

**MCHENRY COUNTY TREASURER  
INVESTMENT POLICY  
MAY 2015**

**SCOPE**

This investment policy applies to activities of the McHenry County Treasurer with regard to investing financial assets of all funds as described in Illinois Compiled Statutes. (30 ILCS 235/2.5)

**POLICY**

It is the policy of the McHenry County Treasurer to structure investments to place the highest priority on the safety of principal. Secondary is the balance of investment objectives.

**INVESTMENT OBJECTIVES**

The following investment objectives apply to the management of the McHenry County Treasurer's funds:

1. Structure investments to preserve principal capital.
2. Provide investments that conform to all federal, state and regulatory requirements.
3. Include participants in the investment process that seek to act responsibly to maintain the Public Trust and avoid transactions that may impair public confidence.
4. Implement an investment strategy that provides sufficient liquidity to meet the County's operating, payroll, capital and statutory disbursement requirements.
5. Establish procedures to control risk and diversify the portfolio regarding security types, maturities and financial institutions.
6. Invest public funds to maximize overall portfolio yield while minimizing risk.
7. Seeking to promote economic development in McHenry County under the Treasurer's competitive certificate of deposit purchase program. In the event a McHenry County financial institution bids within 1/8 of 1% of an out-of-county financial institution, the McHenry County institution shall be awarded the investment funds.

**PRUDENCE STANDARDS**

The standard used by the McHenry County Treasurer and Deputy Treasurer(s) shall be the "prudent person" standard which means the following:

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 from the investment.

**DELEGATION OF AUTHORITY**

In accordance with 55 ILCS 5/3-10005 and 5/3-11006, the County Treasurer delegates responsibility for the operation of the investment program to the Investment Coordinator, a Deputy Treasurer, who shall act in accordance with all local, state and federal laws and the establishment of written procedures and internal controls for the operation of the investment program consistent with this investment policy.

Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, wire transfer agreements, and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions.

### **ETHICAL STANDARDS**

The McHenry County Treasurer and Deputy Treasurer(s) shall refrain from personal business activity that is in fact or gives the appearance of a conflict with proper execution of the investment program which could impair their ability to make impartial investment decisions.

The Deputy Treasurer(s) shall disclose to the County Treasurer any material financial interests in financial institutions that conduct business with McHenry County and they shall further disclose any personal investments related to the performance of the investment portfolio in addition to any other disclosures required by law.

In accordance with the spirit of the aforementioned, the County Treasurer shall make same said disclosure to the County Board. The County Treasurer and Deputy Treasurer(s) shall refrain from undertaking personal investment transactions with any individual or business that is a vendor of McHenry County.

### **PERMISSIBLE INVESTMENTS**

The Treasurer may invest in any instrument authorized by Section 2 of the Public Funds Investment Act.

### **OTHER INVESTMENTS**

If either or both the Public Funds Investment Act or the Counties Code at 55ILCS 5/3-11006 is amended and one or more investments are no longer permissible, the investment will automatically be removed as a Permissible Investment. Under this circumstance, any newly ineligible investments shall be allowed to mature or can be sold immediately at the County Treasurer's discretion.

If either or both the Public Funds Investment Act or the Counties Code at 55ILCS 5/3-11006 is amended to add new investments, the new investments will automatically be added as a Permissible Investment, but not recommended for use until approved by the County Treasurer.

### **PERFORMANCE MEASUREMENT**

The investment policy is designed to obtain a market average rate of return, taking into account investment risk constraints and cash flow needs. The Investment Coordinator shall compare on a monthly basis the County's rate of return on current investments to the current average rate of return.

### **REVIEWING GUIDELINES**

The McHenry County Treasurer shall review repurchase agreement activity for compliance with Illinois Law, the diversification strategy, and FDIC quarterly call reports on a periodic basis.

### **DIVERSIFICATION**

It is the policy of the McHenry County Treasurer to diversify the investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from an over concentration in a specific issuer, maturity or class of security.

### **REPORTING**

Investment reports will be prepared as required by statute or more frequently as needed. The reports include, but are not limited to, a listing of individual securities held by the end of each period, a listing of investments by maturity date and institution, income earned on investment by fund.

### **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The McHenry County Treasurer will maintain a list of financial institutions that have been designated as County Depositories by the McHenry County Board. In addition, the Treasurer will also maintain a list of approved security broker/dealers, selected by credit worthiness, authorized to provide investment services in the State of Illinois. The Treasurer shall make no public deposit except in a qualified public depository as established by state statute.

**Commercial Banks** – Total investments and deposits shall not exceed 75% of an individual commercial bank's capital stock and surplus.

**Credit Unions** – Total investments and deposits shall not exceed 50% of an individual credit union's unimpaired capital and surplus, which shall include shares, reserves and undivided earnings.

### **ACCEPTED COLLATERAL INSTRUMENTS**

It is the policy of the McHenry County Treasurer to require some form of collateral to protect public deposits in a single financial institution if it were to default for some reason such as poor management or economic factor. All federally and non-federally insured institutions must fully collateralize deposits using instruments and Collateral Ratios (Market Value divided by Amount Deposited) as follows:

- Bonds, notes, or other securities constituting direct and general obligations of the United States
- Bonds, notes, or other securities constituting an obligation of any agency of the United States
- Direct and general obligation bonds of any state
- Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes
- Letters of credit issued by the Federal Home Loan Bank of Chicago in an amount equal to 110% of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or National Credit Union Administration.

Municipal bonds shall be registered in the name of the municipality or county or held under a custodial agreement as described in the section ***Safekeeping of Collateral and Assets***. The Bonds shall be rated at the time of purchase within the three (3) highest general classifications established by a rating service of nationally recognized expertise in the rating of bonds of states and their political subdivisions.

The Collateral Ratio required under the terms and conditions of any Repurchase Agreement that McHenry County shall enter into shall be one-hundred and five percent (105%). The Collateral Ratio shall apply to the market value of eligible collateral as determined by the County.

The McHenry County Treasurer, or his designee, shall review monthly the collateral ratios to the amount of funds secured. The Treasurer will request additional collateral when the ratio declines below the level required.

**SAFEKEEPING OF COLLATERAL AND ASSETS**

Third-party safekeeping is required for all collateral and assets. To accomplish this, a security can be held at the following locations:

1. A Federal Reserve Bank or branch office
2. Another custodial facility, generally a trust department through book-entry at the Federal Reserve, unless physical securities are involved
3. By an escrow agent of the pledging institution

**INTERNAL CONTROL**

An independent review of the investment records will be done in conjunction with the County's annual audit by the outside auditing firm contracted with the County Board. This review will provide internal control by assuring compliance with established policies and procedures.

**SPECIAL USE MONEY**

From time to time, McHenry County issues debt for various projects. The proceeds from such issuance shall be invested in the manner prescribed by the County and/or the legal requirements of the debt instruments at the time the debt is issued.

**INVESTMENT POLICY ADOPTION**

The investment policy shall be adopted by the McHenry County Treasurer in conformance with the Public Funds Investment Act, 30 ILCS 235/2.5 and will be the governing investment policy of the County. As per State Statute, the investment policy will be presented to the chief executive officer and the governing body. The policy shall be reviewed annually and with any modifications approved by the McHenry County Treasurer.

*Adopted May 18, 2015 by McHenry County Treasurer Glenda L. Miller.*