

**HARDIN COUNTY FISCAL COURT
COMMONWEALTH OF KENTUCKY**

RESOLUTION NO. 2007- 113

WHEREAS, Senate Bill 199 enacted by the Kentucky General Assembly during the 1994 regular session amended KRS 66.480 relating to the investment of public funds by local governments; and

WHEREAS, the amended KRS 66.480 expanded the scope of permitted investments, established new limitations on investments, and established a requirement that each local government adopt a written investment policy to govern the investment of its fund.

NOW, THEREFORE, BE IT RESOLVED by the Hardin County Fiscal Court, Commonwealth of Kentucky, as follows:

I. GENERAL POLICY

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

II. SCOPE

This investment policy applies to all financial assets held by the Hardin County Fiscal Court, Hardin County Sheriff, Hardin County Court Clerk, Hardin County Jailer and Hardin Memorial Hospital.

Financial assets held and invested by trustees or fiscal agents are excluded from these policies; however, such assets shall be invested in accordance with state laws applicable to the investment of local government funds and in accordance with the Hardin County Fiscal Court's primary investment objectives.

III. INVESTMENT OBJECTIVE

The Hardin County Fiscal Court's primary investment objectives, in order of priority, are the following:

- A. **Safety.** Safety of principal is the foremost objective of Hardin County's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- B. **Liquidity.** Hardin County's investment portfolio shall remain sufficiently liquid to enable the Hardin County Fiscal Court to meet all operating requirements which might be reasonably anticipated.
- C. **Return on Investment.** Hardin County's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account Hardin County's investment risk constraints and the cash flow characteristics of the portfolio.

IV. INVESTMENT AUTHORITY

Management responsibility for Hardin County's investment program is hereby delegated to the Hardin County Judge/Executive, the Hardin County Treasurer, the Administrator of Hardin Memorial Hospital or the Chief Financial Officer of Hardin Memorial Hospital. In addition, management responsibility is also delegated to the Hardin County Sheriff, Hardin County Court Clerk and the Hardin County Jailer for funds while under their control. The designated official shall have the authority, subject to the disapproval of the governing body, to establish additional specific written procedures for the operation of the investment program which are consistent with this investment policy. The procedures shall include explicit delegation of

authority, if any, to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the designated official. The designated official shall be ultimately responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and employees. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, and unanticipated changes in financial markets or imprudent actions by officers and employees. The designated official shall maintain all records related to the Hardin County's investment program.

V. PRUDENT PERSON RULE

The actions of the designated official in the performance of his or her duties as manager of Hardin County funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances which person 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.

The designated official acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's performance, provided that deviation from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

VI. AUTHORIZED INVESTMENTS

The funds of Hardin County available for investments shall be invested in accordance with this policy and all applicable state statutes only in the following types of investment instruments:

A. Authorized Investment Instruments.

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. The investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky.
2. Obligations and contracts for future delivery of purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but limited to:
 - A. United States Treasury;
 - B. Export-Import Bank of the United States;
 - C. Farmers Home Administration;
 - D. Government National Mortgage Corporation; and
 - E. Merchant Marine Bonds.
3. Obligations of any corporation of the United States government, including but not limited to:
 - A. Federal Home Loan Mortgage Corporation;
 - B. Federal Farm Credit Banks;
 - C. ~~Bank for Cooperatives;~~
 - D. Federal Intermediate Credit Banks;
 - E. Federal Land Banks;
 - F. Federal Home Loan Banks;
 - G. Federal National Mortgage Association; and
 - H. Tennessee Valley Authority.

4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity of which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by section 41.240(4) of the Kentucky Revised Statutes.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
6. Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
9. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - A. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - B. The management company of the investment company shall have been in operation for at least five (5) years.
 - C. All of the securities in the mutual fund shall be eligible investments under this section.

B. Limitations on Investment Transactions.

With regard to the investments authorized in this section, the following limitations shall apply:

1. The amount of Hardin County's funds invested at any one time in the categories of investments authorized in subsections A(5), A(6), A(7), and A(9) of this section shall not exceed twenty percent (20%) of the total amount of funds invested on behalf of Hardin County; and
2. No investment shall be purchased for Hardin County on a margin basis or through the use of any similar leveraging technique.

VII. DIVERSIFICATION OF INVESTMENTS

The Hardin County Fiscal Court recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of Hardin County's investment portfolio by institution, type of investment instrument, and term to maturity is the primary method to minimize investment risk.

Hardin County's funds shall be diversified by security type and institution. With the exception of fully insured or fully collateralized investments, and except for authorize investment pools, no more than twenty percent (20%) of the total investment portfolio shall be invested in a single security type or with a single financial institution.

Hardin County's invested funds should, in general, have an effective weighted average life of three and a half (3.5) years or less. Reserve funds may be invested in securities exceeding this weighted average life, if the investments are made to coincide as nearly as practicable with the expected use of the funds.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The designated official shall maintain a list of financial institutions authorized to

provide investment services to Hardin County. In addition, a list shall be maintained of approved security brokers/dealers selected by creditworthiness, who maintain an office in the Commonwealth of Kentucky.

All financial institution and broker/dealers who desire to provide investment services to Hardin County shall supply the designated official with information sufficient to adequately evaluate the institution and answer any and all inquiries posed by the designated official or the governing body, including the following information:

- A. Audited financial statements.
- B. Regulatory reports on financial condition.
- C. Written Memorandum of Agreement for the deposit of public funds or trading resolution, as appropriate.
- D. Proof of National Association of Security Dealers certification and proof of state registration.
- E. Any additional information considered necessary to allow the designated official to evaluate the creditworthiness of the institution.

No financial institution shall be selected as a depository of Hardin County funds if the funds on the deposit at any time will exceed twenty-five percent (25%) to the institution's capital stock and surplus.

The designated official shall evaluate the financial capacity and creditworthiness of financial institutions and broker/dealers prior to the placement of Hardin County's funds. The designated official shall conduct an annual review of the financial condition and registrations of financial institutions and broker/dealers and, based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.

IX. SAFEKEEPING AND CUSTODY

To protect against potential fraud and embezzlement, investment assets shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. The designated official and any other officers or employees of Hardin County authorized to engage in investment transactions shall be bonded in an amount established by the governing body. Collateralized securities, such as repurchase agreements shall be purchased using the deliver vs. payment procedure. Money market mutual funds used for investments must provide for independent custodians of their portfolios and delivery vs. payment on their portfolio securities. The safekeeping procedures utilized in Hardin County's investment program shall be reviewed annually by the independent auditor.

X. COLLATERAL

A. Except as set forth in subsection B of this section, it is the policy of Hardin County to require that all cash and investments maintained in any financial institution named as a depository be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred five percent (105%) or the current market value of principal, plus accrued interest. Collateral shall be limited to the types of instruments authorized as collateral for state funds in KRS 41.240. Collateral shall always be held by an independent third-party custodian with whom Hardin County has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to Hardin County and retained by the designated official. The right of collateral substitution is hereby granted.

B. Subject to the following conditions, the designated official may invest funds in uncollateralized certificates of deposit:

1. The designated official may invest in uncollateralized certificates

- of deposit only with the specific approval of the governing body.
2. The uncollateralized certificates of deposit must be issued by a bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
 3. The amount of funds invested in uncollateralized certificates of deposit shall not exceed five percent (5%) of Hardin County's total investment portfolio.
 4. The maximum term to maturity of uncollateralized certificates of deposit shall not exceed six (6) months.

XI. INVESTMENT REPORTING

The designated official shall prepare and submit to the governing body an annual report regarding the status of the entity's investment program. As to each investment, the report shall include the following information:

- A. Name of financial institution from which the investment was purchased or in which assets are deposited.
- B. Type of investment.
- C. Certificate or other reference number, if applicable.
- D. Percentage yield on an annualized basis.
- E. Purchase date, purchase price, and maturity date.
- F. Current market value of the investment.

In addition, the report shall explain the annual total investment return and compare the return with budgetary expectations.

XII. AUDIT

In connection with the audit of Hardin County's funds conducted by an independent certified public accountant, the auditor shall conduct a review of Hardin County's investment program, including internal controls and procedures, and the results

of the review, including recommended changes, shall be included in Hardin County's audit.

XIII. INVESTMENT POLICY ADOPTION

This investment policy shall become effective on the date set forth in this Resolution. The policy shall be reviewed at least annually and revised, as appropriate. Any amendments to this policy must be made by resolution of the Hardin County Fiscal Court.


Any investment held on the date of initial adoption of this policy which does not meet the guidelines of this policy shall be exempted from its provisions. At maturity or liquidation, the monies so invested, if reinvested, shall be reinvested only in accordance with this policy. The designated official may take a reasonable period of time to adjust the existing portfolio to the provisions of this policy in order to avoid the premature liquidation of any current investment.

This Resolution duly adopted on this 11th day of December, 2007.

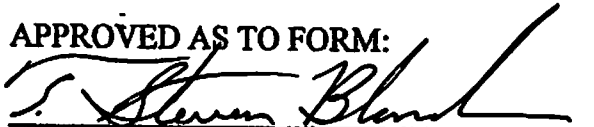


HARRY L. BERRY
HARDIN COUNTY JUDGE/EXECUTIVE

ATTEST:


KENNETH L. TABB
HARDIN COUNTY COURT CLERK

APPROVED AS TO FORM:


T. STEVEN BLAND
HARDIN COUNTY ATTORNEY

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