

**MAINE COUNTY COMMISSIONERS ASSOCIATION
FINANCIAL MANAGEMENT & INVESTMENT POLICY**

Be it hereby ordained that the Maine County Commissioners Association (MCCA) adopts the following Financial Management and Investment Policy described herein. *(This Policy excludes the funds of the MCCA Insurance Risk Pool which are set forth in a Policy adopted by the Risk Pool Board of Directors.)*

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MAINE COUNTY COMMISSIONERS ASSOCIATION FINANCIAL MANAGEMENT & INVESTMENT POLICY

SECTION 1. FINANCIAL MANAGEMENT

I. Accounting System

- A. Maine County Commissioners Association (MCCA) management opposes fraud and supports the principles of open government and scrupulous financial management. Therefore, the MCCA utilizes a financial management system that upholds those standards.
- B. The MCCA has adopted the double-entry bookkeeping system. Every payment (debit) will have a second entry as a credit item, and records are maintained on *QuickBooks* accounting and payroll software.
- C. Staff is required to review any invoices incurred and approve that the work or item was satisfactorily received before any payment, or portion thereof, is made.
- D. The MCCA Executive Director shall review and approve all invoices for payment prior to their processing by the Administrative Assistant.
- E. All payroll checks shall be void if not cashed within 60 days of the date of issue.

II. Transactions

- A. All transactions are entered into the MCCA computer system.
- B. Two-party checks will not be accepted for any transaction.
- C. Post-dated checks will not be accepted.
- D. There shall be a \$15 charge for all checks returned to the MCCA for non-sufficient funds.
- E. Staff will attempt to limit the amount of available cash in “petty cash” to no more than \$200 throughout the work day. Cash in excess of \$200 will be locked in the safe until deposited in the bank.

III. Daily Cash-up Procedures

- A. At the end of each day, the appropriate balance shall be left in petty cash. An accounting of amounts withdrawn from petty cash shall be kept in the safe, which

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states the date of the withdrawal, the purpose of the withdrawal, the name of the person or company, to which the withdrawal was paid, and the name and signature of the person who made the withdrawal.

- B. The Executive Director shall maintain all receipts for deposits in an appropriate location. The Administrative Assistant shall generate and maintain bookkeeping and accounting records.

IV. Proofing of Previous Day's Work

- A. From time to time, staff not involved with previous financial transactions and record-keeping will review previous work to ensure that all work was done properly and that the correct funds were collected. The staff member performing the proofing shall initial each category of work checked.
- B. A total of receipts shall be compared to audit reports to determine if the work is in balance. If the work does not match the reports, activities will be examined to identify the discrepancy.
- C. Any work found to be deficient should be forwarded to the person responsible for the transaction for corrective action.

V. Deposits & Banking

- A. It shall be the normal procedure to make a deposit of receipts at least once per week if payments are received.
- B. All deposits shall be accounted for on an individual deposit slip and made by the Executive Director. In cases when the Executive Director is absent, the Office Manager may make bank deposits. (Board of Directors' action 10/10/14)
- C. The Executive Director and MCCA Secretary-Treasurer shall be authorized to perform online banking functions, transfer funds between accounts as appropriate, and access bank statements, etc.
- D. If there is a discrepancy identified in the deposit while at the bank, the entire deposit shall be returned to the MCCA office for reconciliation.
- E. At least once a year, the Treasurer of the Board of Directors shall review a sample of bank deposit activity on bank statements to insure that deposits are timely and intact. This will help determine that the MCCA's policy is being followed.

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VI. Customer Service Procedures

MCCA employees shall represent the MCCA in professional, courteous, and friendly manner in accordance with MCCA philosophy.

VII. Petty Cash Policy

- A. Petty Cash Fund. The Treasurer for the MCCA has established a petty cash fund of \$200. This fund is to be used to purchase small items without having to issue a check, or to reimburse employees or directors for out-of-pocket expenses incurred for approved purchases that do not require a purchase order under the MCCA Purchasing Policy. Those items may include, but are not limited to, postage required for mailing official MCCA letters and packages or purchasing hardware items, food for approved events, tolls, or other minor expenses authorized by the Executive Director.
- B. Replenishment of the Petty Cash Fund. This fund will be replenished when the cash balance is less than \$50. Replenishment of petty cash will be done in the following manner: valid receipts for expenses totaled and approved by the Executive Director; check issued for the total of those receipts and cashed at the MCCA's bank to replenish the petty cash fund.
- C. Oversight. As an internal control measure, this fund will be audited by a spot check method at any random time by the MCCA Executive Director or MCCA Treasurer. Staff may not audit their own work if the organization is to have effective internal control procedures.

VIII. Cash Reconciliation

- A. The Administrative Assistant is required to reconcile all accounts with the bank statement. Each month's reconciliation will be reviewed and signed off by the Executive Director and MCCA Treasurer to ensure proper accounting and bank balance.
- B. Each month, the Administrative Assistant shall prepare a monthly Cash Reconciliation statement and a monthly Financial Report of all financial activity for the previous month. The reports shall be presented to the MCCA Executive Director and Board of Directors no later than the Friday prior to the second Wednesday of each month.

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SECTION 2. INVESTMENT POLICY

I. Policy

It is the policy of the MCCA to invest its county-generated public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the MCCA and conforming to all state statutes governing investment of public funds.

II. Scope

This investment policy applies to all financial assets of the MCCA. These funds are accounted for in the Maine County Commissioners Association Annual Financial Report and may include, but not be limited to the following: General Fund with Annual Conference Funds and Capital Funds.

III. 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.

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 the 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 appropriate action is taken to control adverse developments.

IV. Objective

The primary objectives of the MCCA’s investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. Investments of the MCCA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, *diversification* is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

B. Liquidity. The MCCA’s investment portfolio will remain sufficiently liquid to enable

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the MCCA to meet all operating requirements, which might be reasonably anticipated.

- C. Return on Investments. The MCCA's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the MCCA's investment risk constraints and the cash flow characteristics of the portfolio.

V. Delegation of Authority

Authority to manage the MCCA's investment program is derived from Maine Statutes. Management responsibility for the investment program is hereby delegated to the MCCA Executive Director and the MCCA Executive Committee who shall be responsible for all transactions undertaken and establishing a system of controls to regulate the activities of subordinate officials.

VI. Ethics and Conflicts of Interest

Investment officials (MCCA Executive Director, MCCA Treasurer, Executive Committee, or Board of Directors) involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions; and investment officials shall disclose to the Board of Directors any material financial interests in financial institutions that conduct business within their jurisdiction; and they shall further disclose any large personal financial/investment positions that could be related to the performance of the MCCA.

VII. Authorized Financial Institutions

The MCCA Executive Director and Association Secretary-Treasurer shall deal with well-established financial institutions (banks, credit unions) or other recognized investment services. If the MCCA Executive Director desires, he/she should request a certified audit from any financial institution in which the MCCA invests.

VIII. Authorized & Suitable Investments

The MCCA Board of Directors desires that special care be taken to ensure that instruments of investment include only those allowed by law. Items such as, but not limited to the following, are acceptable instruments of investment: CDs, repurchase agreements, bank savings accounts, U.S. Treasury securities, or investment accounts.

All of the funds in the custody of the MCCA must be fully insured in "Category 1" investments, either through FDIC insurance, perfected sureties or collateralization. When

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using collateralization as a method for securing MCCA monies, the MCCA will not engage in any measure less than perfected securities (bank securities and bonds to be held by a third party, in the MCCA's name, to be turned over to the MCCA in the event of a bank failure.)

IX. Safekeeping and Custody

All investment transactions entered into by the MCCA Executive Director for the Maine County Commissioners Association shall be held in safe keeping and in certain instances based on the type of investment held by a third party designated by the MCCA Executive Director. The MCCA will diversify its investments by security type and investment vehicle. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the MCCA's total investment portfolio will be invested in a single security type or with a single investment vehicle.

X. Maximum Maturities

To the extent possible, the MCCA will attempt to match its investments with anticipated cash flow requirements. Reserve funds or capital project funds may be invested in various securities for deferring time frames such that investments are made to coincide as nearly as practicable with the expected use of funds.

XI. Redemption

Upon maturity of investment instruments, or as required by the MCCA to meet its cash flow requirements, the MCCA Executive Director, or in her/his absence, the Secretary-Treasurer, shall redeem the investment securities so the proceeds of such investments shall be applied to the purpose for which the monies were originally designated or shall be placed in the MCCA Treasury. All monies from the redemption of investment instruments shall be transferred directly to an account of the MCCA.

XII. Internal Control

The MCCA Executive Director shall have an independent review by an external auditor in accordance with MCCA Bylaws. This review will ensure internal control by assuring compliance with policies and procedures and lawful investment of funds.

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XIII. Performance Standards

The investment portfolio shall be designated with the objective of obtaining a rate of return throughout the budgetary process and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The MCCA Executive Director shall randomly review market yields and determine appropriate investment strategy on current yields and considering future market trends.

XIV. Reporting

The Executive Director shall provide a clear and accurate picture of the status of the current investment portfolio. The Executive Director may randomly include other pertinent information in reference to investment strategies, economic conditions, or possible changes in the portfolio.

XV. Investment Policy Adoption

The MCCA Board of Directors shall adopt the investment policy. The MCCA Executive Director, Treasurer, and/or Board of Directors may review the adopted policy annually and make any modification thereto by majority vote of the Board of Directors. The investment policy, once adopted, shall remain in effect unless action is taken by the Board of Directors to amend the document, create a new policy, or cancel the existing investment policy.

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SECTION 3. FIXED ASSET POLICY

I. Policy

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets that are to be recorded in the MCCA's annual financial statements in order to comply with law and generally accepted accounting principles.

II. Capital Asset Definition

Capital Asset will be defined as tangible and intangible assets that have initial useful lives that extend beyond a single reporting period.

III. Capitalization Method

All Capital Assets will be recorded at historical costs as of the date acquired or constructed. If historical cost information is not available, assets will be recorded at estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index.

IV. Capitalization Thresholds

Fixed Asset Limits:

- A. Land. All land and permanent rights to land (i.e., easements) shall be recorded without regard to significant value.
- B. Buildings. All buildings shall be recorded at acquisition cost without regard to significant value. Additions to buildings less than \$2,500 per building shall not be recorded.
- C. Equipment. Equipment costing \$5,000 and more shall be recorded as Fixed Assets. Additions to equipment costing \$5,000 or more shall be recorded as Fixed Assets.
- D. Additional Fixed Assets. Additional fixed assets shall be recorded and maintained when required by other terms or agreements, if different from what is stated above.
- E. Items not classified as Fixed Assets. Assets described above may be included in an inventory listing for internal control purposes.

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V. Infrastructure Assets

In accordance with GASB Statement number 34, the MCCA will record, at minimum, “major” infrastructure assets as defined in Statement 34 that were acquired, constructed or significantly reconstructed, or that received significant improvements after June 30, 1980. Other infrastructure assets may be capitalized as deemed appropriate. The MCCA does not intend to use the “modified approach” to record infrastructure.

VI. Other Assets

Detailed records shall be maintained for all items below the capitalization thresholds that should be safeguarded from loss. These items will be part of the annual physical inventory discussed below. These items include computer equipment that falls below the established thresholds and any other asset specified by the MCCA Executive Director.

VII. Depreciation and Useful Life

Staff shall assign an estimated useful life to all assets for the purpose of recording depreciation. The attached “Suggested Useful Lives” schedule will be used to establish lives for most assets. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented. Depreciation will be recorded based on the straight-line method using the half-year convention and depreciation down to the assets salvage value.

VIII. Safeguarding and Controlling Fixed Assets

All machinery and equipment, vehicles and furniture will be assigned an asset number and identified with a fixed asset tag. As fixed assets are purchased or disposed of, the Executive Director or designee will prepare a fixed asset data sheet, which will then be properly recorded by the Administrative Assistant. A physical inventory will be taken annually on or about December 31 and compared to the physical inventory records. Appropriate adjustments will be made to the fixed asset records to reflect changes made the previous year.

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SECTION 4. FUND BALANCE

I. Purpose

Sufficient fund balance is required to maintain liquidity, assure positive cash flow, prevent borrowing through tax anticipation notes, and provides effective cash management. Fund balance is not completely represented by liquid assets, such as cash, but includes unrealized receivables and other assets as components which require a certain period of time to convert to cash. Because of these factors, the MCCA adopts this policy to maintain a healthy fund balance that will provide adequate funds to carry the MCCA through times of relatively low cash flow periods and provide funds for emergency situations.

II. Policy

The MCCA hereby establishes a policy that requires the MCCA to maintain a minimum undesignated fund balance equal to approximately two months expenditures.

III. Procedures & Oversight

The monthly balance sheet, bank statements, and financial reports will be used by the Treasurer, the MCCA Executive Director, and the Board of Directors to monitor the undesignated fund balance each month, noting that the fund balance will ebb and flow according to cash flow (dues payments or other revenue collection and expenditures.) An approximate idea of the fund balance will be known through the use of the aforementioned tools, but the actual year-end fund balance will finally be known upon the completion of the year-end audit. The Budget and Finance Committee must keep this policy in mind when developing the budget and its funding sources for each upcoming year.

Adopted this 12th day of November, 2014.

President

Vice-President

Secretary-Treasurer

Attest: _____
Rosemary E. Kulow, Executive Director

Adopted November 12, 2014