

***INVESTMENT AND CASH MANAGEMENT POLICY***

**1.0 Policy:**

It is the policy of Williamson County to invest public funds in a manner which will provide a competitive investment return with the maximum security while meeting the daily cash flow demands of the County and conforming to all state statutes governing the investment of public funds.

**2.0 Scope:**

This Investment and Cash Management Policy applies to the investment practices relating to all funds of Williamson County, which are governed by the Board of Commissioners of each respective fund. All financial assets of other funds, including: the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, Enterprise and 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.

* 1. **Cash Management**

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 *up to three years* depending upon when the money is needed. Accordingly, the Treasurer shall cause to be prepared written cash procedures which shall include, but not be limited to, the following:

A. *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 no later than the next business day after receipt by the County.

B. *Pooling of Funds:* Except for cash in certain restricted and special funds, the County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the general fund in accordance with generally accepted accounting principals.

**3.0 Delegation of Authority**

The establishment of investment policies is the responsibility of the Treasurer. Responsibility for the management of the County’s cash and investment portfolio is directed by the Treasurer. The Treasurer will, for presentation to the County Board, establish written procedures and policies for the operation of the cash management and investment program. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and banking services contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may delegate an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, including outside investment managers.

**4.0 General Objectives**

The purpose of the Investment and Cash Management Policy of Williamson County is to establish cash management and investment guidelines for County officials responsible for public funds. Specific objectives include:

* 1. **Safety:**

Safety of principal is the foremost objective of the Investment and Cash Management Policy of Williamson County. Each investment transaction will seek first to ensure that capital losses are avoided by mitigating credit risk and interest rate risk.

1. Credit Risk:

Credit risk is the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by:

* Limiting investments to the safest types of securities listed in Section 8.0 of this Investment Policy.
* Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the County will do business in accordance with Section 6.0 and,
* Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

1. Interest Rate Risk:

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by:

* Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
* By investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.
  1. **Liquidity:**

The investment program must serve the operating needs of the County. The County’s investment portfolio shall remain sufficiently liquid to enable the County to meet all operating requirements which may be reasonably anticipated in any County fund. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

* 1. **Return on Investments:**

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. Securities shall not be sold prior to maturity with the following exceptions:

* + 1. a declining credit security could be sold early to minimize loss of principal.
    2. a security swap would improve the quality, yield, or target duration in the portfolio; or
    3. liquidity needs of the portfolio require that the security be sold.

**5.0 Standards of Care**

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 possible income to be derived.

**5.1 Prudence**

The standard of prudence to be used by investment officials shall be the "prudent person" standard, which is established as the standard of professional responsibility and shall be applied in the context of managing Williamson County's overall portfolio. This policy recognizes that there are circumstances beyond the control of even the most prudent investor which impact the return obtained. However, the establishment of this policy is intended to assure the Board of Trustees that actions taken in accordance with the specific provisions hereof shall be deemed to meet the prudent person standard, provided that deviations from expectations for any investment are reported in a timely fashion, and appropriate action is taken to control adverse developments.

**5.2 Ethics and** **Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which would impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the County Board any material financial interests in financial institutions that conduct business with the County, and they shall further disclose any material personal financial or investment positions that could be related to the performance of the County’s portfolio. Employees and officers shall subordinate their personal investment transactions to those of the County particularly with regard to the timing of purchases and sales.

1. **Authorized Financial Institutions, Depositories and Brokers/Dealers:**

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security brokers/dealers selected by credit worthiness. No public deposit shall be made except on qualified public deposits as established by state statutes.

It shall be the policy of Williamson County to select financial institutions on the following basis:

* *Security:* The County will not maintain funds in any financial institution that is not a member of the FDIC. Furthermore, Williamson County will not maintain funds in any financial institution not willing or capable of posting required collateral for funds in excess of the FDIC insurable limits.
* *Statement of Condition:* Williamson County will maintain for public and managerial inspection, current statements of condition for each financial institution named as depository. Prior to being named a depository, the financial institution shall furnish its last two statements of condition, and the most current audited financial statements. The refusal of any institution to provide such data upon request may serve as sufficient cause for the withdrawal of County funds.
* *Services and Fees:* Any financial institution selected by Williamson County may be requested to provide cash management services, including, but not limited to checking accounts, wire transfers, purchase and sale of investment securities and safekeeping services. Fees for banking services shall be mutually agreed to by an authorized representative of the depository institution and the Treasurer of the County. Fees for services shall be substantiated by a monthly account analysis and shall be reimbursed by means of compensated balances or paid based on a negotiated fee.
* *County Board Authorization:* Selection as a depository of public funds requires a financial institution to meet certain criteria as established by this Investment Policy. Upon meeting the established criteria, a financial institution may be named as a depository only upon authorization of the County Board, through a formal resolution.

**6.1 Professional Investment Services**

From time to time, Williamson County may wish to consider the services of a professional money manager or a professional intermediary that can identify and locate investment opportunities throughout the United States that are subject to the provisions of the Illinois Compiled Statutes, Chapter 30, Paragraph 235/2, as may be amended.

The Treasurer may recommend a money manager or intermediary to the Board of Commissioners. All contracts with money managers or intermediaries must be approved by the County Board prior to assignments. The County Board upon the recommendation of the Treasurer may from time-to-time place restrictions on the amount of funds any one manager is permitted to invest.

In no cases shall the County place investments with banks or savings and loans that exceed the FDIC insurance limits plus private insurance coverage. The insurance coverage will waive the requirement for collateral.

**7.0 Safekeeping and Custody:**

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

Securities will be held by an independent third-party custodian selected by the County as evidenced by safekeeping receipts in the County’s name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standard No. 70, or SAS 70). Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement specifying that the custodian is acting as an agent of the County.

**7.1 Internal Controls:**

The Treasurer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by an independent, certified public accountant in conjunction with the annual examination of the financial statements of the County. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees of Williamson County. (See Attachment A)

**8.0 Suitable and Authorized Investments:**

Pursuant to home rule authority, all investments purchased under this policy shall be guided by the State of Illinois Public Funds Investment Act (30 ILCS 235) and all revisions thereto, as may be made by the Illinois Legislature. Following is a summary of acceptable investments under this Act:

1. Bonds, notes, certificates of indebtedness, treasury bills, or other securities, including obligations of the Government National Mortgage Association, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. Bonds, notes, debentures, or other similar obligations of the Unites States of America or its agencies and its instrumentalities.
3. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any investment constituting direct obligations of any bank, as defined by the Illinois Banking Act, that is insured by the Federal Deposit Insurance Corporation.
4. Obligations of corporations organized in the United States with assets exceeding $500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 3 years from the date of settlement, (ii) such purchases do not exceed 10% of the corporation’s outstanding obligations and (iii) no more than one-third of the County’s funds may be invested in short term obligations of corporations.
5. Money Market Mutual Funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) and (2) above and to agreements to repurchase such obligations.
6. In addition to any other investments authorized under the Public Funds Investment Act, the County may invest its public funds in interest bearing bonds of any county, township, County, village, incorporated town, municipal corporation, or school district. The bonds shall be registered in the name of the municipality or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the four highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and other political subdivisions.
7. Investments may be made in banks which are insured by the Federal Deposit Insurance Corporation. The County may invest any public funds in short term discount obligations of the Federal National Mortgage Association (FNMA) or in the shares or other forms of securities legally issuable by savings banks or 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. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the FDIC. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of the County, the public funds so invested will be required for expenditure by the County. The County may invest any public funds in 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 the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.
8. For purposes of this section, the term “agencies of the United States of America” includes: (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1871 and Acts amendatory thereto, (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.
9. The County may also invest public funds in a LGIP (Local Government Investment Pool) registered with the State of Illinois, and the Illinois Trust. The County may also invest public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.
10. Other types of investments may be added to this list as changes as the statutes governing such investments are revised.
11. Investments in derivatives and participation in securities lending transactions are prohibited.

**8.1 Collateralization:**

It is the policy of Williamson County to require that funds on deposit in excess of FDIC limits, or investments not guaranteed by the United States of America, or any agency of the United States of America be secured by some form of collateral. The County shall enter into a collateral agreement with the financial institution meeting FIRREA (Financial institution recovery enforcement act); this agreement shall outline the types of assets that may be utilized as collateral, the amount of collateral required, and the methodology. The County will accept any of the following assets as collateral:

1. Negotiable obligations of the United States Government.
2. Negotiable obligations including FHLB letters of credit of any agency or instrumentality of the United States Government guaranteed by the full faith and credit of the United States Government.
3. Negotiable obligations of the State of Illinois, or of any county, County, town or municipal corporation of this State or any other political subdivision of this State which are rated A or better by Moody's or Standard and Poor’s rating thereof.
4. Negotiable obligations of any State of the United States, or any municipal or other political subdivision thereof which are rated AA or better by Moody's or Standard and Poor’s rating thereof.

The amount of collateral provided will not be less than 100% of the fair market value of the net amount of public funds secured. The rate of fair market value of collateral to the amount of funds secured will be reviewed monthly and additional collateral will be required when the ratio declines below the 100% level. Pledged collateral will be held by Williamson County or in safekeeping and evidenced by a safekeeping agreement. A collateral agreement will preclude the release of the pledged assets without an authorized signature from Williamson County. The agreement will allow for an exchange of collateral of like value but only upon written approval by the Treasurer.

The Treasurer will monitor the adequacy of collateralization monthly. The County requires monthly reports with market values of pledged securities from all financial institutions with which the County has investments and cash requiring collateral to be pledged. A separate collateralization agreement will be maintained with each financial institution wherein collateral is required.

**9.0 Investment Parameters:**

**9.1 Diversification:**

In order to reduce the risk of default, the investment portfolio of Williamson County shall be diversified by:

* limiting investments to avoid over-concentration in securities for a specific issuer or business sector (excluding U.S. Treasury and Agency securities):
* Monies deposited at a financial institution shall not exceed 50% of the capital stock and surplus of that institution.
* Corporate obligations shall not exceed one-third of the County’s investment portfolio.
* limiting investment in securities that have a higher credit risk.
* investing in securities with varying maturities.
* continuously investing a portion of the portfolio in readily available funds as in a local government investment pool or money market funds to ensure that appropriate liquidity is maintained in order to meet on-going obligations.
  1. **Maximum 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. Williamson County shall not generally invest in securities maturing in greater than three (3) years, based on the date of settlement. Investments may be purchased with maturities to match future project or liability requirements. Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. Any investment purchased with a maturity longer than four years must be supported with written documentation explaining the reason for the purchase and must be specifically approved by the Board of Trustees.

1. **Reporting:**

The Treasurer shall submit a monthly investment report to the County Board if requested, which shall describe the portfolio in terms of investment securities, maturities and cost by fund, and earnings for the current period and year to date, and market value of securities, if available. The report shall indicate any areas of policy concern and planned revision of investment strategies. The Annual Auditor’s Report of Williamson County shall include all investment information as promulgated by the Government Accounting Standard Board.

**10.1 Performance Standards**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance should be compared to appropriate benchmarks on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmark shall have a similar weighted average maturity as the portfolio.

**10.2 Market Yield (Benchmark):**

The County’s investment strategy is passive. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the three-month U.S. Treasury Bill.

**10.3 Marking to Market:**

The market value of the portfolio shall be calculated annually and a statement of the market value of the portfolio shall be issued.

1. **Sustainable Investing**

The County will regularly consider any material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act. While such factors are not determinative for investment decisions, the County will periodically review portfolio holdings to determine their consistency with these objectives and will provide specific issuers that are restricted from purchase under this policy.

1. **Investment Policy Adoption:**

Williamson County’s investment policy shall be adopted by the County Treasurer and presented to the County Board of Commissioners. This policy shall be reviewed on an annual basis by the Treasurer and any modifications made thereto will be presented to the County Board of Commissioners.

Adopted: May 3, 2021

**This policy is hereby adopted by the Williamson County Treasurer on the date indicated below.**

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**Ashley Gott Date**

**Williamson County Treasurer**

**WILLIAMSON COUNTY**

**DEPARTMENT OF THE TREASURER**

**Investment Policy**

**Attachment A**

**INTERNAL CONTROLS AND PROCEDURES**

# purpose

The purpose of this document is to specify internal controls and procedures for investment activity. Internal controls are essential for safeguarding a local government’s cash and securities and ensuring accurate and timely financial reporting. This document is verification that sound administrative systems and controls are in place within Williamson County.

# investment procedures

When it is determined that there are excess funds present, it has to be decided whether it is available for short- or long-term investing. Investment bids (solicitation of offers from brokers or financial institutions) are then taken by the Treasurer or person designated by the Treasurer for all funds except for the Police and Fire Pension Funds, which are governed by the Board of Trustees of each respective fund. Such bid requests will be made orally and confirmed in writing. A minimum of three banks are called for rates. The highest rate is chosen, and then the money is transferred via wire transfer. A confirmation is sent a few days later by the bank.

Williamson 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 will be recorded in the various funds of the County in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Accounting principles will include:

* Investments will be carried at cost or amortized cost which approximates market, or at market value as prescribed by accounting standards.
* Any premium or discount will be amortized over the life of the investment.
* Gains or losses on investments in all funds will be recorded at the time of disposition of the security, or when recognized as prescribed by accounting standards.

All investment activity is recorded by a Treasurer’s Office staff member other than the person that made the investment (usually the Treasurer). The Treasurer confirms the amount when the confirmation is sent, and at the end of the month, records the amortization of premiums/discounts, treasury interest accrual and interest recognition.

# reporting requirements

At the end of every month the Treasurer prepares an investment report of all investments currently held. This report includes which fund the investment is in, with which financial institution, purchase and maturity dates, interest rate, and book, market, and maturity amounts. This report is reviewed by various personnel and then given to the Board of Commissioners.

# wire instructions

A written wire transfer agreement is always kept current with who is authorized to initiate wires.

# safekeeping procedures

All trades where applicable, will be executed by delivery versus payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.