

Title of Manual: Mid-South Substance Abuse Commission Policy and Procedures			Page 1 of 2	
			History	
Policy Number: F006	Subject/Title: Investment Policy		Last Approved:	11/2009
			Last Reviewed:	5/2010
Issued By: Executive Director	Approved By: Board of Directors Date: 08/23/2010	Scope: Administration	Effective:	8/2010

1. POLICY

Mid-South's investment policy shall comply with the criteria of the Governmental Accounting Standards Board (GASB) Deposit and Investment Risk Disclosures Statement 40. In doing so, Mid-South shall deposit and/or invest its monies in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security, meeting daily cash flow requirements, and conforming to all state statutes governing the investment of public funds.

Mid-South will consider only conservative instruments when investing agency funds. A prudent level of risk will be appropriate in order to achieve an acceptable rate of return. Desired risk levels are not to exceed 0% depreciation in corpus in any given year.

2. PURPOSE

The investment objective is to maximize the rate of return on investments while preserving and protecting the original capital asset. The portfolio shall have sufficient liquidity allowing for conversion to cash for operational needs within a twenty-four (24) hour period.

3. INVESTMENT AND MANAGEMENT OF FUNDS

GASB 40 requires policy to address the following:

- **Custodial credit risk – the possibility that a government will not be able to recover its deposits, investments, or collateral from the bank or the other party it is dealing with.**
- **Overall credit risk – the chance that an issuer of an investment will not fulfill its obligations.**
- **Concentration of credit risk – potential losses from credit risk are heightened if a significant portion of its resources are invested with a single issuer.**
- **Foreign currency risk – is the chance that changes in exchange rates will adversely affect the fair value of a government's investments or deposits.**
- **Interest rate risk – the possibility that changes in interest rates will reduce the fair value of a government's investments.**

Guidelines:

- 3.1. Funds will be deposited or invested within local financial institutions offering the most advantageous investments with consideration given to assuring custodial credit risk is minimized (see 3.3).
- 3.2. Interest bearing sweep checking accounts will service cash balances maintained in local banks for ongoing operational expenses.
- 3.3. Either interest bearing money market instruments/corporate bonds/U.S. Government treasuries and agency securities or certificates of deposit will be utilized for investment purposes. Since investments in mutual funds and external investment pools are not exposed to custodial credit

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risk, per GASB 40, this is affirmatively addressed and need not be included in financial disclosure.

- 3.4. If certificates of deposit are utilized, they will be invested for no more than 6 month intervals, however longer intervals may be used with Board approval. This criteria is established to affirmatively address GASB 40 interest rate risk.
- 3.5. Investments shall be secured by the Federal Deposit Insurance Corporation (FDIC) to the maximum level. Since obligations of or guaranteed by the U.S. government are not considered to be exposed to overall credit risk, per GASB 40, this is affirmatively addressed and need not be included in financial disclosure.
- 3.6. Investments shall be secured with more than one financial institution if FDIC is at a maximum level at an institution.
- 3.7. Governments do not have to disclose concentrations in investments of or guaranteed by the U.S. government or investments in mutual funds, external investment pools, or other pooled investments. Therefore, due to our policy, Mid-South affirmatively addressed the concentration of risk criteria and need not include in financial disclosure.
- 3.8. Mid-South shall not hold or invest in foreign currency to affirmatively address GASB 40 criteria.

4. DELEGATION AND POLICY REVIEW

Financial oversight and supervisory authority has been delegated by the Mid-South Board of Directors to the Finance Manager under the supervision of the Executive Director.

References:
None