

Town of Boulder Junction Investment Policy

SCOPE

This policy applies to those funds that are under the authority of the Town of Boulder Junction. Financial assets of funds not under the authority of the Town of Boulder Junction are administered in accordance with a separate policy. Financial assets of all other funds may be administered in accordance with this Policy, but are not required to.

I. GENERAL OBJECTIVES

1. Safety

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in individual investments and the overall portfolio. The objective will be to mitigate credit risk, interest rate risk and custodial risk.

a. Credit Risk

The Town will minimize 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 permitted under Wisconsin Statutes Chapter 66.0603.
- The Town Board shall by resolution approve the public depositories that are deemed appropriate for use under Wisconsin and Federal law.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The Town will 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:

- 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.

c. Custodial Risk

The Town will minimize custodial risk, which is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to it, by:

- Maintaining a list of public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services.
- All public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services must supply as appropriate audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Investment portfolios will be structured so that securities mature concurrent with cash needs to meet anticipated demands. Alternatively, a portion of any portfolio may be placed in money market mutual funds or local government investment pools authorized and permissible under Wisconsin statutes which offer same-day liquidity for short term funds.

3. Yield

Investment portfolios shall be designed with the objective of attempting to attain a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Securities shall generally be held until maturity with the following exceptions;

- A security with declining credit quality may be sold prior to maturity to minimize loss of principal.
- Liquidity needs of the Town require a security or securities are sold prior to maturity.
- A security swap would improve the safety and yield of the overall portfolio.

II. STANDARDS OF CARE

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard, which 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” 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 manner and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. Notwithstanding any other provision of law, any Town employee, in the absence of the investment officer, who deposits public money in any authorized public depository, in compliance with Wisconsin statutes sec. 34.05 is, under the provisions of Wisconsin statutes sec. 34.06, relieved of any liability for any loss of public monies which results from the failure of any public depository to repay the public depositor the full amount of its deposits, thus causing a loss as defined in Wisconsin Statutes sec. 34.01(2).

2. Ethics and Conflicts of Interest

Town 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. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

3. Delegation of Authority

Management and administrative responsibility for the investment program of the Town is entrusted to the clerk/treasurer under the directions of the Town Board. Individuals authorized to engage in investment transactions on behalf of the Town are the clerk/treasurer, or those individuals designated by the Town Board.

4. Authorized and Suitable Investments

Authorized investments include any investment stipulated in Wisconsin statute 66.0603 (1m).

- a) In accordance with Wisconsin statutes 34.01 (5) and 34.09 all Wisconsin banks, state or federal chartered, as well as the Wisconsin local government pooled-investment fund, are authorized depositories.

III. INTERNAL CONTROLS

The Town of Boulder Junction shall establish a system of internal controls designed to prevent losses of Town funds arising from fraud, misrepresentation by third parties, unanticipated changes in financial markets, employee error or imprudent actions by employees.

Internal controls shall address:

- Separation of transaction authority from accounting and record keeping.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Dual authorizations of wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.
- Investment and interest earnings will be recorded in the Town accounting records based on generally accepted government accounting procedures.
- A monthly summary of all investment transactions will be prepared by the clerk/treasurer for review by the Town Board.

IV. INVESTMENT PARAMETERS

Diversification

Investments shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer, industry or business sector, excluding U.S. Treasury obligations.
- Investing in securities with varying maturities.
- Continuously investing a portion of the investment portfolio in readily available funds such as local government investment pools, money market accounts or money market mutual funds permissible under state statute.

V. REPORTING

The clerk/treasurer shall present a quarterly report on the investment program and investment activity to the Town Board. The report shall include a management summary displaying the status of the investment portfolio and transactions made over the previous quarter. The management summary shall be prepared in a manner that will allow the Town Board to determine if investment activities during the reporting period conform to this Investment Policy.

VI. POOLING OF CASH

Except where otherwise provided by the Town Board, the clerk/treasurer is authorized to pool the cash of various funds to maximize investment earnings where it is advantageous and prudent to do so. Investment income will be allocated to the various funds based on the pro rata portion of each fund.

VII. ADOPTION AND APPROVAL

By resolution, this Investment Policy shall be formally approved and adopted by the Town Board and reviewed as needed but at least every three years.

Approved and adopted this _____ day of _____, _____.