

POLICY ID: FIN-005		TITLE: Investment Policy	
<input type="checkbox"/> ORIGINAL <input checked="" type="checkbox"/> REVISION EFFECTIVE DATE 08/14/2023 Original adopted 04/26/2010 Revision 1 adopted 12/26/2023 Revision 2 adopted 08/14/2023		APPROVED BY VILLAGE BOARD:  <hr/>	DATE: <u>8-14-2023</u>
APPLIES TO:		<input checked="" type="checkbox"/> FLSA EXEMPT	<input checked="" type="checkbox"/> FLSA NON-EXEMPT
		<input checked="" type="checkbox"/> REPRESENTED EMPLOYEES	<input checked="" type="checkbox"/> Non-REPRESENTED EMPLOYEES
<i>This policy applies to all Village of Kronenwetter employees in the categories checked in this section. Provisions within individual personal contracts or a collective bargaining agreement may supersede certain parts of this policy.</i>			

Purpose

To enhance opportunities for prudent and systematic investments which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village.

The investment practices of the Village of Kronenwetter are based on state law and prudent money management. All funds shall be invested in accordance with this policy and Wisconsin Statute § 66.0603. The investment of bond proceeds shall be further restricted by the provisions of relevant bond documents.

Scope

It is intended that this policy cover all funds and investment activities under the direction of the Village Board.

General Objectives

The primary objectives in priority order, of the Village's investment activities shall be:

- 1) **Safety:** Safety of principal is the foremost objective of the Village's investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. The objectives will be to mitigate credit risk and interest rate risk.

- a) Credit Risk is the risk of loss due to the failure of the security issuer, financial institution, or backer.

Credit risk may be mitigated by:

- > Limiting investment to the safest type of securities;
- > Pre-qualifying the financial institutions, broker/dealer, intermediaries and advisors with which the Village will do business; and
- > Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

- b) 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.

- 2) Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- 3) Yield: The Village's investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and Village's cash flow needs, return on investment is of least importance compared to the safety and liquidity objectives described above.

Standards of Care

- 1) Prudence: The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers 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 appropriate action is taken to control adverse developments.
- 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 and management of the investment program, or that could impair their ability to make impartial decisions. Investment officials shall disclose any material interests in financial institutions with which they conduct business, they shall further disclose any personal financial/investment positions that could be related to the performance of the Village's investment portfolio, particularly with regard to the timing of purchases and sales.
- 3) Delegation of Authority: Responsibility for the operation of the investment program is hereby delegated to the Finance Director/Treasurer under direction of the Administrator, who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, delivery vs. payment investment accounting, wire transfer agreements, collateral/depository agreements, and banking services contracts. No person may engage in an investment transaction except as provided under the terms of this policy, and the procedures established by the Finance Director/Treasurer. The Village Finance Director/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of assistants, if any.

Safekeeping and Custody

Authorized Financial Dealer and Institution: The Finance Director/Treasurer shall utilize only those financial institutions that the Village designates as authorized public depositories. No public deposit shall be made except in a qualified public depository as established by the Village Board's designation.

However, Wis. Stat. § 34.05(4) does authorize a designated public depository to further arrange for the redeposit of public deposits through a qualifying deposit placement program, otherwise known as an "insured cash sweep" service, in order to preserve public deposits fully within the limits of federal deposit insurance corporation and/or national credit union administration coverages. Use of such programs comply with this policy.

- 1) **Internal Controls:** The Village Finance Director/Treasurer under direction of the Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village 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 benefit likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Village Finance Director/Treasurer shall provide the Administrative Policy Committee (or its successor committee) with a monthly report (to be presented at the monthly Administrative Policy Committee meeting) of investment activity. This report will be shared with the Village Board on a monthly basis. The report shall include:

- A summary of current investments including purchase/maturity date, financial institution, and interest rate.
- Funds available for investment and anticipated investment of those funds.

The Administrative Policy Committee is authorized to provide input to the Finance Director/Treasurer regarding all investment activities.

Suitable and Authorized Investments

- 1) **Investment Types:** Consistent with Wisconsin State Statues, the following investments will be permitted by this policy
 - Business checking accounts, savings accounts, Certificate of Deposits, and money market accounts in any financial institution authorized to transact business in the State of Wisconsin, and approved in accordance with the "Safekeeping and Custody" section of this policy.
 - State of Wisconsin's Local Government Pooled Investment Fund.
- 2) **Collateralization:** Under Wis. Stat. § 34.07 a security shall be required on all demand deposit accounts and non-negotiable certificates of deposit that exceed the amount of deposit insurance provided by an agency of the United States and the coverage provided under Wis. Stat. § 34.08(2).

Investment Parameters

Maximum Maturities: To protect public funds from market price losses resulting from rising interest rates, the Village will, to the extent possible, attempt to match its investments with anticipated cash flow requirements. The Village will not directly invest in securities.

Diversification: The Village will diversify investments by security type, institution, and terms of maturity to reduce portfolio risk.

On an annual basis, no later than the February Administrative Policy Committee meeting, the Village Finance Director/Treasurer shall prepare a schedule of cash flow requirements for the upcoming year based on the prior year's actual cash flows. This schedule shall show receipts, disbursements, and ending (available) cash balances for each fund. That schedule shall be adjusted for any extraordinary items such as debt proceeds, new debt payments, and capital outlay purchases which are not an annual occurrence. The Finance Director/Treasurer shall also annually provide an update on the banking institutions authorized by the Depository Resolution by the Village and their financial health.

The Village Finance Director/Treasurer shall monitor the Village's cash flow requirements on at least a monthly basis to assure funds are readily available to meet the short-term operational cash needs and shall adjust investments accordingly.

Approval of Investment Policy

The investment policy is to be reviewed annually by the Administrative Policy Committee.