

VILLAGE OF BELGIUM INVESTMENT POLICY

I. PURPOSE

The purpose of this policy is to identify objectives, establish guidelines, and assign responsibilities and authority for the investment of Village financial assets.

II. GENERAL STATEMENT OF POLICY

This policy applies to all activities of the Village with regard to investing the Village's financial assets. Except for cash required to be segregated in certain restricted and special funds, the Village will consolidate cash and reserve balances from all funds to maximize investment earnings and increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their average cash balance.

III. DELEGATION OF AUTHORITY

Authority to manage the investment program is granted to the Village Treasurer or his/her designee, hereinafter referred to as the Investment Officer. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established written procedure and internal controls for the operation of the investment program consistent with this investment policy.

IV. GENERAL OBJECTIVES

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

- A. Safety – 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.
 - i. Credit Risk – The Village of Belgium will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the safest types of securities
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Village will do business
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized
 - ii. Interest Rate Risk – the Village of Belgium will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, 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

- Investing operating funds primarily in shorter-term securities, money market account, or similar investment pools.

B. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operation requirements that may be reasonably anticipated.

C. Yield – The Village will diversify its investments to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions. The Village’s management program will seek to regularly take advantage of the highest rate of return available from approved investments.

V. COMMUNICATION & REPORTING

The Investment Officer shall issue a quarterly report to the Village Board that summarizes recent market conditions, economic developments and anticipated investment conditions. These reports shall include information that will allow the Village to ascertain whether investment activities during the reporting period have conformed to the Investment policy.

The reporting will include the following:

- Listing of individual securities held at the end of the reporting period including cost and market value.
- Total return on each fund as compared to applicable benchmarks, which could be the average return on three-month US Treasury bills, the state investment pool or the average rate on Federal funds, whichever is higher.

The Investment Officer is expected to meet with designated employees and committees of the Village to review the portfolio and discuss investment results in the context of these guidelines and objectives upon request. The Investment Officer is encouraged to communicate on significant matters pertaining to the Investment Policy and the management of the portfolios.

VI. STANDARDS OF CARE

A. 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 and 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.

The “prudent person” standard states that, “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.”

- B. Ethics and Conflicts of Interest – Investment Officials 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.

VII. SAFEKEEPING AND CUSTODY

- A. Delivery vs. Payment – All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
- B. Safekeeping – Securities will be held by an independent third-party custodian selected by the entity as evidenced by safekeeping receipts in the Village’s name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).
- C. Internal Controls – The Investment Officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Finance Committee and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Village.

The internal controls structure shall address the following points:

- Custodial safekeeping
- Separation of transaction authority from accounting and record keeping
- Clear delegation of authority to subordinate staff members
- Development of a wire transfer agreement with the lead bank and third-party custodian

VIII. AUTHORIZED INVESTMENT TYPES

The investment of Village Funds shall be in accordance with Wisconsin Statutes section 66.0603 (See excerpt attached as Exhibit A), further limited as follows to minimize credit, custodial, and interest rate risk:

- A. Savings Account – This type of account is relatively low yielding, but is a safe and completely liquid investment.
- B. Checking Account – This type of account is relatively low yielding, but is a safe and completely liquid investment. Primarily used for paying all account payables.

- C. Money Market – This type of account is relatively low yielding, but is a safe and completely liquid investment.
- D. Certificate of Deposit – A Certificate of Deposit is a time deposit made with a bank for a fixed maturity or a variable rate. Because of its non-liquid nature, this instrument can be used when the Village's cash flow is adequate to meet operational disbursements and the CD yield is greater than other liquid instruments.
- E. The Wisconsin Local Government Pooled Investment Fund – This fund is a state government pool offering separate accounts to all local governments for the investment of funds. These pools offer safety and liquidity. The funds are subject to the right of the local government to specify the period in which they may be held in the fund, the department of administration shall prescribe the mechanisms and procedures for deposits and withdrawals.
- F. US Government bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government and mature within seven years from the date of purchase.
 - US Treasury Bills
 - US Treasury Bonds
 - US Treasury Notes
- G. Bonds or securities issued by other governmental units in the State of Wisconsin (State, county, city, drainage district, technical college district, village, town, or school district).

Note: The FDIC insures \$250,000.00 of the total deposits (savings accounts, checking accounts, money market accounts and certificates of deposit) per investor or tax ID number. In addition, the State of Wisconsin insures \$400,000.00 of municipal deposits.

Approved and Adopted this 12th day of August, 2013 by the Village Board of the Village of Belgium.