’s money market earning 6/10ths of a percent (.6%) rather than promptly re-investing in Treasuries. Treasury yields exceeded 5% during this time.

RETURN ON INVESTMENT

Bank	Average Balance	Interest Earned 1/1/2024 - 3/31/2024	Benchmarked Interest	Difference Over/(Under) Benchmark
Bank of North Dakota (money market)	\$ 4,746,089.98	\$ 7,021.61	\$ 63,047.87	\$ (56,026.26)
Wells Fargo	25,906,371.37	262,250.52	306,918.78	(44,668.26)
First International Bank	32,953,683.60	373,512.49	391,630.79	(18,118.30)
BNC National Bank	1,194,626.77	40,071.14	44,671.05	(4,599.91)
Choice Bank	5,412,862.91	65,995.99	75,546.83	(9,550.84)
Bravera	4,778,409.78	61,002.03	64,276.28	(3,274.25)
	\$ 74,992,044.40	\$ 809,853.78	\$ 946,091.60	\$ (136,237.82)

Using Treasuries as a benchmark, the County **underperformed** the market by \$136,238 during the quarter. Much of this came from the failure to invest sales tax proceeds in a timely manner; failure to invest the BND sales tax debt service account at all; delays in investing maturing investments; failure to properly utilize the Wells Fargo Zero Balance Account; and the overuse of money markets for convenience, despite money markets underperforming Treasuries in all months of the quarter.

Every decision the County made during the period performed below the benchmark. The only exception is the BND sales tax accounts which are invested in Treasuries; however, those accounts were not effectively managed. On average, the County had \$4,746,090 in uninvested funds on hand at BND throughout the quarter. These funds sat in BND’s money market earning 6/10ths of a percent (.6%).

POLICY CONCERNS

The County's investment policy is adequate; however, the County is not following the policy. The County seems to be disregarding the policy objectives. For example, the County has over \$13,000,000 in uninvested cash in BND's money market at quarter end earning only 6/10ths of a percent (.6%) while Treasuries yield over 5%. This is contrary to the policy objective of "Yield" which requires the County to prioritize yield when sufficient liquidity exists.

CHANGES TO INVESTMENT STRATEGY

The County's investment practices prioritize convenience above the policy objectives. For example, the County accepts a lower rate of return than the benchmark for the convenience of using money markets. Fully eighty percent (80%) of the County's non-sales tax investments are held in money markets at quarter end. The County should re-structure its investment strategy to comply with the investment policy. Convenience should be considered only after other investment objectives are achieved.

REPORT ON INVESTMENT PERFORMANCE

BURLEIGH COUNTY

JANUARY 1, 2024 THROUGH MARCH 31, 2024

Burleigh County has a formal investment policy which guides investment decisions. The policy requires both annual and quarterly reporting to the Burleigh County Commission (hereafter “the Commission.”) The purpose of the required quarterly report is to disclose all transactions during the quarter; to summarize the quarter’s total investment return; to indicate any areas of policy concern (if identified); and to suggest changes to investment strategy.

TRANSACTIONS DURING THE QUARTER

At year end, the County held \$85,036,281 in investments. This amount does not include funds held in trust for other entities such as property taxes received on behalf of the City of Bismarck, the School District, etc.

The table below summarizes the investment decisions the County made during Q1 2024:

Date	Bank	Description	Amount	Investment Decision	Alternative Decisions
1/23/2024	Bank of North Dakota	Sales Tax Deposit	700,759.27	Did not invest until 2/2/2024 - left in BND Money Market earning .60%	Treasuries - 1 Month 5.39%; 3 month 5.37%; 6 month 5.24%; 12 month 4.81%
1/31/2024	Bank of North Dakota	Note Matures	4,000,000.00	Did not invest until 2/2/2024 - left in BND Money Market earning .60%	Treasuries - 1 Month 5.38%; 3 month 5.38%; 6 month 5.22%; 12 month 4.73%
2/16/2024	First International Bank	CDs Mature	7,751,159.46	Cash matured into money market earning 5.21%	Treasuries - 1 Month 5.38%; 3 month 5.39%; 6 month 5.34%; 12 month 5.00%
2/22/2024	Bank of North Dakota	Sales Tax Deposit	1,405,633.01	Did not invest until 4/2/2024 - left in BND Money Market earning .60%	Treasuries - 1 Month 5.39%; 3 month 5.41%; 6 month 5.35%; 12 month 5.01%
2/28/2024	Choice Financial	CD Matured	6,000,000.00	Reinvested as below:	
2/28/2024	Choice Financial	Invest CD	2,400,000.00	Invest CD @ Choice - 3 months, 4%	Invested in 3 month Treasury @ 5.38%
2/28/2024	Choice Financial	Invest CD	868,187.99	Invest CD @ Choice - 6 months, 4.5%	Invest in 6 month Treasury @ 5.32%
2/28/2024	Choice Financial	Invest CD	1,000,000.00	Invest CD @ Choice - 12 months, 4.75%	Invest in 12 month Treasury @ 5.01%
2/29/2024	Bank of North Dakota	Note Matures	1,862,677.25	Did not invest until 4/2/2024 - left in BND Money Market earning .60%	Treasuries - 1 Month 5.39%; 3 month 5.41%; 6 month 5.35%; 12 month 5.01%
3/21/2024	Bank of North Dakota	Sales Tax Deposit	922,938.59	Did not invest until 4/2/2024 - left in BND Money Market earning .60%	Treasuries - 1 Month 5.37%; 3 month 5.39%; 6 month 5.32%; 12 month 5.01%
3/28/2024	BNC	Note Matures	1,147,018.68	Did not invest until 4/19/2024 - deposit in Wells Fargo earning 5.19%	Treasuries - 1 Month 5.39%; 3 month 5.37%; 6 month 5.34%; 12 month 5.03%

The highlighted decisions above represent **active investment decisions** made during the quarter. These are decisions where the County directed the investment of County funds. All other decisions made during the quarter were **passive investment decisions** where the County did not direct the investment of County funds. In total, the County made **two** active investment decisions during the quarter.

The first active investment decision was made February 1, 2024 and effective February 2, 2024. The timeline in making this decision is as follows:

1/25/2024: Carrie Willits, the Trust Officer at BND, emails the County Auditor/Treasurer and Deputy Auditor/Treasurer informing that a Treasury Note with a balance of \$4,000,000 and interest of \$50,000 will mature on 1/31/24. She also indicates that an additional \$1,000,000 is available for re-investment.

2/1/2024: The County Auditor directs BND to invest the available funds into a 3-month Treasury. The investments are made the following day.

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

The second active investment decision was made 2/28/2024. A CD in the amount of \$6,000,000 matured at Choice Bank. The County re-invested the funds at Choice Bank to mature for 3 months at 4.0%, 6 months at 4.5% and 12 months at 4.75%. It is unclear if the County received bids for these investments as required by our investment policy; however, bids received from BND only 1 month prior to this were significantly higher for 3 and 6 month Treasuries and equivalent for 12 month Treasuries – although by the time this investment was made, yields on a 12 month Treasury had increased by .25% and therefore exceeded the yield on the 12-month CD from Choice Bank.

Passive investment decisions involved depositing the proceeds from matured investments into money markets. Certificates of Deposit from First International Bank matured in the quarter and were deposited in the bank's money market earning 5.21%. At this time, a one month Treasury yielded 5.39%. A certificate of deposit held at BNC National Bank matured at the end of the quarter; however, this was not re-invested until 4/19/2024. It's unclear where this cash was deposited prior to being re-invested.

The other passive investment decision involved sales tax deposits and maturing Treasuries at BND which were not promptly re-invested. The County received sales tax deposits monthly and proceeds from maturing notes in February and March. These funds were not invested until 4/2/2024. During that time, they earned only 6/10ths of one percent (.60%) in BND's money market. Treasury yields during this time were as follows: one-month for 5.39%; three month for 5.41%; six month for 5.35%; and twelve month for 5.01%.

RETURN ON INVESTMENT

To give context to our return on investment, we benchmarked our quarterly returns against US Treasuries of comparable term purchased on the same day. For example, a six month CD is benchmarked against a six month Treasury; a twelve month CD against a twelve month Treasury, etc. Money markets or demand deposits are benchmarked against a one-month treasury. The rationale behind using the one-month benchmark for money markets or demand deposits is that an investor can achieve comparable liquidity to a demand deposit by investing, on a rolling basis, in one-month Treasuries, such that the Treasuries mature on a daily, weekly, biweekly, etc. basis. (In fact, this is probably exactly what the public-fund money markets are doing.)

We summarize the return on investment below. For investments maturing during the quarter, we benchmark the investment performance against a US Treasury, of similar maturity, purchased on the same day the investment was purchased; however, we only benchmark interest earned during the quarter (1/1/2024 through 3/31/2024). We retrieved historical Treasury data from the US Treasury website for use in this report.

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

BANK OF NORTH DAKOTA

Date	Transaction	Amount	Burleigh Share BND Account Balance	Invested	Uninvested Cash	Interest @ BND	Days Not Invested	Interest Earned (Actual)	Interest @ Benchmark- 1M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
12/31/2023	Bank Statement		32,102,795.76	28,706,621.00	3,396,174.76	0.60%	23	1,284.03	5.39%	11,534.90	\$ (10,250.87)
1/23/2024	Sales Tax Deposit	700,759.27	32,803,555.03	28,706,621.00	4,096,934.03	0.60%	8	538.77	5.39%	4,839.99	(4,301.22)
1/31/2024	Note Matures	4,000,000.00	32,946,817.08	24,706,621.00	8,240,196.08	0.60%	1	135.46	5.38%	1,214.58	(1,079.13)
2/2/2024	Purchase T Note	5,369,500.00	32,946,817.08	30,076,121.00	2,870,696.08	0.60%	20	943.79	5.39%	8,478.38	(7,534.59)
2/22/2024	Sales Tax Deposit	1,405,633.01	34,352,450.09	30,076,121.00	4,276,329.09	0.60%	7	492.07	5.39%	4,420.44	(3,928.36)
2/29/2024	Note Matures	1,862,677.25	34,423,200.78	28,213,443.75	6,209,757.03	0.60%	21	2,143.64	5.39%	19,257.05	(17,113.41)
3/21/2024	Sales Tax Deposit	922,938.59	35,346,139.37	28,213,443.75	7,132,695.62	0.60%	7	820.75	5.37%	7,345.70	(6,524.95)
3/28/2024	Notes Mature	6,313,443.75	35,346,139.37	21,900,000.00	13,446,139.37	0.60%	3	663.10	5.39%	5,956.82	(5,293.73)
3/31/2024	Bank Statement		35,349,893.72	21,900,000.00	13,449,893.72						\$ (56,026.26)

Deposits at the BND consist of sales tax revenues and interest earned on invested sales tax revenues. Investments consist of US Treasuries. Since we are benchmarking against Treasuries any investments at BND will immediately be at benchmark. The only way in which BND could fail to meet benchmarks is for funds to remain uninvested. Uninvested funds earned an interest rate of .60% (6/10ths of one percent) during the period. In benchmarking BND, we focused on days funds were not invested. We benchmarked uninvested funds at the one-month Treasury rate. At the beginning of the period, the County had \$3,396,175 in uninvested funds at BND. At the end of the period, the County had \$13,449,894 in uninvested funds. For the period, the County earned \$56,026 under the benchmark of a one-month Treasury with **no** days uninvested.

WELLS FARGO SWEEP ACCOUNT

The Wells Fargo Sweep account, also known as the Zero Balance Account (ZBA), is designed to allow for the maximum investment of funds by keeping the account balance at zero overnight. The account goes negative through the day as checks are drawn, and at the close of business, Wells Fargo “sweeps” cash from the money market into the ZBA to cover the checks drawn throughout the day and bring the balance of the account up to zero. This type of account is common and is employed by many other entities including the North Dakota Treasurer’s Office.

Burleigh County failed to take full advantage of the account. Burleigh County set the account balance at \$3,000,000 (this is known as the “PEG” amount) instead of zero. Consequently, \$3,000,000 remained effectively uninvested for the entire quarter. This uninvested amount is allowed to earn enough interest to pay the account fees but no more. For the period, the County earned \$33,935 under the benchmark of one-month Treasuries.

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

Date	Uninvested "PEG" Amount	Days Not Invested	Interest Earned (Actual)	Interest @ Benchmark - 1M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/1/2024	3,000,000	30	2,019.12	5.39%	13,290.41	\$ (11,271.29)
1/31/2024	3,000,000	29	2,093.31	5.39%	12,847.40	(10,754.09)
2/29/2024	3,000,000	31	1,382.91	5.39%	13,733.42	(12,350.51)
3/31/2024	3,000,000					
						<u>\$ (34,375.89)</u>

The County uses the Sweep account as one of its primary investment vehicles. Substantially all property taxes are receipted into Wells Fargo by February 15th. The funds are deposited into the sweep account until utilized. The sweep account underperformed the benchmark of a one-month Treasury throughout the quarter. In total, the sweep account underperformed the benchmark by \$11,816.

Date	Account #	Description	Amount	Invested	Days Interest Earned	Interest % (APY)	Interest Earned	Interest @ Benchmark - 1M Treasury	Interest Earned @ Benchmark	Over/(Under) Benchmark
1/31/2024	Sweep		15,000,587.70	12,000,587.70	31	5.21%	53053.87	5.39%	54,936.39	\$ (1,882.52)
2/29/2024	Sweep		25,184,305.32	22,184,305.32	29	5.18%	91316.37	5.39%	95,003.53	(3,687.16)
3/31/2024	Sweep		28,534,221.08	25,534,221.08	31	5.18%	112384.9	5.40%	117,107.63	(4,722.69)
										<u>\$ (10,292.37)</u>

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

FIRST INTERNATIONAL BANK – CERTIFICATES OF DEPOSIT

The County purchased a handful of CDs with First International Bank during 2023. Treasuries yielded a substantially higher interest rate when purchased on the same date as these CDs. During the quarter, these CDs underperformed Treasuries by \$6,664.

Month	Bank	Account Type	Account ID	Effective/Purchase Date	Maturity Date	Opening Balance	Ending Balance	Interest Rate	Interest Earned 1/1/2024 - 2/15/2024	Interest @ Benchmark - 6M/12M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/31/2024 - 2/15/2024	First Inter	CD	1027657245	8/17/2023	2/15/2024	1,875,000.00	1,875,000.00	5.00%	11,815.07	5.50%	12,996.58	\$ (1,181.51)
1/31/2024 - 2/15/2024	First Inter	CD	1027657334	8/17/2023	2/15/2024	1,875,000.00	1,875,000.00	5.00%	11,815.07	5.50%	12,996.58	(1,181.51)
1/31/2024 - 2/15/2024	First Inter	CD	1026799666	2/16/2023	2/15/2024	1,875,000.00	1,875,000.00	4.10%	9,688.36	5.01%	11,838.70	(2,150.34)
1/31/2024 - 2/15/2024	First Inter	CD	1026799968	2/16/2023	2/15/2024	1,875,000.00	1,875,000.00	4.10%	9,688.36	5.01%	11,838.70	(2,150.34)
												\$ (6,663.70)

FIRST INTERNATIONAL BANK – MONEY MARKETS

The County maintains a substantial amount of its investments in the First International Bank money markets. When the CDs above matured, the bank deposited those funds into the money market. The money market consistently underperformed one-month Treasuries purchased at any point during the quarter. During the quarter, this investment underperformed the benchmark by \$11,455.

Date	Account #	Description	Amount	Account Balance	Invested	Days Interest Earned	Interest % (APY)	Interest Earned	Interest @ Benchmark - 1M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/1/2024	*661	Opening Balance		11,484,234.94	11,484,234.94	31	5.23%	51,012.03	5.39%	52,572.63	\$ (1,560.60)
1/1/2024	*866	Opening Balance		10,105,629.01	10,105,629.01	31	5.23%	44,888.37	5.39%	46,261.63	(1,373.26)
1/31/2024	*661	Bank Statement		11,535,064.51	11,535,064.51	16	5.21%	26,344.19	5.38%	27,203.79	(859.60)
1/31/2024	*866	Bank Statement		10,149,465.03	10,149,465.03	16	5.21%	23,179.71	5.38%	23,936.05	(756.34)
2/16/2024	*661	CD Matures	3,875,579.73	15,410,644.24	15,410,644.24	13	5.21%	28,596.24	5.39%	29,584.21	(987.97)
2/16/2024	*866	CD Matures	3,875,579.73	14,025,044.76	14,025,044.76	13	5.21%	26,025.10	5.39%	26,924.24	(899.14)
2/29/2024	*661	Bank Statement		15,465,999.24	15,465,999.24	31	5.20%	68,304.63	5.40%	70,931.73	(2,627.10)
2/29/2024	*866	Bank Statement		14,073,640.61	14,073,640.61	31	5.20%	62,155.37	5.40%	64,545.96	(2,390.59)
3/31/2024	*661	Bank Statement		15,533,752.26	15,533,752.26						
3/31/2024	*866	Bank Statement		13,783,750.98	13,783,750.98						\$ (11,454.60)

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

BNC NATIONAL BANK – CERTIFICATES OF DEPOSIT

The County purchased a handful of CDs with BNC National Bank during 2023. Treasuries yielded a substantially higher interest rate when purchased on the same dates as these CDs. During the quarter, these CDs underperformed Treasuries by \$4,019.

Month	Bank	Account Type	Account ID	Effective/Purchase Date	Maturity Date	Opening Balance	Ending Balance	Interest Rate	Interest Earned 1/1/2024 - 3/31/2024	Interest @ Benchmark - 12M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/1/2024 - 3/31/2024	BNC	CD	1026982193	3/30/2023	3/28/2024	1,147,018.68	-	4.50%	12,444.37	4.64%	12,831.53	(387.16)
1/1/2024 - 3/31/2024	BNC	CD	1027404525	6/29/2023	6/27/2024	1,147,018.68	1,147,018.68	4.70%	13,440.54	5.43%	15,528.12	(2,087.58)
1/1/2024 - 3/31/2024	BNC	CD	1027832233	9/28/2023	9/26/2024	1,147,018.68	1,147,018.68	4.94%	14,126.87	5.48%	15,671.10	(1,544.23)
												\$ (4,018.97)

BNC NATIONAL BANK – MONEY MARKETS

The County maintains a small amount of its investments in the BNC National Bank money market. The money market consistently underperformed one-month Treasuries purchased at any point during the quarter. During the quarter, this investment underperformed the benchmark by \$581.

Date	Account #	Description	Account Type	Amount	Account Balance	Invested	Days Interest Earned	Interest % (APY)	Interest Earned	Interest @ Benchmark - 1M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/1/2024	9596	Opening Balance	Money Market		47,578.42	47,578.42	31	0.50%	20.21	5.39%	217.9	\$ (197.69)
1/31/2024	9596	Bank Statement	Money Market		47,598.62	47,598.62	29	0.50%	18.92	5.39%	203.92	(185.00)
2/29/2024	9596	Bank Statement	Money Market		47,617.53	47,617.53	31	0.50%	20.23	5.40%	218.48	(198.25)
3/31/2024	9596	Bank Statement	Money Market		47,637.76	47,637.76		0.50%				\$ (580.94)

CHOICE BANK – CERTIFICATES OF DEPOSIT

The County had two CDs at Choice Bank at the beginning of the quarter. The larger CD for \$6,000,000 matured on 2/28/2024. It is unclear whether the County received bids when it re-invested these funds in CDs with Choice Bank. The CDs the County purchased with the proceeds of the maturing CD significantly underperformed Treasuries. For example, the County purchased a three-month CD yielding 4.00% interest. On the same day, a three-month Treasury yielded 5.38% - nearly 1.5% more. During the quarter, these CDs underperformed the benchmark by \$9,400.

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

Month	Bank	Account Type	Account ID	Description	Effective/Purchase Date	Maturity Date	Opening Balance	Ending Balance	Interest Rate	Interest Earned 1/1/2024 - 3/31/2024	Interest @ Benchmark 3M/6M/12M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/31/2024 - 3/31/2024	Choice	CD			2/28/2023	2/28/2024	6,000,000.00	6,000,000.00	4.50%	43,643.84	5.03%	48,784.11	\$ (5,140.27)
1/31/2024 - 3/31/2024	Choice	CD			4/18/2023	4/18/2024	500,000.00	500,000.00	4.50%	5,609.59	4.81%	5,996.03	(386.44)
1/31/2024 - 3/31/2024	Choice	CD			2/28/2024	5/28/2024	2,400,000.00	2,400,000.00	4.00%	8,679.45	5.38%	11,673.86	(2,994.41)
1/31/2024 - 3/31/2024	Choice	CD			2/28/2024	8/28/2024	868,187.99	868,187.99	4.50%	3,532.22	5.32%	4,175.87	(643.65)
1/31/2024 - 3/31/2024	Choice	CD			2/28/2024	2/28/2025	1,000,000.00	1,000,000.00	4.75%	4,294.52	5.01%	4,529.59	(235.07)
													\$ (9,399.84)

CHOICE BANK – MONEY MARKETS

The County maintains a small amount of its investments in the Choice Bank money market. The money market consistently underperformed one-month Treasuries purchased at any point during the quarter. During the quarter, this investment underperformed the benchmark by \$151.

Date	Account #	Description	Account Type	Amount	Account Balance	Invested	Days Interest Earned	Interest % (APY)	Interest Earned	Interest @ Benchmark - 1M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/1/2024	*1605	Opening Balance	Money Market		28,652.52	28,652.52	31	3.30%	80.31	5.39%	131.53	\$ (51.22)
1/31/2024	*1605	Bank Statement	Money Market		28,731.61	28,731.61	29	3.30%	75.33	5.39%	123.36	(48.03)
2/29/2024	*1605	Bank Statement	Money Market		28,805.80	28,805.80	31	3.30%	80.74	5.40%	132.48	(51.74)
3/31/2024	*1605	Bank Statement	Money Market		28,885.31	28,885.31						\$ (151.00)

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

BRAVERA BANK – CERTIFICATES OF DEPOSIT

The County has one twelve-month CD purchased on July 17, 2023. This CD yielded less than a twelve-month Treasury purchased on the same date. During the quarter, this investment underperformed the benchmark by \$475.

Month	Bank	Account Type	Account ID	Effective/Purchase Date	Maturity Date	Opening Balance	Ending Balance	Interest Rate	Interest Earned 1/1/2024 - 3/31/2024	Interest @ Benchmark - 12M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/31/2024 - 3/31/2024	Bravera	CD	130004512	7/17/2023	7/15/2024	680,000.00	680,000.00	5.06%	8,578.43	5.34%	9,053.13	\$ (474.70)
												\$ (474.70)

BRAVERA BANK – MONEY MARKET

The County maintains a substantial amount of its investments in the Bravera Bank money market. The money market consistently underperformed one-month Treasuries purchased at any point during the quarter. During the quarter, this investment underperformed the benchmark by \$2,800.

Date	Account #	Description	Account Type	Amount	Account Balance	Invested	Days Interest Earned	Interest % (APY)	Interest Earned	Interest @ Benchmark - 1M Treasury	Interest Earned @ Benchmark (Estimate)	Over/(Under) Benchmark
1/1/2024	*5116	Opening Balance	Money Market		4,072,987.70	4,072,987.70	31	5.12%	17,786.37	5.39%	18,724.32	\$ (937.95)
1/31/2024	*5116	Bank Statement	Money Market		4,090,236.69	4,090,236.69	29	5.12%	16,704.78	5.39%	17,585.69	(880.91)
2/29/2024	*5116	Bank Statement	Money Market		4,106,441.18	4,106,441.18	31	5.12%	17,932.45	5.40%	18,913.14	(980.69)
3/31/2024	*5116	Bank Statement	Money Market		4,123,831.85	4,123,831.85						\$ (2,799.55)

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31, 2024**

FIXED INCOME INVESTMENTS

The County maintains a fixed income investment portfolio with Wells Fargo and with Bremer Bank. The portfolios were purchased several years ago when interest rates were much lower. With rising rates, the value of the portfolios have declined; however, since the investments are in bonds, our interest payments are not affected by a change in the market value of the bond. The County began divesting of the Wells Fargo portfolio within the last year or two, but we still maintain a significant balance in this account.

The market value of the accounts at year end are summarized in the below table.

	Wells Fargo	Bremer	Total
<i>Less than 1 Year</i>	\$ 3,103,648.00	\$ 367,525.45	\$ 3,471,173.45
<i>1-2 Years</i>	1,352,297.25	550,254.76	1,902,552.01
<i>2-5 Years</i>	315,390.95	1,153,040.61	1,468,431.56
<i>5-10 Years</i>	523,614.25	532,469.33	1,056,083.58
<i>10+ Years</i>	643,365.20	59,626.18	702,991.38
	\$ 5,938,315.65	\$ 2,662,916.33	\$ 8,601,231.98

REPORT ON INVESTMENT PERFORMANCE BURLEIGH COUNTY JANUARY 1, 2024 THROUGH MARCH 31, 2024

POLICY CONCERNS

The County’s investment policy is sufficiently detailed and robust for the County’s needs. The policy lists objectives in priority order, which makes the objectives easy to follow. The policy needs some addendums, such as investment parameters and internal control documents. But the main challenge the County faces with its investment policy is a failure to follow the policy. For example, to have over \$13,000,000 in uninvested funds in the Bank of North Dakota at quarter end runs contrary to investment objective #3 – Yield – that “the investment portfolio shall be designed with the objective of attaining a market rate of return.” Other examples include failing to develop cash flow estimates and failing to diversify the portfolio by investment type and maturity. Failing to provide a quarterly report to the Commission in a timely manner is still another example.

CHANGES TO INVESTMENT STRATEGY

The County’s current investment strategy prioritizes convenience over the investment objectives laid out in the policy. For instance, the County accepted a lower rate of return in money markets to avoid making active investment decisions such as taking bids, transferring cash to the high bidder, and making the required journal entries into the accounting system. In fact, the County’s use of money markets is so pervasive that it accounts for 80% of our non-sales tax investments (sales taxes are held in trust the Bank of North Dakota) and 60% of total investments. As indicated earlier in the report, money markets under-performed Treasuries in every month of the quarter.

Security Type	% of portfolio	Amount
FIXED INCOME SECURITIES	8.88%	\$ 8,889,314.50
MONEY MARKET	61.52%	61,602,529.01
CD	7.73%	7,742,225.35
US TREASURIES	21.87%	21,900,000.00
	100.00%	<u>\$ 100,134,068.86</u>

The convenience provided by the money markets comes at a price. First, we earned less money than we would have earned by investing in Treasuries. Second, we failed to “lock in” any investments during the quarter, which would protect us against falling interest rates. Had we

**REPORT ON INVESTMENT PERFORMANCE
BURLEIGH COUNTY
JANUARY 1, 2024 THROUGH MARCH 31,2024**

locked in a twelve month Treasury at the end of Q1, the Treasury would yield more than money markets yield currently due to interest rate declines in recent months.

The recommended change to strategy investment strategy is to follow the investment policy as written. As mentioned, certain addendums should be considered, such as specific investment parameters and internal control documents. The investment parameters should include guidelines for term and type of investment. Internal control documents should include, at a minimum, an investment checklist documenting who made the investment; who approved the investment; why the investment was chosen; and what bids were received; among other things. At a minimum, the County should begin following the investment policy as written immediately, whether or not the County adopts any addendums.

EXHIBIT A BURLEIGH COUNTY INVESTMENT POLICY

BURLEIGH COUNTY INVESTMENT POLICY

I. Governing Authority

Legality

The Burleigh County investment program shall be operated in conformance with federal, state, and other legal requirements, including NDCC 21-06-07.

II. Scope

This policy applies to the investment of all funds. Proceeds from certain bond issues may be covered by a separate policy.

1. *Pooling of Funds*

Except for cash in certain restricted and special funds, the County of Burleigh will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. *Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The County of Burleigh will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County of Burleigh will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The County of Burleigh will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section VIII).

2. *Liquidity*

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BURLEIGH COUNTY INVESTMENT POLICY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in local government investment pools which offer same-day liquidity for short-term funds.

3. *Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. **Return on investment is of secondary importance compared to the safety and liquidity objectives described above.** The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

4. *Local Considerations*

The County of Burleigh seeks to promote local economic development through various programs and activities. Where possible, funds may be invested for the betterment of the local economy. The County of Burleigh may accept a proposal from an eligible institution which provides for a reduced rate of interest for community development projects. The Board of County Commissioner's recognizes that such investments might diminish investment yields in exchange for potential expansion of the tax base.

IV. Standards of Care

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "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."

2. *Ethics and Conflicts of Interest*

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 decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County of Burleigh.

3. *Delegation of Authority*

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BURLEIGH COUNTY INVESTMENT POLICY

Authority to manage the investment program is granted to the County Auditor\Treasurer, hereinafter referred to as investment officer and derived from the following: NDCC 11-14-06 & 21-04-04. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the County of Burleigh investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

V. Designated Depositories, Authorized Financial Institutions and Broker/Dealers

1. Designated Depositories, Authorized Financial Institutions, and Broker/Dealers

Pursuant to ND Century Code 21-04 public funds belonging to the County of Burleigh must be deposited in the Bank of North Dakota or in financial institutions which have been duly designated as depositories. The Board of Burleigh County Commissioners shall at its regular meeting in January of each even-numbered year, shall designate depositories of public funds and semiannually shall approve the acceptance of any securities as pledge for repayment of deposits.

In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties).
- Proof of state registration.
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties).
- Certification of having read and understood and agreeing to comply with the County of Burleigh investment policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer (or designee).

2. Minority and Community Financial Institutions

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to and approved by the Board of Burleigh County Commissioners on a consistent basis in advance and shall be consistent with state law.

VI. Safekeeping and Custody

1. Delivery vs. Payment

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BURLEIGH COUNTY INVESTMENT POLICY

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

2. Safekeeping

Securities may be held by an independent third-party custodian selected by the Burleigh County as evidenced by safekeeping receipts in the County of Burleigh's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

3. Internal Controls

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County of Burleigh are protected from loss, theft or misuse. Details of the internal control system shall be documented and shall be reviewed and updated annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County of Burleigh.

Internal control compliance should be assured through the Burleigh County annual independent audit.

VII. Suitable and Authorized Investments

1. Investment Types

Pursuant to North Dakota Century Code Chapter 21-06-07, the County of Burleigh may invest moneys in its general fund, or balances in any special or temporary fund, in:

- Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organization created by an act of Congress.
- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above. Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements. (See GFOA Recommended Practices in Appendix.)
- Certificates of deposit fully insured by the federal deposit insurance corporation or by the state.
- Obligations of the state.
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.
- State and local securities:
 - (1) Any security that is a general obligation of any state or local government with taxing powers and is rated in the highest three categories by a nationally recognized rating agency.
 - (2) An obligation of the state housing finance agency that is rated in the highest two categories by a nationally recognized rating agency.
 - (3) Any security that is a general obligation of a school district and is rated in the highest

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BURLEIGH COUNTY INVESTMENT POLICY

two categories by a nationally recognized rating agency.

(4) Obligations of this state and general obligations of its political subdivisions.

- Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

Investment in derivatives of the above instruments shall require authorization by the Board of Burleigh County Commissioners.

2. *Collateralization*

Except as is otherwise provided in NDCC sections 21-04-16 and 21-04-17, and before any deposit is made in any depository other than the Bank of North Dakota, such depository shall furnish a bond payable to the County of Burleigh in an amount that at least equals the largest deposit that at any time may be in such depository.

The Board of Burleigh County Commissioners may accept from any financial institution, as security for repayment of deposits, a pledge of securities in lieu of a personal or surety bond. When securities are so pledged to the County of Burleigh, the Board of Burleigh County Commissioners shall require security in the amount of one hundred ten dollars for every one hundred dollars of deposits. Securities that are eligible for the pledge are bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, irrevocable standby letters of credit issued by federal home loan banks of a rating of AA or better by Moody's Investor Service, Inc. or Standard & Poor's Corporation, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, letters of credit issued by the Bank of North Dakota, and all other forms of securities issued by the state of North Dakota, its boards, agencies or instrumentalities, or by any county, city township, school district, park district or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body, and bonds issued by any other state of the United States or such other securities approved by the banking board.

The Board of Burleigh County Commissioners semiannually shall approve the acceptance of any securities as pledge for repayment of deposits.

Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit. (See GFOA Recommended Practices in Appendix.)

VIII. Investment Parameters

1. *Diversification*

It is the policy of the County of Burleigh to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all Burleigh County funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds except for the employee retirement fund.

In establishing specific diversification strategies, the following general policies and constraints

EXHIBIT A

BURLEIGH COUNTY INVESTMENT POLICY

shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

For cash management funds:

- Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.
- The investment committee/investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct a quarterly review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

2. Maximum Maturities

To the extent possible, the County of Burleigh shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the County of Burleigh will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state statutes. The County of Burleigh shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Board of County Commissioners. (See the GFOA Recommended Practice on "Maturities of Investments in a Portfolio" in Appendix.)

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3. Competitive Bids

The investment officer shall obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market.

IX. Reporting

1. Methods

The investment officer shall submit quarterly an investment report that summarizes the quarter's total investment return. The report shall disclose all transactions during the past quarter. The report shall be in compliance with state law (if any) and shall be distributed to the Board of Burleigh County Commissioners and others as may be required by law.

EXHIBIT A

BURLEIGH COUNTY INVESTMENT POLICY

Each quarterly report may indicate any areas of policy concern and suggested or planned revision of investment strategies.

Within 60 days of the end of the fiscal year, the investment officer shall present a comprehensive annual report on the investment program and investment activity. The annual report shall include 12-month and separate quarterly comparisons of return and suggest policies and improvements that might be made in the investment program. Alternatively, this report may be included within the County of Burleigh annual Comprehensive Annual Financial Report.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks should be established against which portfolio performance shall be compared on a regular basis. The benchmarks should be reflective of the actual investments being purchased.

3. Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

X. Policy Considerations

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy will be reviewed on an annual basis. Any changes must be approved by the Board of County Commissioners in consultation with the investment officer and the individuals charged with maintaining internal controls.

VII. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the Board of Burleigh County Commissioners and reviewed annually.

VIII. List of Attachments

The following documents, as applicable, are attached to this policy:

- North Dakota century code
- Listing of authorized personnel
- Listing of authorized broker/dealers and financial institutions
- Internal Controls

XIII. Other Documentation

- Master Repurchase Agreement, other repurchase agreements and tri-party agreements,

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BURLEIGH COUNTY INVESTMENT POLICY

- Broker/Dealer Questionnaire,
- Credit studies for securities purchased and financial institutions used,
- Safekeeping agreements,
- Wire transfer agreements,
- GFOA Recommended Policies.

AUTHORIZED PERSONNEL

Burleigh County Auditor/Treasurer
Leo Vetter

Deputy Auditor/Treasurer
Brandi Caya

Deputy Finance Director
Justin Schulz

EXHIBIT A

BURLEIGH COUNTY INVESTMENT POLICY

-CERTIFICATION-

I hereby certify that I have personally read the investment policies of the County of Burleigh and have implemented reasonable procedures and controls designed to prohibit investment transactions inconsistent with your policies. Whenever we are notified in writing, we will inform our sales personnel of your investment objectives, outlook, strategy and risk constraints. We will notify you immediately by telephone and in writing in the event of a material adverse change in our financial condition. We pledge to exercise due diligence in informing you of fundamental risks associated with financial transactions conducted with our firm. Price markup will be consistent with prevailing institutional pricing at the time of each transaction. I attest to the accuracy of our responses to your questionnaire.

Signed: _____

(Countersigned by corporate officer responsible for compliance.)

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BURLEIGH COUNTY INVESTMENT POLICY

COUNTY OF BURLEIGH

INVESTMENT PROCEDURES and INTERNAL CONTROLS

A. Introduction:

The Burleigh County Auditor\Treasurer has the responsibility of conducting cash and investment transactions for all funds held by or for the benefit of the County of Burleigh. The responsibility for the management of the investments here and after in this document will be referred to as the investment officer. The investment program has been delegated to the investment officer who shall implement the investment policy by following the investment procedures and internal controls herein delineated.

B. Objective:

The Investment Procedures and Internal Controls Manual provides an outline for investment management. This manual shall be reviewed annually.

C. Internal Control:

The system of internal controls is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

D. Investment Decisions:

The investment officer shall adhere to the guidelines of the government's investment policy regarding all investment purchases or any other cash and investment transactions.

F. Delegation of Authority:

As established by the investment policy, certain specified individuals (i.e., the Deputy Auditor\Treasurer, Accountant) have authority to transact investments. In case of an absence of officer, procedures and specific alternate personnel should be delineated.

G. Segregation of Duties and Compensating Controls:

The government shall establish written internal controls, which should include:

1. Control of Collusion:

Collusion is a situation where two or more employees are working in conjunction to defraud their employer. Employee duties will be shifted periodically to reduce the opportunity for collusion.

2. Segregation of duties:

By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a good separation of duties is achieved.

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BURLEIGH COUNTY INVESTMENT POLICY

3. Custodial safekeeping:
Securities purchased from any bank or dealer, including appropriate collateral, should be placed into an independent third-party institution for custodial safekeeping.
4. Avoidance of physical deliver securities:
Book entry securities are much easier to transfer and account for since actual delivery is never taken. Physical delivery securities must be properly safeguarded as are any valuable documents. The potential of fraud and loss increases with physical delivery securities.
Bearer form securities are much easier to convert to personal use than securities that are registered in the name of the government.
5. Clear delegation of authority to subordinate staff members:
Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid any improper actions. Clear delegation of authority also preserves the internal control structure that is built around the various staff positions and their respective responsibilities.
6. Written confirmation of all transactions (transfer, fax, Internet) for investments and wire transfers:
Due to the potential for errors and improprieties arising from telephone/electronic transactions, all such transactions will be documented in writing and approved by the auditor\treasurer.
7. Development of an electronic funds transfer agreement with banks:
This agreement should outline the various controls and security provisions for making and receiving electronic funds transfers.
 - a) Dual authorization and signatures of the County Auditor\Treasurer and Deputy Auditor\Treasurer shall be required shall be required for all transfers.
 - b) Financial institutions will have written instructions regarding government authorizations for wire transfers, restrictions on accounts where funds can be wired, and other procedures that will mitigate unauthorized movement of funds (e.g., call-back to independent person, written confirmations, etc.)
8. All personnel will be required to take minimum planned vacations thereby requiring other personnel to temporarily assume their duties.
9. Insurance shall be secured at appropriate levels to bond employees charged with investment and cash handling responsibilities shall be acquired from the ND State Bond Fund.

H. Operations:

Procedures and duties recommended include:

1. Investment Procedures:

The following is a basic outline of routine daily procedures necessary to maintain proper documentation on cash and investment transactions;

Each morning, the daily bank balance report shall be obtained from the depository bank(s).

Overnight (sweep) repurchase agreements and/or money market accounts interest shall be verified and recorded. All incoming and maturing investments shall be verified with the custodial bank. All earned interest, maturing investments, and incoming funds should be verified and recorded.

Daily information regarding the cash requirements and required maturity dates shall be provided by the Deputy Auditor\Treasurer. All security purchases or sells must be recorded on a confirmation form.

On a daily basis, it is necessary to conduct cash and investment activity within specific

EXHIBIT A

BURLEIGH COUNTY INVESTMENT POLICY

bank accounts, and all transactions within each account shall be recorded on a daily investment worksheet. All worksheets shall be maintained by the Deputy Auditor\Treasurer, and the worksheets shall be available for review upon request.

Proper documentation and authorization shall be required before any cash or investment transaction is executed. All investment documentation shall require the signature of the Auditor\Treasurer or the Deputy Auditor\Treasurer.

2. Authorized Wires:

Only the Auditor\Treasurer or Deputy Auditor\Treasurer shall be authorized to wire funds according to the approved wire transfer agreement for investment. Wire instructions and personal identification numbers (PIN's) shall be safeguarded. All bank transfer requests shall be in writing and require a second confirmation by another Burleigh County employee. The purpose of the bank transfer must be stated as part of the transfer information. ACH procedures shall also be delineated.

3. Securities Confirmations:

The processing of securities' confirmations, including filing and reconciling, shall be conducted by an individual not permitted to purchase and sell investments.

4. Safekeeping Procedures:

All securities purchased shall be received by "delivery vs. payment" (per the investment policy) to the custodian for safekeeping.

Certificates of deposit are permitted to be held at the issuing bank.

Collateral for certificates of deposit and purchased securities in connection with repurchase agreements may be delivered to the governments' designated custodian. Additional requirements and procedures should be outlined in a third-party custodial safekeeping agreement regarding safekeeping procedures.