

POLK COUNTY INVESTMENT POLICY

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POLK COUNTY TREASURER

POLK COUNTY INVESTMENT POLICY
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POLK COUNTY INVESTMENT POLICY

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Section I: Scope of the Investment Policy

This Investment Policy shall apply to all financial assets under the control of the Polk County Treasurer including operating funds, and other funds of the county. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

The investment of bond funds shall comply with Iowa Code Sections 12C.9 and 12B.10 (5) paragraph a, subparagraphs (1) through (7) and also be consistent with any applicable bond resolution.

This Investment Policy is intended to comply with Iowa Code Sections 11.6, 12B.10, 12B.10A, 12B.10B, 12B.10C, Chapter 12C, and all other applicable law.

Upon passage and implementation and upon future amendment, copies of the Investment Policy shall be delivered to all of the following by the Treasurer's office:

- 1) The Board of Supervisors,
- 2) All depository institutions or fiduciaries for public funds of Polk County,
- 3) The auditor engaged to audit any fund of Polk County,
- 4) The County Auditor, and
- 5) Any entity using Polk County Treasury Management services for the Polk County Treasurer Internet Clearing Account.

In addition, a copy of this Investment Policy shall be delivered to every fiduciary or third party assisting with or facilitating investment of the funds of Polk County.

Section II: Objectives

The primary objectives, in order of priority, of all investment activities involving the financial assets of Polk County shall be the following:

- 1) Safety: Safety and preservation of principal in the overall portfolio is the foremost investment objective.

- 2) Liquidity: Maintaining the necessary liquidity to match expected liabilities is the second investment objective.
- 3) Return: Obtaining a reasonable return is the third investment objective.

Section III: Delegation of Authority and Control

In accordance with Iowa Code Sections 12B.10 and 12C.1, the responsibility for conducting investment transactions resides with the Treasurer of Polk County. Only the Treasurer and those designated by the Treasurer may invest public funds.

All contracts or agreements with outside persons investing public funds, advising on the investment of public funds, or acting in a fiduciary capacity for Polk County shall require the outside person to notify Polk County in writing within 30 days of receipt of all communication from the auditor of the outside person or any regulatory authority of the existence of a material weakness in internal control structure of the outside person or regulatory orders or sanctions regarding the type of services being provided to Polk County by the outside persons. Persons as used herein include all institutions, businesses, corporations, or entities of any kind.

The records of investment transactions made by or on behalf of Polk County are public records and are the property of Polk County whether in the custody of the Treasurer or in the custody of a fiduciary or other third party.

The Treasurer shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those divisions and employees of the Polk County Treasurer responsible for elements of the investment process, and to address the capability of investment management. The controls shall provide for receipt and review of the audited financial statements and related reports on internal control structure of all outside persons performing any of the following for Polk County:

- 1) Investing public funds.
- 2) Advising on the investment of public funds.
- 3) Directing the deposit or investment of public funds.
- 4) Acting in a fiduciary capacity for the public body.

The Treasurer of Polk County and all employees authorized to place investments shall be insured under a blanket fidelity bond in the minimum amount of five million dollars.

Section IV: Prudence

The Treasurer of Polk County, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to attain the Section II investment objectives. This standard requires that when making investment decisions, the Treasurer shall consider the role that the investment or deposit plays within the portfolio of assets of Polk County and the investment objectives stated in Section II.

When investing assets of Polk County in excess of \$100,000 for a term longer than one month, the Treasurer shall request competitive investment proposals for comparable credit and term investments from a minimum of three investment providers.

Section V: Selection of Financial Institutions & Broker Services

1) Financial Institutions.

Deposits and Certificates of Deposit To avoid default risks with financial institutions with which the Polk County Treasurer deposits monies, Polk County shall determine in advance of deposit that each depository in which monies are to be placed is an approved depository for purposes of Chapter 12C of the Iowa Code.

2) Broker Services.

The following stipulations are to be met to avoid broker services default risk:

- a) Polk County shall only use broker/dealers and financial institutions which are registered with the U.S. Securities and Exchange Commission. Agents of broker/dealers and financial institutions shall be registered with the Securities Division of the State of Iowa. In addition, Polk County shall annually investigate each agent, broker/dealer and financial institution registration and regulatory history. If agent disciplinary action is noted, Polk County shall no longer do business with the agent.

- b) Broker/dealers and financial institutions must complete a Polk County Broker Services Questionnaire and have it on file with the Polk County Treasurer before they can be on an approved list by the Polk County Treasurer.

Section VI: Authorized Investments and Quality Guidelines

Assets of Polk County may be invested in the following:

- 1) Interest bearing savings accounts, interest bearing money market accounts, and interest bearing checking accounts at any bank, savings and loan or credit union in the State of Iowa and Polk County. All Iowa banks and Iowa savings associations as defined by Iowa Code Section 12C.1 are eligible for public fund deposits as defined by Iowa Code Section 12C.6A unless listed on the State Treasurer's website as being ineligible to accept public fund deposits. Each financial institution shall be properly declared as a depository by the governing body of Polk County.
- 2) Securities of the United States Government its agencies and instrumentalities.
- 3) Certificates of Deposit and other evidences of deposit at federally insured Iowa Depository institutions approved and secured pursuant to Chapter 12C.
- 4) Prime bankers' acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank.
- 5) Commercial paper or other short-term corporate debt that matures within two hundred seventy days and that is rated in the highest classification (A1+,P1), on the date of purchase, as established by at least one of the standard rating services approved by the superintendent of banking (Standard & Poors or Moody's).
- 6) An open-end management investment company registered with the Securities Exchange Commission under the federal Investment Company Act of 1940, 15 U.S.C., Section 80(a) and operated in accordance with 17 C.F.R. Section 270.2a-7 (Money Market Mutual Fund).
- 7) 28E Joint Investment Trusts organized pursuant to chapter

28E of the Iowa Code. The joint investment trust shall either be rated within the two highest classifications by at least one of the standard rating services approved by the superintendent of banking and operated in accordance with 17 C.F.R. Section 270.2a-7, or be registered with the Securities and Exchange Commission under the federal Investment Company Act of 1940, 15 U.S.C., Section 80(a), and operated in accordance with 17 C.F.R. 270.2a-7. The manager or investment advisor of the joint investment trust shall be registered with the federal Securities and Exchange Commission under the Investment Advisor Act of 1940, 15 U.S.C., Section 80(b).

- 8) Repurchase Agreements, provided that the underlying collateral consists of obligations of the United States government, its agencies, and instrumentalities and Polk County takes delivery of the collateral either directly or through an authorized custodian pursuant to a written agreement. Collateral shall be marked-to-market daily to cover the cash value of the investment.
- 9) An investment contract or tax exempt bonds, as authorized by Iowa Code Section 12C.9, when investing the proceeds of public bonds or obligations and funds being accumulated for the payment of principal and interest or reserves.
- 10) Certificates of Deposit and other evidences of deposit at a federally insured depository institution, regardless of location, that is arranged and custodied by a Polk County approved depository that comply with Chapter 12B.10 section 7. All principal and interest shall be fully covered by federal deposit insurance.

All authorized investments are further qualified by all other provisions of the Investment Policy, including Section VII--Investment Maturity Limitations, and Section VIII--Diversification.

Section VII: Investment Maturity Limitations

Operating funds of Polk County, under the control of the Polk County Treasurer, must be identified and distinguished from all other funds available for investment. Operating funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt.

All investments authorized in Section VI are subject to the following investment maturity limitations:

- 1) Operating funds may only be invested in instruments

authorized in Section VI of this Investment Policy that mature within three hundred ninety-seven days.

- 2) The Treasurer may invest funds of Polk County that are not identified as operating funds in investments with maturities longer than three hundred ninety-seven days.
- 3) However, all investments of Polk County shall have maturities that are consistent with the needs and use of Polk County.

Section VIII: Diversification

Assets shall be diversified to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Investments of Polk County are subject to the following diversification goals at the time of purchase:

- 1) Maturities shall be selected which provide stability of income and reasonable liquidity.
- 2) No more than 20% of the portfolio shall be invested in repurchase agreements with the same broker/dealer or financial institution.
- 3) No more than 5% of the portfolio may be invested in the securities of a single issuer and no more than 10% of the portfolio may be invested in each of the following categories of securities:
 - a) Commercial paper and other short-term corporate debt.
 - b) Prime banker's acceptances.
- 4) Liquidity practices shall be used to ensure that disbursement dates and payroll dates are covered through maturing investments, marketable U.S. Treasury Bills, or cash on hand at all times.

Section IX: Prohibited Investments and Investment Practices

Assets of Polk County shall not be invested in the following:

- 1) Reverse Repurchase Agreements, and
- 2) Derivatives including, but not limited to, collateralized mortgage obligations (CMO's), interest-only (IOs) and

principal-only (POs), forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters, and caps/floors/collars.

Assets of Polk County shall not be invested pursuant to the following investment practices:

- 1) Trading of securities for speculation or the realization of short term trading gains.
- 2) Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
- 3) If a fiduciary or other third party with custody of public investment transaction records of Polk County fails to produce requested records when requested by this public body within a reasonable time, Polk County shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

Section X: Reporting

The Treasurer shall compile the following reports:

- 1) Monthly Performance Evaluation Report. The Monthly Performance Evaluation Report will be updated daily, will summarize the current portfolio in terms of investment type, maturity, rate of return, average daily assets invested, and will reflect a weighted rate of return for the reporting period.
- 2) Daily Diversification Report. The Daily Diversification Report will summarize the current portfolio by investment type within each financial institution and by investment type overall.

Section XI: Safekeeping and Custody

All invested assets of Polk County subject to Iowa Code Section 12B.10C shall be secured and held by a third party custodian pursuant to a public funds custodial agreement. The agreement shall require delivery versus payment and compliance with all rules set out elsewhere in Section XI of this Investment Policy.

All invested assets of Polk County involving the use of a public funds custodial agreement as defined in Iowa Code Section 12B.10C

shall comply with all rules adopted by the Treasurer of State. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the State of Iowa.

A deposit of public funds in an approved bank, savings and loan or credit union shall be secured as provided in Iowa Code Section 12C.1(3) (a) and (b).

Section XII: Ethics and Conflict of Interest

The Treasurer and all employees of the Polk County Treasurer 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.

Section XIII: Policy Review & Amendment

This Investment Policy shall be reviewed annually or more frequently as appropriate. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section I-Scope of the Investment Policy.