POLICY NBR: 2006-2
Adopted: May 24, 2006

CHISAGO COUNTY INVESTMENT POLICY

I. PURPOSE

The purpose of this policy is to set forth investment objectives and parameters for the management of the public funds of Chisago County. This investment policy is designed to: safeguard funds on behalf of the County, assure the availability of operating and capital funds when needed, ensure compliance with applicable Minnesota statutes, and provide a competitive investment return in light of statutory restrictions.

II. SCOPE

In accordance with accounting standards, financial reporting guidelines, and Minnesota statutes, this investment policy applies to all cash and investments held or controlled by the County Treasurer on behalf of the County. This policy does not apply to funds related to the issuance of debt where there are other indentures in effect for such funds. In addition, any future revenues and proceeds, which have statutory investment requirements conflicting with this Investment Policy, are not subject to the provisions of the policy.

III. INVESTMENT OBJECTIVES

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

A. Safety of Principal

The foremost objective of this investment policy is to ensure the safety of the principal of public funds. Investment transactions shall be undertaken in a manner to ensure the preservation of capital in the overall portfolio. This objective also includes minimizing credit and interest rate risk.

1. Custodial Credit Risk

The County will minimize Custodial 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 7 of this Investment Policy; and obtaining necessary documentation (broker certification forms and documentation of perfected security interests in pledged collateral) from the financial institutions, broker/dealers, intermediaries and advisors, as applicable, with which the County will do business in accordance with Section 7 of this Investment Policy.

2. Concentration Credit Risk

   The County will attempt to minimize Concentration Credit Risk, which is the risk of loss attributed to the magnitude of the County's investments in a single issuer, by making investments which shall suggest diversification to minimize risk. This will be based on the applicable opinion units.

3. Interest Rate Risk

   The County will endeavor to 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: 1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and 2) investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

B. Maintenance of Liquidity

County funds shall be managed such that they are available to meet reasonably anticipated cash flow requirements.

C. Yield/Return on Investment

The County investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the applicable investment risk constraints and liquidity needs. It is understood that return on investment is of secondary importance when compared to the safety and liquidity objectives described above.

IV. MANAGEMENT OF INVESTMENTS

The County Treasurer is designated as Investment Officer and is responsible for overseeing the day to day management of County investments. The County Treasurer shall be responsible for the transferring of appropriate funds to affect investment transactions, for designation of depositories, and for the investment of operating funds and bond proceeds consistent with this policy and actions of the County Board. The County Treasurer is authorized to use electronic transfer of funds.

V. STANDARDS OF PRUDENCE

The standard of prudence to be used by the County Treasurer shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. The Prudent Person standard 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 from the investment."

VI. ETHICS AND CONFLICT OF INTEREST

The County Treasurer shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair ones ability to make impartial investment decisions. Also, the County Treasurer shall disclose to the Board any material financial interests in financial institutions that conduct business with the Board or the County, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the County's investment program.

VII. AUTHORIZED INVESTMENTS, INSTITUTIONS, AND DEALERS

Each depository used by the County must be one of the following:

A. savings association
B. commercial bank
C. trust company
D. credit union
E. industrial loan and thrift company

County funds will be invested in instruments which meet at least one of the following criteria:

A. In governmental bonds, notes, bills, mortgages, and other securities, which were direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
B. In a general obligation of a state or local government with taxing powers which was rated "A" or better by a national bond rating service.
C. In a revenue obligation of a state or local government with taxing powers which was rated "AA" or better by a national bond rating service.
D. In a general obligation of the Minnesota Housing Finance Agency which was a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating service.

E. In commercial paper issued by a United States corporation or its Canadian subsidiary and that was rated in the highest quality category by at least two nationally recognized rating agencies <u>and</u> matures in 270 days or less.
F. In time deposits fully insured by the Federal Deposit Insurance Corporation.
G. In bankers acceptances issued by United States banks.
H. In its own temporary obligations issued under Minn. Stat. 429.091, subd. 7 (special assessments), 469.178, subd. 5 (tax increment bonds), or 475.61, subd. 6.
I. Other investment instruments as allowed by Minnesota statutes (e.g. repurchase agreements, reverse repurchase agreements, MAGIC fund, mutual funds, and units of a short term investment fund).

VIII. INVESTMENT INTEREST ALLOCATION AND REPORTING

All interest earned on public funds invested by the County Treasurer shall be receipted to the County Revenue fund. Interest attributable to bond funds that require their interest earnings be receipted to the fund will be transferred from the County Revenue fund to the appropriate bond fund at the end of each month.

The County Treasurer will prepare an annual investment report which will be available upon request.

VIII. POLICY CONSIDERATIONS

Any investment held at the time of the implementation of this policy that meets the requirements of Minnesota Statutes but 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.

This policy shall be reviewed from time to time. The Board must adopt any changes to this policy.