

	<p style="text-align: center;"><b>Investments</b></p> <p style="text-align: right;"><i>Adopted on: 02/03/1999</i></p>
<p style="text-align: center;"><b>Last Revision Date: 04/03/2024</b></p>	<p style="text-align: center;"><b>Policy No. 2.108</b></p>
<p style="text-align: center;"><b>Last Enabling Resolution:</b></p> <p style="text-align: center;"><b>57-2024/904-2024</b></p>	<p style="text-align: center;"><b>Developer/Reviewer:</b></p> <p style="text-align: center;"><b>Division of Finance</b></p>

**1. Purpose**

The Board of Sedgwick County Commissioners (“Board”) has authority to invest all funds held by, or belonging to Sedgwick County (“County”) pursuant to Kansas Statutes Annotated 12-1675. The purpose of this investment policy is to identify the investment objectives of the Board and to establish a set of guidelines to achieve the policy goals through these objectives. The objectives of this investment policy are as follows: safety of principal, maintenance of adequate liquidity and yield of the investment portfolio.

**2. Scope**

The investment policies adopted by the Board shall apply uniformly to all employees, officials, departments, agencies, boards, commissions, representatives and authorized agents in the performance of their official duties and to the processing and management of all investment transactions on behalf of the Board. These policies shall apply to all funds handled and managed by the County.

**3. Policy Statement**

It is the policy of the Board that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with legal and administrative guidelines at the highest rates obtainable at the time of investment.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as a viable revenue source for all operating and capital funds; however, the investment policy and program is not administered to meet specific budgetary requirements or goals. The County’s portfolio shall be managed in a manner responsive to the public trust and consistent with state and local law.

**4. Definitions**

A. **Agency Securities** – A debt security issued by a Federal agency. Federal agencies are backed by the full faith and credit of the U.S. Government.

B. **Appreciation** – The increase in value of an asset.

- C. **Bond Restricted Funds** – The funds, accounts, and investments that are subject to arbitrage rebate and/or yield restriction rules that have been identified in the Tax Compliance Agreement for the Tax-Exempt Bonds.
- D. **Broker** – A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides. In the money market, brokers are active in markets in which banks buy and sell money.
- E. **Cash Flow** – Cash receipts minus disbursements from a given asset, or group of assets, for a given period. An analysis of the movement of cash through a venture as contrasted with the earnings of the venture.
- F. **Certificate of Deposit** – A time deposit with a specific maturity evidenced by a certificate.
- G. **Certificate of Deposit Account Registry Services (CDARS)** – A deposit placement service offered by IntraFi Network in which a group of FDIC-insured financial institutions reciprocate deposits with one another to provide large deposits FDIC insurance on the entire deposit.
- H. **Collateralization** – Process by which a borrower pledges securities or deposits for the purpose of securing the repayment of a loan and/or security.
- I. **Collusion** – A secret agreement between two or more persons for a fraudulent purpose.
- J. **Commercial Bank** – A bank, the principal functions of which are to receive demand deposits and to make short-term loans.
- K. **Corporate Surety Bond** – A contractual arrangement between the surety, the principal and obligee whereby the surety agrees to protect the obligee if the principal defaults in performing the principal's contractual obligations. The bond is the instrument which binds the surety.
- L. **Credit Risk** – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.
- M. **Demand Deposit** – A savings, checking or money market account in a commercial bank.
- N. **Depository** – A financial institution authorized to hold deposits of County funds.
- O. **Diversification** – A process of investing assets among a range of security types by sector, maturity and quality rating.
- P. **Delivery vs. Payment (DVP)** – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or their custodian.

- Q. **Fannie Mae** – (Formerly the Federal National Mortgage Association) is a private stockholder-owned corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. The Corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. Fannie Mae's securities are also highly liquid and are widely accepted. Fannie Mae assumes and guarantees that all security holders will receive timely payment of principal and interest.
- R. **Federal Home Loan Bank (FHLB)** – Government-sponsored wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB is to liquefy the housing-related assets of its members who must purchase stock in their district bank.
- S. **Federal Home Loan Mortgage Corporation (FHLMC)** – A Federal agency which purchases first mortgages from members of the Federal Reserve System and the Federal Home Loan Bank System. Commonly called "Freddie Mac."
- T. **General Obligation Bonds (G.O. Bonds) or Notes** – Bonds or notes secured by the "full faith and credit" of the issuing government and backed by revenues from its taxing power.
- U. **Idle Funds** – Money which is not immediately required for the purposes for which it was collected or received.
- V. **Industrial Revenue Bonds** – A specific type of revenue bond whose proceeds are used to finance the purchase or construction of facilities or equipment to be leased to a private corporation. The bonds are backed by the credit of the corporation.
- W. **Insured Cash Sweep** – A deposit placement service offered by IntraFi Network in which a group of FDIC-insured financial institutions reciprocate deposits with one another to provide large deposits FDIC insurance on the entire deposit.
- X. **Interest Rate** – The annual rate of interest received by an investor from the issuer of fixed-income securities. The percentage of an amount of money which is paid for its use for a specified time.
- Y. **Interest Rate Risk** – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.
- Z. **Internal Controls** – An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.
- AA. **Investment** – Commitment of money to gain profit or interest as by purchasing securities.

- BB. Investment Agreements** – An agreement with a financial institution to borrow public funds subject to certain terms and conditions regarding collateralization, liquidity and interest rates.
- CC. Kansas Municipal Investment Pool (KMIP)** – The State of Kansas offers a Local Government Investment Pool (LGIP) entitled “State of Kansas Municipal Investment Pool”, which is governed by the State of Kansas Pooled Money Investment Board (PMIB).
- DD. Kansas Statutes** – Written laws enacted by the Kansas State Legislature.
- EE. Liquidity** – Refers to the ability of an instrument to be converted into cash rapidly without substantial loss of value.
- FF. Market Value** – The price at which a security is trading and could be purchased or sold on a given day.
- GG. Marking to Market** – The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.
- HH. Maturity** – The length of time an investment is held.
- II. Maturity Date** – The date on which payment of a financial obligation is due. The final stated maturity date is the date on which the issuer must retire a bond and pay the face value to the bondholder.
- JJ. Money Market Fund** – Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers’ acceptances, repos and federal funds.)
- KK. Portfolio** – Collection of securities held by an investor.
- LL. Principal** – (1) The face amount or par value of a debt security. (2) One who acts as a dealer buying and selling for their own account.
- MM. “Primary” Dealer** – Government securities dealers included in the “List of Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York (NY Fed)” that submit daily reports of market activity and positions and monthly financial statements to the NY Fed and are subject to its informal oversight. Primary dealers include SEC-registered securities broker-dealers, banks, and a few unregulated firms.
- NN. Realized Gain or Loss** – The amount of realized gain from the sale or other disposition of property is the excess of the amount realized over the adjusted basis of the property; the amount of realized loss is the excess of the property’s adjusted basis over the amount realized.

OO. **Repurchase Agreement (Repo)** – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price at a specified later date.

PP. **Safekeeping** – The holding of securities by a financial institution on behalf of the owner.

QQ. **Safety** – Freedom from risk.

RR. **Securities** – Documents that can be traded for value; an instrument of ownership or debt used to finance government and corporate entities.

SS. **Tax Compliance Agreement** – the Federal Tax Certificate, Tax Compliance Agreement, Arbitrage Agreement, or other written certification or agreement of the Issuer setting out representations and covenants for satisfying the post-issuance tax compliance requirements for the Tax-Exempt Bonds.

TT. **Time Deposit** – A savings account or Certificate of Deposit in a commercial bank.

UU. **Trust Department** – A department of a bank which is authorized to serve in a fiduciary capacity.

VV. **United States Government Securities (Treasuries)** – Bonds, notes, treasury bills, or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to the full and timely payment by the United States of America.

WW. **Unrealized Gain or Loss** – A profit or loss that has not yet materialized. An example of an unrealized profit would be an appreciated stock in which the price has increased but, if the stock is not sold, the profit is considered an unrealized gain.

XX. **Yield** – The current rate of return on an investment security generally expressed as a percentage of the security's current price.

## 5. Procedures

### A. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

#### 1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be made to ensure the presentation of capital by reducing credit risk and interest rate risk.

a. Credit risk - The County will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

i. Pre-qualifying the financial institutions, broker / dealers, intermediaries, and advisers with which the County will do business.

- ii. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
          - iii. Limiting investments to the types of securities listed in Section VI of this investment policy.
        - b. Interest rate risk - The County will minimize the risk that the market value of securities in the portfolio will decline due to the changes in general interest rates by:
          - i. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby minimizing the need to sell securities on the open market prior to maturity.
          - ii. Investing idle funds primarily in securities with maturities of one year or less or the Kansas Municipal Investment Pool (MIP).
          - iii. Limiting investments to a maximum stated maturity of four years.
2. Liquidity and Maximum Maturity and Maturity Distribution
  - a. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the investment portfolio will contain securities with active secondary resale markets. A portion of the portfolio may be placed in investments which offer one-day liquidity for short-term funds, such as repurchase agreements or the Kansas Municipal Investment Pool.
  - b. The County will always maintain adequate funds in the short-term portions of the portfolio to cover operations. In general, this may mean having approximately up to 20% of the portfolio maturing in the less than 1 year range to ensure adequate liquidity. While observing the main policy objective of preservation of capital the County will also try to take advantage of the yield curve by spreading maturities from funds not required for operations throughout the 1 year to 4-year horizon. The County will purchase 4-year maturities when deemed appropriate. The Investment Manager will have the discretion to place maturities throughout the 4-year horizon.
3. Yield
  - a. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is a lower priority than the safety and liquidity objectives described above.

## B. Standards of Care

### 1. Prudence

- a. The standard of prudence to be used by investment officials shall be the “prudent person” investment rule and shall be applied to the management of the entire portfolio.

Investment officials acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

- b. The "prudent person" rule states: "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."

## 2. Ethics and Conflicts of Interest

- a. Officers 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.

Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Employees and officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the County.

## 3. Delegation of Authority

- a. The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer.
- b. Responsibility for the operation of the investment program is delegated to the Investment Manager, who shall establish written procedures consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements.

## C. Qualifications of Investment Officials

### 1. Chief Financial Officer

- a. The Chief Financial Officer shall have a Master's Degree from an accredited college or university in finance, accounting, public/business administration, economics or a related field and at least five years related experience in a broad range of governmental operations, including experience in a managerial/supervisory capacity, or any equivalent combination of training and experience which provides the required knowledge, skills, abilities and competencies.

2. Director of Accounting
  - a. The Director of Accounting shall have at least three years of direct work experience in the areas of finance, accounting, or management of investments or shall have at least a baccalaureate degree from an accredited college or university and at least three years of direct work experience in the areas of finance, accounting, or management of investments.
3. Investment Manager
  - a. The Investment Manager shall be appointed by the Director of Accounting and shall be responsible for planning, directing, and managing the County's investment programs under the direction of the Director of Accounting in accordance with applicable statutes, rules and regulations, and policies of the County. The Investment Manager shall meet qualifications established by the Director of Accounting with respect to the following:
    - i. Education and training in a finance-related field;
    - ii. Experience as an investment or trust officer for a financial institution, association or corporation, or experience in a finance-related field;
    - iii. Experience in money market or fixed-income investments.

D. Authorized Financial Dealers and Institutions

1. A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker / dealers selected by creditworthiness. Approved broker / dealers shall have a minimum capital requirement of \$10,000,000 and at least five years of operation. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1. Qualifications as a financial institution or broker / dealers shall include the following:
  - a. Their most recent audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
  - b. Proof of registration in good standing with the Financial Industry Regulatory Authority (FINRA);
  - c. Proof of state registration with the Kansas Securities Commission;
  - d. Completed broker/dealer questionnaire;
  - e. Certification of having read, understood, and agreed to comply with this policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Investment Manager and reported to the Chief Financial Officer.

E. Safekeeping and Custody

1. Internal Controls

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the investments of the County are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The investment program shall be subject to an annual independent review by an external auditor to assure adequate internal controls. The internal controls shall address the following points:

- a. Control of collusion
  - b. Separation of transaction authority from accounting and record keeping
  - c. Custodial safekeeping
  - d. Avoidance of physical delivery of securities other than certificates of deposit
  - e. Clear delegation of authority to subordinate staff members
  - f. Written confirmation of transactions for investments and wire transfers
  - g. Development of a wire transfer agreement with the lead bank and third-party custodian.
2. Delivery vs. Payment  
All trades will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution simultaneously with the release of funds.
3. Safekeeping of Securities  
Securities will be held by an independent third-party custodian selected by Sedgwick County as evidenced by safekeeping receipts in Sedgwick County's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls.

#### F. Suitable and Authorized Investments

##### 1. Idle Funds

The investments authorized for idle funds under this policy shall be in conformance with K.S.A. 12-1675, K.S.A. 12-1677b and any other applicable statutes and amendments thereto. The following list represents the range of investments which the County will consider and shall be authorized for the investment of funds.

- a. United States government securities and agency securities - The County may invest in obligations of the United States Government or any agency thereof insured as to principal and interest by the United States or any agency thereof and obligations and securities of United States-sponsored enterprises that under federal law may be accepted as security for public funds, except that none of the County's funds may be invested in government-agency-issued mortgage-backed securities.
- b. Repurchase agreements (Repo)- The County may invest in repurchase agreements including tri-party agreements between the County and commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks which have offices located in the County or approved government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase Treasury securities while simultaneously agreeing to resell these securities at a predetermined price and date.

- c. Collateralized public deposits - The County may invest in interest-bearing savings deposits, demand deposits, and time deposit instruments issued by financial institutions or reciprocal deposit programs.
- d. Temporary notes - The County may invest in temporary notes issued by the County.
- e. Kansas Municipal Investment Pool - The County may invest in a pool of funds managed by and under the authority of the Kansas Pooled Money Investment Board, in accordance with Kansas statutes.
- f. Bank Trust Departments with commercial banks - The County may invest with Trust Departments of commercial banks with offices located in the County or with trust companies which have contracted to provide trust services under the provisions of K.S.A. 9-2107 and amendments thereto, which have offices located in Sedgwick County. These accounts will be secured as provided for under K.S.A. 9-1402 and amendments thereto. Authorized investments in these pools will be subject to the same terms, conditions and limitations as are applicable to the Kansas Municipal Investment Pool.

2. Bond Proceeds

The investments authorized for the proceeds of bonds (other than industrial revenue bonds for which the County is merely a conduit issuer) or temporary notes under this policy shall be in conformance with K.S.A. 10-131 and amendments thereto. Proceeds should be segregated and invested pursuant to the Tax Compliance Agreement. The Investment Manager will maintain a written procedure for investment of proceeds of bonds or temporary notes and the disposition of interest received therefrom.

- a. The following list represents the range of investments which the County will consider and which shall be authorized for the investment of bond proceeds.
  - i. Investments authorized for idle funds by K.S.A. 12-1675.
  - ii. Direct obligations of the United States Government or any agency thereof.
  - iii. Obligations of Fannie Mae, Federal Home Loan Banks or the Federal Home Loan Mortgage Corporation.
  - iv. Repurchase agreements secured by direct obligations of the United States Government or any agency thereof or obligations of Fannie Mae, Federal Home Loan Banks or the Federal Home Loan Mortgage Corporation.
  - v. Investment Agreements with or other obligations of a financial institution the obligations of which at the time of investment are rated in any of the three highest rating categories by Moody's Investors Service or Standard and Poor's Ratings Group.
  - vi. Investment in shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities in direct obligations of the U.S. Government or any agency thereof or obligations of Fannie Mae, Federal Home Loan Banks or Federal Home Loan Mortgage Corporation.

- vii. Receipts evidencing ownership interests in securities or portions thereof in direct obligations of the United States Government or any agency thereof or obligations of Fannie Mae, Federal Home Loan Banks or Federal Home Loan Mortgage Corporation.
  - viii. Municipal bonds or other obligations issued by any municipality of the State of Kansas as defined in K.S.A. 10-1101 and amendments thereto which are general obligations of the municipality issuing the same.
  - ix. Bonds of any municipality of the State of Kansas as defined in K.S.A. 10-1101 and amendments thereto which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, or securities in direct obligations of the United States Government or any agency thereof or obligations of Fannie Mae, Federal Home Loan Banks or Federal Home Loan Mortgage Corporation.
  - x. Sedgwick County's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto.
- b. In conjunction with requirements under the County Debt Financing Policy, the adopted tax-exempt financing compliance procedures and the issuer's Tax Compliance Agreement, the Chief Financial Officer will identify bond restricted funds subject to arbitrage rebate and/or yield restriction rules and produce rebate and yield reduction payment calculations mandated in the Tax Compliance Agreement.
- i. The Chief Financial Officer shall work with the County's Municipal Advisor at the time of each bond issuance to calculate bond yield for arbitrage purposes.

3. Collateral Requirements

To qualify as a depository under K.S.A. 9-1401 et seq., a bank, trust company, savings and loan association, or savings bank must collateralize County deposits (the amount of money on deposit with an institution at any given time) otherwise not insured by the Federal Deposit Insurance Corporation, or its successor, by either securities, corporate surety bonds, or Federal Home Loan Bank Letter of Credit.

a. Securities

The financial institution may pledge or assign for the County's benefit sufficient securities, the market value of which is at least 102% of the total deposits. Peak period collateral agreements permitted under K.S.A. 9-1403 and mortgages as contemplated by K.S.A. 9-1402 are not to be accepted by the County. Allowable securities are limited to:

- i. Direct obligations of, or obligations insured by, the U.S. Government or any agency thereof.
- ii. Obligations and securities of U.S. government-sponsored corporations which, under federal law, may be accepted as security for public funds.
- iii. Bonds of any Kansas municipality which have been refunded and are secured by U.S. obligations.
- iv. Bonds of the State of Kansas.

- v. General obligation bonds of any Kansas municipality.
  - vi. General obligation temporary notes of Sedgwick County Kansas.
- Allowable securities are also limited to having maturities of four years or less.
- b. Corporate Surety Bond  
The financial institution may provide a corporate surety bond of a surety corporation authorized to do business in Kansas in an amount equal to the amount on deposit including interest accrued.
  - c. Federal Home Loan Bank Letter of Credit  
The financial institution may provide a letter of credit from the Federal Home Loan Bank in Topeka, KS, in an amount equal to the funds on deposit including interest accrued.
  - d. Reciprocal Deposit Program exemption of security  
The financial institution may place reciprocal deposits such as Insured Cash Sweep ICS or Certificate of Deposit Account Registry Services CDARS networks, not to exceed the maximum deposit insurance amount for one depositor at one financial institution as determined by the Federal Deposit Insurance Corporation. Funds cannot be placed with another depository within the County.

#### G. Investment Parameters

##### 1. Diversification

The investments shall be diversified by:

- a. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
- b. Limiting investment in securities that have higher credit risks;
- c. Investing in securities with varying maturities;
- d. Continuously investing a portion of the portfolio in readily available funds such as the Kansas Municipal Investment Pool, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the County's total investment portfolio:

Investment Type	Maximum Percentage of Portfolio
Repurchase agreements*	15%
Certificates of Deposit -No more than 15% of the total portfolio can be with any one institution	100%
United States government securities	80%
Agency securities -Callable obligations are limited to 40% of the total U.S. Government Agency obligations -No more than 60% of the portfolio can be invested in the securities of a single issuer.	80%
Kansas Municipal Investment Pool Fund (MIP)*	25%
Bank Trust Department Municipal Pools	15%
Temporary Notes	10%

\*The limit on repurchase agreements and Kansas MIP deposits may not exceed 75% of the portfolio for a maximum of forty-five (45) days during each of the May and December tax seasons. Additional investments established for bond proceeds are as follows: Maximum limits are listed by instrument as a percentage of the County's portfolio value. Invested amounts are not to exceed: 20% for money market funds; 10% for G.O. bonds of Kansas municipalities.

2. Maturities

The County shall attempt to match its investments with anticipated cash flow requirements. The County will not directly invest in securities maturing more than four years from the date of purchase, in accordance with Kansas statutes.

The sale of securities before maturity shall require the prior approval of the Director of Accounting, Chief Financial Officer, or County Manager, any of whom may approve the sale based on the following reasons:

- a. A security with declining credit may be sold early to minimize loss of principal.
- b. A security swap would improve the quality, yield, or target maturity of the portfolio.
- c. Liquidity needs require that the security be sold.

In the matter of one of the three events listed above where the County requires the immediate selling of investments, the Investment Manager shall consult with the Director of Accounting on the course of action. The Investment Manager and Director shall determine the securities to sell.

Market conditions will be the most important factor affecting this decision. The selected securities will be those that present a positive capital gain, meaning they were purchased with a higher yield than what the current market offers. The Investment Manager and the Director will notify the Chief Financial Officer of this course of action.

3. Competitive Placement of Funds
  - a. In compliance with Kansas statute K.S.A 12-1675, funds will first be offered to banks and other eligible financial institutions located within the County, provided the financial institution will match or exceed statutory investment rates, as calculated by the Kansas Pooled Money Investment Board in accordance with K.S.A 12-1675a(g) and published in the Kansas register.
  - b. Annually, the County will send written notification to banks and other eligible financial institutions located within the County to determine if any of those entities wish to bid on the County's investments during the upcoming 12 months. Those institutions which respond as willing to bid on the County's investments will be added to the County's authorized list of financial institutions. For certificate of deposit transactions, the County will solicit bids from the authorized list of financial institutions. For other competitive investment transactions, the County will solicit bids from at least three (3) financial institutions and/or broker/dealers.
  - c. The exception to this may be when purchasing new issue government agency securities when the price is the same through all brokers and the issuing agency pays the selling commission directly to the broker. In addition, investments with the Kansas Municipal Investment Pool, money market funds and daily investment repurchase agreements with the main operating bank are not considered biddable securities.

## H. Reporting

### 1. Methods

The Investment Manager shall prepare a weekly report summarizing the week's investment activities. This report shall be provided to key County financial officers.

The Investment Manager shall prepare a detailed quarterly report, including a management summary and analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the County to ascertain whether investment activities during the reporting period conformed to the investment policy. The report will be provided to the Board of County Commissioners, County Manager, members of the Debt Management Committee, and key County financial officers. The report will include the following:

- a. Listing of individual securities held at the end of the reporting period.
- b. Realized gains or losses or unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities.
- c. Weighted average yield to maturity of the portfolio of investments as compared to the applicable benchmark.
- d. Listing of investments by maturity date.

- e. Percentage of the total portfolio which each type of investment represents.
- f. Percentage of the total portfolio which each institution holds.

2. Performance Standards

The investment portfolio will be managed with the objective of regularly meeting or exceeding selected performance benchmarks in accordance with the parameters specified within this policy. The performance benchmark is the one-year U.S. Treasury Bill.

3. Marking to Market

The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly. The market values of all securities in the portfolio will be obtained from a reputable and independent source. The report will include the market value, book value and unrealized gains or losses of securities in the portfolio.

4. Safekeeping / Custodian Reports

The safekeeping agent shall prepare a holdings report and a transaction summary report monthly. In addition, the safekeeping agent shall value collateral securities on a weekly basis and report values for each bank sub-custodial account.

5. Rate Shock Analysis

Quarterly, a rate shock analysis will be performed on the investment portfolio. The Investment Manager will review the results of the analysis with the Accounting Director.

I. Policy Considerations

1. Exemption

Any investment held on the date of adoption of this policy 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.

2. Amendments

This policy shall be approved by the Board on an annual basis prior to submitting annual review of expanded investment authority materials to the Kansas Pooled Money Investment Board.