

LAKE COUNTY
INVESTMENT POLICY

I. Scope of Investment Policy

This Investment Policy applies to the investment activities of all funds of Lake County. All financial assets of funds, including: the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Special Assessment Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and other funds that may be created from time to time, shall be administered in accordance with the provisions of this Policy.

II. Objectives of Investment Policy

The purpose of the Investment Policy of Lake County is to establish cash management and investment guidelines for County Officials responsible for the stewardship of public funds. Specific objectives include:

A. Safety of principal is the foremost objective of the Investment Policy of the County.

Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value.

The County shall diversify its investments to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions. The County will minimize the risk that the market value of the securities in the portfolio will fall due to changes in the general interest rate. The County investment portfolio shall mitigate any interest rate risk by remaining sufficiently liquid to enable the County to meet all operating requirements which may be reasonably anticipated in any County fund. Investing in such a way to avoid the need to sell securities prior to maturity.

- B. The investment portfolio of the County shall be designed with the objective of regularly exceeding the average return of three month U. S. Treasury Bills. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles. The Controller and the Chief Investment Officer shall meet periodically to review the investment portfolio.
- C. In managing its investment portfolio, County officials shall avoid any transaction that might impair public confidence in the government of the County. 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.

III. Responsibility for the Investment Program

Management responsibility for the investment program of Lake County is hereby delegated, as provided by law, to the Treasurer or other custodians of public funds, who shall each be the designated Deputy Treasurer of the public funds over which they exercise control. No person may engage in an investment transaction except as provided under terms of this Policy. The Treasurer or other custodians of public funds shall be responsible for all transactions undertaken, and shall establish a system of internal controls and written operational procedures to regulate the activities of subordinate officials.

IV. Cash Management

A. The County's Policy regarding cash management is based upon the realization that there is a time-value to money. Temporarily idle cash may be invested for a period of one day to an excess of one year, depending upon when the money is needed. Accordingly, the Controller will prepare written cash management procedures which shall include, but not be limited to, the following:

1. Receipts: All monies due the County shall be collected as promptly as possible. Monies that are received shall be deposited in an approved financial institution or with the County Treasurer no later than the third business day after receipt by the County, except departments within the Court House Square shall make deposits on a daily basis. Amounts that remain uncollected after a reasonable length of time shall be subject to any available legal means of collection.
2. Disbursements: Any disbursement to suppliers of goods and/or services or to employees for salaries and wages shall be contingent upon an available budget appropriation.
3. Cash Forecast: At least annually, a cash forecast shall be prepared using expected revenue sources and items of expenditure to project cash requirements over the fiscal year of the County. The forecast shall be updated periodically to identify the probable investable balances that will be available.
4. Pooling of Cash: Except for cash in certain restricted and special accounts, the County may pool the cash of various funds to maximize investment earnings. Investment income will be allocated to the various funds based upon their respective participation.

- B. One of the objectives of the County's cash management procedures is to comply with Illinois Compiled Statutes, 30 ILCS 225/1 which states: "When such deposits become collected funds and are not needed for immediate disbursement, they shall be invested within two working days at prevailing rates or better".

V. Accounting

Lake County maintains its accounting records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the County in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board.

VI. Financial Institutions, Investment Advisors, and Money Managers

A. It shall be the policy of Lake County to select financial institutions on the following basis:

1. Security: The County will not maintain funds in any financial institution that is not a member of the Federal Deposit Insurance Corporation or the National Credit Union Association systems. Furthermore, the County will not maintain funds in any financial institution that does not collateralize all funds in excess of the FDIC or NCUA insurance limits, except as listed in Section VII, Sub Sections 7 & 8.
2. Size: The County will not deposit additional funds in any financial institution in which the uncollateralized County funds on deposit will exceed 75% of the institution's capital stock and surplus; except deposits in credit unions shall not exceed 50% of the unimpaired capital and surplus of such credit union which

shall include shares, reserves and undivided earnings (Illinois Compiled Statutes, 30 ILCS 235/6).

3. Location: The County will maintain operating and investment accounts in the financial institutions within Lake County whenever possible, and not precluded by other standards of this Policy. However, the County may approve depositories regardless of location.
4. Statement of Condition: The County will maintain for inspection current statements of condition for each financial institution named as depository. If, for any reason, the information furnished is considered by the County Treasurer to be insufficient, the County may request additional data. The refusal of any institution to provide such data upon request may serve as sufficient cause for the withdrawal of County funds.

B. Investment Advisors and Money Managers shall be used only when approved in advance by the Lake County Board.

VII. Investment Selection

A. Lake County may invest in any of the types of securities listed below:

1. Bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America, money market mutual funds whose portfolios consist of U.S. government obligations, U.S. government agency obligations, U.S. government instrumentality obligations, and repurchase agreements collateralized by such obligations as allowed under Illinois Compiled Statutes 30 ILCS 234/2.

2. U S Government agency obligations and U S Government instrumentality obligations which have a liquid market with a readily determinable market value.
 3. Interest-bearing checking or savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation (FDIC).
 4. Forms of security legally issuable by savings and loan associations incorporated under the laws of the State of Illinois or any other state or under the laws of the United States, only in those savings and loan associations insured by Federal Deposit Insurance Corporation (FDIC), and not to exceed the maximum amount insured by the FDIC.
 5. Insured dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of the State of Illinois or any other state or under the laws of the United States, only in those credit unions insured by the National Credit Union Administration and not to exceed the maximum amount insured by the NCUA.
 6. Repurchase agreements (Illinois Compiled Statutes 30 ILCS 235/2).
 7. The Illinois Funds
 8. Illinois Metropolitan Investment Fund (IMET)
- B. The County shall not:
1. Purchase financial forwards or futures.
 2. Purchase any leveraged investments.
 3. Lend securities.
 4. Participate in reverse repurchase agreements.

VIII. Maturities

Maturities of investments of the various funds of the County shall be determined to enable the County to have available sufficient cash for all operating purposes.

Investments may be purchased with maturities to match cash flow needs, future projects or liability requirements.

IX. Collateral

- A. It is the policy of Lake County to require that funds on deposit in excess of FDIC limits be secured by collateral types described below. High volume checking accounts under the control of the Treasurer shall be collateralized based upon the anticipated average balance for the following weeks. The ratio of fair market value of collateral to the amount of funds secured will be reviewed quarterly and additional collateral will be requested when the ratio declines below the level required.
- B. The County will accept any of the following assets as collateral, provided that the amount of collateral pledged will be not less than 110% of the fair market value of the net amount of public funds secured; and any financial institution pledging collateral from this section must place required collateral securities in a restricted account at a Federal Reserve Bank, a trust department of a commercial bank or with another financial institution that is not owned or controlled by the same institution or holding company. Collateral agreements will provide that pledged assets may be released by the instructions of both the financial institution or the County. If conflict arises in the instructions of the County and the financial

institution as to the release of any pledged assets, the instructions of the County control. Agreements will allow for an exchange of collateral of like value.

1. U. S. Government Securities.
2. Obligations of Federal Agencies.
3. Obligations of Federal Instrumentalities.
4. Obligations of the State of Illinois.
5. Obligations of Lake County.
6. General Obligation Municipal Bonds rated "Aa or better by Moody's or "A" or better by Standard & Poors.

C. Pledged collateral will be held in safekeeping as evidenced by a safekeeping agreement.

D. Any financial institution pledging collateral under this section shall supply the following reports:

1. A report at the end of each month, listing the description of the collateral pledged and its value. Those financial institutions that do not require written authorization to release collateral, must in addition provide weekly reports, as well as providing web base access that will in turn be checked daily.
2. Accurate and truthful response to the Lake County external auditor's confirmation requests related to amounts on deposit as of November 30th of each year.
3. Any reports submitted under section 1 and 2 immediately above shall be considered exempt from public inspection under the Freedom of Information Act.

X. Reporting

- A. From time to time the Treasurer and the Controller may suggest policies and improvements (to the Financial and Administrative Committee) that might be made in the investment program.
- B. The Treasurer shall, at least quarterly, submit to the County Board, a report that shall include the following:
 - 1. A listing of securities by class or type.
 - 2. The book value of each security.
 - 3. Income earned for said period.
 - 4. The market value as of the report date.

XI. Indemnification

The above standards are established as guidelines for professional responsibility and shall be applied in the context of managing the County's overall portfolio. The standard of prudence to be used by investment officials of Lake County shall be the "prudent person" standard which states: "Investments shall be made with judgement 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 possible income to be derived."

Investment Officers of Lake County acting in accordance with this Investment Policy and written procedures as may be established, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price

changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments

XII. Conflict of Interest – Ethics

The Lake County Ethics Ordinance shall cover all Lake County employees in their dealings regarding any type of investment.

XIII. Internal Control - Duties and Responsibilities

The County Treasurer shall be responsible for the management of the investment program and the daily operational duties. The Chief Investment Officer, or a designated Deputy Treasurer, shall have the authority to perform operational duties as authorized by the Treasurer in his absence, with the oversight and approval of the Chief Investment Officer. The Treasurer or representative thereof will record all investment activities and maintain the files with supporting documentation. The Controller shall be responsible for all accounting procedures including payroll and accounts payable, while monitoring compliance with the internal control procedures.

XIV. Separation of Duties

Investment staff shall observe proper segregation of duties while engaged in investment activities. Persons responsible for consummating investment transactions should not be engaged in activities related to the recording of transactions in the financial records.

XV. Community Reinvestment Act (12USCA2901-2908)

A. Overall CRA Rating

The County of Lake supports and will continue to support the Community Reinvestment Act. Financial institutions doing investment business with the County shall have a satisfactory or above rating. If an institution's overall rating is rated "Needs to Improve" or lower, no new funds will be deposited with that institution until that rating has improved

B. CRA Performance Test

The financial institution shall have a "Satisfactory" or above rating in each performance test (lending, investment and service). From this point forward, any institution having a rating of "needs to improve" or lower for two consecutive review periods, the County will not deposit any additional funds with that institution until that rating has been brought back to at least a "satisfactory".

XVI. Amendment

This policy shall be reviewed from time to time and any changes shall be presented to the County Board for their approval.

XVII. Adoption

Adopted by the County Board, Agenda Item 53, on February 9, 2010.