

LGIP Investment Statement of Understanding

Purpose

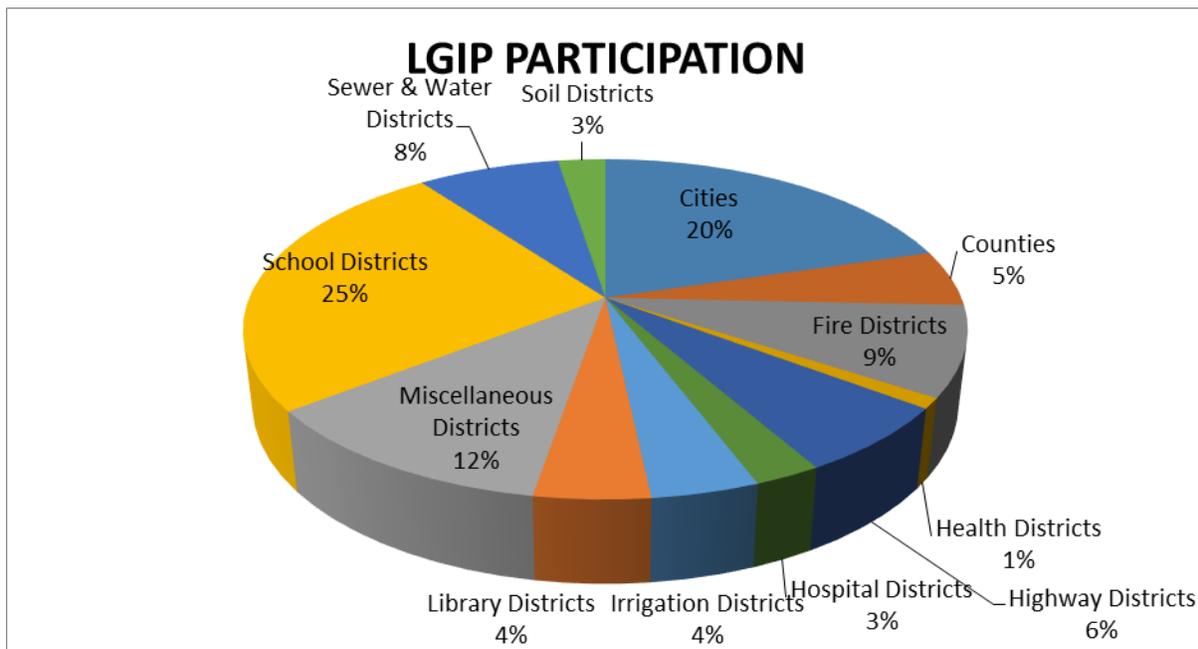
The Local Government Investment Pool (LGIP) is an investment pool with the primary purpose of providing a safe, liquid vehicle for investing idle funds and to obtain the best interest rate available at the time of investment.

Participant Accounts

The Pool is a voluntary investment vehicle for Public Agencies* referred to herein as “Participants”. A Participant can request to join the pool by submitting a completed application. This application must be approved by the Participant’s governing board and signed by at least one authorized member of the board (other than the contact person listed) before submission to the State Treasurer. Included with this application should be a roster of your authorized board members. It is the Participant’s responsibility to provide notice of changes to its authorized board members.

Participation in the Pool is open to all political subdivisions, including (but not limited to):

- ~Cities, Towns, and Counties ~ Public Retirement Systems ~ Local Public Agencies ~ Regional School Districts ~ Public Health Districts ~ Irrigation & Soil Conservation Districts ~ Water & Sewer Districts



* "Public Agencies" are defined in the Idaho Code Section 67-2327.



Ron G. Crane
Idaho State Treasurer

Once you have opened a fund with a New Application form, you may then open as many investment funds as you require. However, each additional fund requires a completed Additional Fund Application form including an authorized signature. Each initial application should identify the contact person(s) authorized to request transactions. It is the Participant's responsibility to notify the Treasurer of changes to the list of authorized persons. Changes will only be accepted if signed by a member of the governing board.

The bank and account number specified on the ACH authorization section of the application will control where contributions to the Pool and withdrawals from the Pool can be directed. In the event of a change in bank and/or account number for the Participant, it is the Participant's responsibility to supply the STO with an ACH Authorization Agreement with updated information, and a signature by a member of the governing board. This form must be received prior to transaction requests.

Investment Objectives

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

- **Safety**

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

- **Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash needs cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

- **Yield**

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 safety and liquidity objectives described above.

The steps above are listed in order of importance and will always be taken into account when the investment officer makes the decision to invest in a specific instrument.



Ron G. Crane
Idaho State Treasurer

An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation, the State of Idaho or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

Allowable Investments

The Pooled funds of the Local Government Investment Pool will be invested in accordance with Section 67-1210 and Section 67-1210A, Idaho Code.

Custodial Authority

According to Section 67-1301, Idaho Code, the State Treasurer is appointed and authorized to act as administrator responsible for managing the joint or cooperate investing of pooled funds.

Organizational Authority

According to Idaho Code Section 67-2328, the State Treasurer is authorized to combine the power, privilege and monies of local agencies jointly.

While the Pool purchases securities with the intention of holding them to maturity, it may liquidate early to maximize the total return on assets.

While the Pool invests in the high-grade instruments described in the above mentioned Idaho Codes, investments in the Pool are not without some risk.

Please refer to the Local Government Investment Pool home page for Idaho Code sections.

Custodial Banks

Northern Trust has been chosen as the Idaho State Treasurer's safekeeping agent for the current contract. All investment transactions are executed by Northern Trust per written instructions.

Interest and Yields

The LGIP distributes and reinvests all interest accrued during a given month effective on the first day of the following month.

The Distribution Yield is calculated by the following formula:

- 365 divided by actual number of days in the month, multiplied by 100 = Factor
- Net Earnings divided by average daily balance, multiplied by Factor = Distribution Yield



Ron G. Crane
Idaho State Treasurer

Administrative Fee

The Administrator of the Pool shall charge a service fee; the fee is the cost to operate the Pool for the month. Based on the average daily balance over the past year, the monthly fee will be approximately **0.0028% of the total pool balance.**

Audit Confirmations

All audit confirmations from Participant auditors should be directed to:

Idaho State Treasurer, Ron G. Crane
Local Government Investment Pool
P. O. Box 83720
Boise, Idaho 83720-0091

The Participant name, fund number(s), and amounts to be confirmed should be listed on the confirmation. It is the policy of the Local Government Investment Pool to confirm only the balance of the pool, and the current distribution yield for the final month of the Participant's fiscal year.

Closing a Fund

The Participant may close a fund at any time and should complete a Fund Inactivation Authorization Form, signed by a member of the governing board. The completed form must be submitted to the State Treasurer's Office via fax, mail, or email, to affect a closure. Approximately five working days are necessary to complete the inactivation process. Accrued earnings will be paid out at the time distributions are processed for the month the closure was approved.

Business Days

The State of Idaho's business day, for accounting purposes, is from 10:30 A.M. to 10:30 A.M. the following day. To allow for processing, a cutoff time of 10:00 A.M. has been set by the State Treasurer for deposit confirmation from any bank or same day transactions, such as wire withdrawals.

The working hours for the State Treasurer's Investment Pool are 6:30 A.M. to 12:00 P.M., and 1:00 P.M. to 3:00 P.M. Mountain Time, Monday through Friday except holidays.

Statements

A monthly Statement of Account for each fund and an Investment Portfolio Summary report will be available on-line at the STO e-Bank website, ebank.sto.idaho.gov, on or around the 5th business day of each month for the month just ended.

The Statement of Account shows any contributions into and withdrawals out of the fund, any interest reinvested into the fund on the first day of the month, and account summary information. ***The Participant is responsible for reviewing the Statement for accuracy, and if there are any questions, the Investment Department Operations Specialist should be contacted immediately.***



Ron G. Crane
Idaho State Treasurer

The Investment Portfolio Summary report shows the types and amounts of each investment category owned by the Pool.

Voice Messaging

The pool has 24-hour voice messaging for the convenience of its members. Upon arrival each business morning, any messages will be retrieved and transactions initiated as requested. Voice messages left during business hours will be retrieved in a timely manner. All withdrawals will be considered next day no fee ACH transactions unless otherwise specified. Voice messages will not be confirmed by a call back. For confirmation of transactions, please use the STO E-Bank website, or speak directly to the Investment Department Operations Specialist.

Procedures for Withdrawals from the Investment Pool

Access the STO E-Bank at - <https://ebank.sto.idaho.gov/> - instructions and sign on information will be supplied upon opening an LGIP Fund.

Or, the Participant shall contact the Investment Department Operations Specialist by telephone (208) 332-2980 or (800) 448-5447 for withdrawals and provide the following information:

- ~ Participant's pool/fund number
- ~ Amount of withdrawal
- ~ Date the ACH Withdrawal is to be made

All funds withdrawn from the Pool will be in the form of ACH (Automated Clearing House) Withdrawals or Wire Withdrawal + fee. ***Withdrawal requests over ten million dollars must be requested at least three business days in advance.***

ACH Withdrawals are electronic transfers made from your LGIP Pool Fund into your designated checking or savings account per your application on file.

Your ACH Withdrawal will be received by your designated financial institution the next business day if requested before 2 P.M., MST (1 P.M., PST). ACH Withdrawals requested after 2 P.M., MST (1 P.M., PST), will be deposited into your financial institution on skip business day. Wire Withdrawal + fee are transfers requested after 2 P.M., MST (1 P.M., PST), that will be wired through the Federal Reserve into your designated financial institution the next business day and a wire fee of \$20 will be deducted from your Pool fund account.

Withdrawn funds shall be deposited only to your designated account. A designated account is the bank account specified originally on the Local Government Investment Pool application or on an updated ACH Authorization Agreement Form signed by a member of the governing board. It is the Participant's responsibility to confirm all deposits into their account with the bank. If a problem occurs, the Participant will notify the Investment Department Operations Specialist as soon as possible. A new Banking Information Change form with the signature of a member of the Participant's governing body is necessary to change an authorized bank and/or



Ron G. Crane
Idaho State Treasurer

account number. The form containing any and all updated information including authorized signature, must be received by the Treasurer's office prior to a transaction to a new account.

*Please note: it is the policy of the State Treasurer's Office to accept transaction requests from authorized users only (according to our records). The STO will not knowingly process any request made by a person not listed as an authorized user for that fund. It is the Participant's responsibility to safeguard passwords and other information required to request a transaction. The STO will not be responsible for transactions made using such confidential information.

Procedures for Contributions into the Investment Pool

Access the STO E-Bank at - <https://ebank.sto.idaho.gov/> - instructions and sign on information will be supplied upon opening an LGIP Fund.

Or the Participant shall contact the Investment Department Operations Specialist by telephone (208) 332-2980 or (800) 448-5447 for contributions and provide the following information:

- ~ Participant pool/fund number
- ~ Amount of contribution
- ~ Date the ACH Contribution is to be made

Funds contributed to the Pool will be in the form of ACH (Automated Clearing House) Contributions.

ACH Contributions are electronic transfers made into your LGIP Pool Fund from your designated checking or savings account per your application on file.

Your ACH Contributions will be deducted from your designated financial institution the next business day if requested before 2 P.M., MST (1 P.M., PST). ACH contributions requested after 2 P.M., MST (1 P.M., PST), will be activated on skip business day. It is the Participant's responsibility to confirm transactions occur to their designated bank as requested.

*Please note: it is the policy of the State Treasurer's Office to accept transaction requests from authorized users only (according to our records). The STO will not knowingly process any request made by a person not listed as an authorized user for that fund. It is the Participant's responsibility to safeguard passwords and other information required to request a transaction. The STO will not be responsible for transactions made using such confidential information.

Misc

The State Treasurer's Investment Officer shall invest any idle funds of the Participant on the effective business date when receipt of said monies is received as provided herein. Interest shall accrue beginning on the day of investment, but shall not accrue for the day of the withdrawal.

Revised: 10/01/2015