

INVESTMENT POLICY WARREN COUNTY

I. Purpose

The purpose of this investment policy (the "Policy") is to set forth the investment objectives and parameters for the management of public funds of Warren County, Indiana (the "County"). This Policy is designed to safeguard funds on behalf of the County, to assure the availability of funds when needed, and provide a competitive investment return.

II. Scope

This Policy applies to the investment of all funds of the County. The County may consolidate fund balances to increase investment earnings and to increase efficiencies with regard to investment pricing, banking fees and administration.

III. General Objectives

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

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. The objective will be to minimize credit risk and interest rate risk.

a. Credit Risk - The County 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 VI of this Policy.

b. Interest Rate Risk - The County 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 prior to maturity.

2. Liquidity

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. Furthermore, since all possible cash demands cannot be anticipated, a portion of the portfolio may be placed in money market mutual funds or government investment pools which offer same day liquidity for short-term funds.

3. Return

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 of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

IV. Standards of Care

1. Delegation of Authority

The Treasurer, hereinafter referred to as the Investment Officer, shall be responsible to oversee the day-to-day management of the County's investments. Should the County elect to select an outside investment advisor, such advisor or firm must be registered under the Investment Advisor's Act of 1940.

2. Prudence

The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing all funds of the County. 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."

3. Ethics and Conflicts of Interest

The Investment Officer 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. The Investment Officer and employees 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.

V. Authorized Financial Institutions and Broker/Dealers

1. Authorized Financial Institutions and Broker/Dealers

A list will be maintained of local financial institutions that are approved depositories for the receipt of public funds according to the Indiana State Board for Depositories. The County may pass a resolution pursuant to IC 5-13-9-5 expanding the list of approved financial institutions to include all Indiana depositories approved for the receipt of public funds according to the Indiana State Board for Depositories.

In addition, the County will only use broker/dealers that meet the following requirements:

- Primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Capital of no less than \$10,000,000;
- Registered as a dealer under the Securities Exchange Act of 1934;
- A member of the National Association of Securities Dealers (NASD);
- Proof of state registration

VI. Suitable and Authorized Investments

Consistent with Indiana Code 5-13-9, the following investments will be permitted by this Policy:

- (1) Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by any of the following:
 - (A) The United States Treasury.
 - (B) A federal agency.
 - (C) A federal instrumentality.
 - (D) A federal government sponsored enterprise.

- (2) Securities fully guaranteed and issued by any of the following:
 - (A) A federal agency.
 - (B) A federal instrumentality.
 - (C) A federal government sponsored enterprise.
- (3) Municipal securities issued by an Indiana local governmental entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase in accordance with IC 5-13-9-2.
- (4) Money market mutual funds rated AAAM, or its equivalent, by Standard and Poor's Corporation or Aaa, or its equivalent, by Moody's Investors Service, Inc. in accordance with IC 5-13-9-2.5.
- (5) Repurchase agreements in accordance with IC 5-13-9-3.
- (6) Transaction accounts, certificates of deposit and deposit accounts issued or offered by a designated depository of the County's political subdivision. The Investment Officer making a deposit in a certificate of deposit shall obtain quotes from each designated depository in accordance with IC 5-13-9-4.
- (7) Certificates of deposit authorized by a resolution of the County in accordance with IC 5-13-9-5 and 5-13-9-5.3.
- (8) Local government investment pools in accordance with IC 5-13-9-11.

Consistent with Indiana Code 36-1-7, the County may pass a resolution to enter into interlocal cooperation agreements for the joint exercise of powers, including the investment of public funds.

VII. Investment Parameters

1. Maximum Maturities

The County's investments must have a stated final maturity of not more than two years pursuant to IC 5-13-9-5.6. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the County's funds should be continuously invested in readily available funds such as bank transaction accounts, local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

The County may adopt an ordinance, pursuant to IC 5-13-9-5.7, authorizing its Investment Officer to make investments having a stated final maturity that is more than two (2) years but not more than five (5) years after the date of purchase. The total investments of the County with maturities of two (2) to five (5) years outstanding at the time of purchase may not exceed twenty-five percent (25%) of its total portfolio of public funds invested, including balances in transaction accounts. Such ordinance expires on the date on which this Policy expires, which may not exceed four (4) years.

2. *Competitive Bids*

The Investment Officer or its designee shall obtain competitive bids for investment with financial institutions in accordance with IC 5-13-9-4. The Investment Officer or its designee shall obtain bids from at least two brokers or financial institutions on all purchases of investment instruments on the secondary market. Overnight sweep investment instruments shall not be subject to this section.

VIII. Reporting

During the annual meeting required by IC 5-13-7-6 of The Board of Finance of the County, the Investment Officer shall make a written report to the board summarizing the County's investments during the previous calendar year. The report must contain the name of each financial institution, government agency or instrumentality, or other person with whom the political subdivision invested money during the previous calendar year. The Board of Finance shall review the report and review the overall investment policy of the County.

IX. Policy Considerations

1. *Adoption and Expiration*

This Policy shall be adopted by the County at a public meeting and shall expire four (4) years from the date of adoption in accordance with IC 5-13-9-5.7.

2. *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.

3. *Amendments*

This Policy shall be reviewed periodically. Any changes must be approved by the Investment Officer and any other appropriate authority.

May 19, 2014

Thomas A. Hetrick COMMISSIONER

[Signature] COMMISSIONER

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Minerva Hetrick, Auditor