

# WALWORTH COUNTY, WISCONSIN

## INVESTMENT GUIDE

2023




**WALWORTH COUNTY FINANCE OFFICE**  
**100 W. WALWORTH**  
**ELKHORN, WI 53121**

This document is available electronically at:

<https://www.co.walworth.wi.us/255/Investments>

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General Investment Guidelines

Appendix 1-851-A

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## INVESTMENT OVERVIEW AND OBJECTIVES

The key objectives in managing the County's Total Investment Portfolio are to provide safety of principal, to ensure liquidity to meet operating requirements, to generate a market rate of return ("Yield") on the investments, and to manage the portfolio within applicable laws. Using cash flow projections to match revenues with expenditures ensures prudent investment principles that will enable the County to soundly meet its financial obligations. The Investment Portfolio shall be structured in relation to prevailing budgetary and economic environments, taking into account the County's investment risk constraints and cash flow characteristics.

The County's Total Investment Portfolio contains five general investment types, they are as follows:

**LOCAL GOVERNMENT INVESTMENT POOL** – The primary objective of the LGIP is to provide for the prudent management of public funds on behalf of the local government investor. The investment strategy of this fund is prioritized as: safety of the principal, liquidity, and the rate of return. The LGIP may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities, and Repurchase Agreements (Repo) secured by the U.S. Government.

The Wisconsin Local Government Investment Pool (LGIP) was created in 1975 to give local governments the opportunity to combine their idle cash to make short-term investments equal to those afforded to state government or large local governments. The LGIP has been designed to consistently maintain the integrity of local funds within a diversified and safe portfolio, provide liquidity, and offer rates of return competitive with comparable investments. The funds from the LGIP are combined with the cash balances of the State of Wisconsin and its agencies and the excess cash of the retirement funds invested by the State of Wisconsin Investment Board (SWIB) and managed as one fund called the State Investment Fund (SIF).

Liquidity is required to meet the daily operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with estimated cash needs.

**INVESTMENT OVERVIEW AND OBJECTIVES (Continued)**

**CERTIFICATES OF DEPOSIT/CDARS** are short or medium-term, interest-bearing, FDIC-insured and NCUA-insured debt instruments offered by banks and savings and loans. CDs offer higher rates of return than most comparable investments, in exchange for tying up invested money for the duration of the certificate's maturity. Money removed before maturity is subject to a penalty. CDs are low risk, low return investments, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time.

In addition to individual banks approved by the board, the county is authorized to invest in CD's via the IntraFi Network Deposits program (Formerly known as the Certificate of Deposit Account Registry Services (CDARS) program). Financial institutions may offer IntraFi Network Deposits when they are members of a special network. When a large deposit is placed with a network member, that institution uses the IntraFi Network to place the funds into certificates of deposit issued by banks in the network. This occurs in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC insurance.

With the help of a sophisticated matching system, network members exchange funds. This exchange occurs on a dollar-for-dollar basis, so that the equivalent of the original deposit comes back to the respective institution and effectively stays local (meaning the full amount can support lending initiatives that build a stronger local community). The full amount of the original deposit becomes eligible for complete FDIC protection, and the institution receives just one regular statement detailing all holdings.

**U.S. GOVERNMENT/TREASURY SECURITIES** - such as treasury bills, notes and bonds are debt obligations of the U.S. government. When you buy a treasury security, you are lending money to the federal government for a specific period of time. Because these debt obligations are backed by the "full faith and credit" of the government, they are considered the safest of all investments. The primary advantages of Treasury securities are safety and a general lack of "call" provisions.

**MUNICIPAL DEBT** – instruments of any county, city, drainage district, vocational college, village, town or school district of the State of Wisconsin. These instruments must be rated in one of the two highest rating categories assigned by Standard and Poor's Corporation, Moody's Investors Service, Inc., or other nationally recognized rating agency.

**PUBLIC FUNDS MONEY MARKET ACCOUNT** - Any funds above the combined amounts insured by the State Deposit Guarantee Fund (\$400,000) or by the FDIC (\$250,000) will be collateralized by a Federal Home Loan Bank "Letter of Credit (LOC)" or other federally backed security. LOC's can serve to provide an Aaa/AA+ rating to the issuance of debt in any form of certain taxable and tax-exempt bonds.

**REQUIREMENTS AND COMPLIANCE**

ITEM	REQUIREMENTS
<b>Credit Risk:</b>	
Collateral Policy	Investments other than U.S. Treasury backed securities or investments not under the FDIC or WI guarantee shall be collateralized for a minimum of 102-110% of the deposits.
Security Diversification	No single agency shall hold more than 50% of the core portfolio, currently \$40,791,000
Financial Institution Limits	Investments held at any one institution shall be limited to 50% of the core portfolio, currently \$40,791,000
Municipal Debt Limits	Debt investments held for any one governing district/municipality shall be limited to \$3 million.
<b>Liquidity Risk</b>	Liquid cash shall be maintained at \$20 million and available with 1 day notice.
<b>Reinvestment Risk</b>	Callable securities shall not exceed 50% of securities held.
<b>Market Risk:</b>	
Maturity Restrictions	<ul style="list-style-type: none"> <li>Investments greater than 6 months shall be a minimum of 25% of the core portfolio, currently \$20,395,500.</li> <li>Investments between 6 months and 5 years shall not exceed the core portfolio, currently \$81,582,000</li> </ul>

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT
<b>TOTAL PORTFOLIO</b>		
Money Markets (with LGIP)	N/A	Maximum 95%
Local Government Investment Pool (LGIP)	N/A	Maximum 75%
US Treasuries	5 Years	Maximum 75%
Federal Agency Securities	5 Years	Maximum 75%
Certificates of Deposit	5 Years	Maximum 50%
Municipal Debt	5 Years	Maximum 25%
Operating Cash	N/A	N/A
Other	5 Years	Maximum 25%

**GLOSSARY**

<b>Account Analysis</b>	A monthly report provided by the financial institution to the County to indicate the services provided and the compensation requirements for those services. The analysis statement is similar to an invoice but also contains information on the amount of balances kept to pay for services.
<b>Accrued Interest</b>	Interest that has been earned but not yet paid. Accrued interest for investment securities is calculated from the issue date or the last payment date up to, but not including, the settlement date. When a buyer purchases a bond, the buyer owes the seller the accrued interest in addition to the market price of the security purchased.
<b>Agencies</b>	An informal name used to refer to securities issued by agencies of the U.S. government and by U.S. government-sponsored enterprises.
<b>American Reinvestment Recovery Act Bond Authority</b>	Referred to as ARRA debt, made up of taxable bonds that carry a direct subsidy from the federal government to the issuer and through tax credit bonds that provide federal tax credits to bondholders in lieu of or in addition to interest payments typical of traditional tax-exempt bonds. Different types include: Build America Bonds, Recovery Zone Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, Qualified Energy Conservation Bonds, and New Clean Renewable Energy Bonds.
<b>Asset Backed Securities</b>	An asset backed security is a security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually.
<b>Automated Clearinghouse</b>	An electronically processed wire via telephone lines. An Automated Clearinghouse (ACH) means the transaction itself.
<b>Average Cash Balance</b>	Aggregate of monthly cash balances divided by twelve.
<b>Average Cumulative Cash Balance</b>	Aggregate of all of the cash balances presented divided by the total months in the analysis.
<b>Bank Services Contract</b>	A contract with the Bank outlining the responsibilities of the bank.
<b>Benchmark</b>	A composite of securities with specific characteristics such as credit, asset, and maturity. Investors can use a benchmark as a measure to compare the performance of their own portfolio.
<b>Basis Point Expressed</b>	A unit of measurement for interest rates or yields that are in percentages. One hundredth of one percent. One hundred basis points equal 1 percent.

**GLOSSARY (continued)**

<b>Bond Anticipation Note</b>	Smaller short-term bonds issued by governments and corporations. Knowing that the proceeds of the larger future issue will cover the anticipation notes, the issuing bodies use the notes as short-term financing.
<b>Book Value</b>	In accounting, book value or carrying value is the value of an asset according to its balance sheet account balance. For assets, the value is based on the original cost of the asset less any depreciation, amortization or impairment costs made against the asset.
<b>Call Provision</b>	A call provision is a provision on a bond or other fixed-income instrument that allows the original issuer to repurchase and retire the bonds. If there is a call provision in place, it typically comes with a time window under which the bond can be called, with a specific price to be paid to bondholders, and any accrued interest defined within the provision.
<b>Cash Flow</b>	Finance and accounting term used to describe the net amount of cash generated for operations, including the net difference between cash outflows and inflows.
<b>Certificate of Deposit (CD)</b>	A deposit of funds in a financial institution that earns interest at a specified rate for a defined period of time.
<b>Collateral</b>	Underlying securities that are pledged to secure deposits of public funds. Also used in conjunction with repurchase agreements to protect the entity from default by the counter-party.
<b>Collateral Mortgage Obligations (CMO's)</b>	A mortgage-backed, investment-grade bond that separates mortgage groups into different maturity classes.
<b>CUSIP number</b>	A nine-digit letter and number combination established by the Committee on Uniform Securities Identification procedures that is used to identify publicly traded securities.
<b>Depository Bank</b>	A bank used as the point of deposit for cash receipts.
<b>Electronic Funds Transfer</b>	An electronically based rather than paper-based system of transferring funds to and from accounts. The two main EFT remittance methods are wire transfers and ACH.
<b>Fannie Mae (FNMA)</b>	An informal name for the Federal National Mortgage Association or for securities issued by it.
<b>Farmer Mac (FAMCA)</b>	An informal name for the Federal Agricultural Mortgage Corporation or for securities issued by it.

**GLOSSARY (continued)**

<b>FDIC</b>	Federal Deposit Insurance Corporation is a U.S. government corporation that guarantees deposits of banks and savings and loans. The FDIC provides deposit insurance that guarantees certain checking and savings deposits up to \$250,000 per depositor.
<b>Federal Farm Credit Bank (FFCB)</b>	A federally chartered network of cooperatives and related service organizations that lends to agricultural producers, rural homeowners, etc.
<b>Federal Home Loan Bank (FHLB)</b>	A federally chartered system of banks that provide stable, on-demand, low-cost funding to American financial institutions for home mortgage loans.
<b>Freddie Mac (FHLMC)</b>	An informal name for the Federal Home Loan Mortgage Corporation or for securities issued by it.
<b>Ginny Mae (GNMA)</b>	An informal name for the Government National Mortgage Association or for securities issued by it.
<b>Jumbo CD</b>	An informal name for CD's greater than \$100,000.
<b>Laddered Maturities</b>	A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow.
<b>Letter of Credit (LOC)</b>	A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase. An acceptable method of collateral is a LOC from the Federal Home Loan Bank.
<b>LGIP</b>	Local Government Investment Pools are usually created by states for the benefit of their local governments and sometimes these pools are managed by the states. LGIP's invest in liquid marketable investments to assist local governments with cash flow planning.
<b>Liquidity</b>	The capacity to meet future monetary outflows. Liquidity is defined as the ability of an asset to be converted into cash quickly and without any price discount.
<b>Marking to Market</b>	The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.
<b>Maturity Date</b>	The date the financial instrument's contractual term expires. The date on which the principal or last principal payment on a debt is due and payable.



**GLOSSARY (continued)**

<b>NCUA</b>	National Credit Union Administration is a federal agency that oversees credit unions. The NCUA is a governing body that comes out with charters for credit unions, sets credit union policies and insures the deposits. The NCUA provides deposit insurance that guarantees certain checking and savings deposits up to \$250,000 per depositor.
<b>Open-end Management</b>	An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.
<b>Par</b>	The principal or maturity value of a non-amortizing debt security. The current face of a mortgage-backed security. The price at which the face value of a debt security equals its selling price or 100. For stocks, the face or nominal amount of a share.
<b>Portfolio</b>	A collection of financial assets belonging to a single owner, such as the municipal bond portfolio. Risk in a portfolio is reduced through diversification.
<b>Pre-refunding bonds</b>	A type of bond issued to fund another callable bond, where the issuer decides to exercise its right to buy its bonds back before the scheduled maturity date. The proceeds from the issue of the lower yield and/or longer maturing pre-refunding bond will usually be invested in Treasury bills (T-bills) until the scheduled call date of the original bond issue occurs. This ensures that the money will be available when the bonds are called.
<b>Repurchase Agreement</b>	A form of secured, short-term borrowing in which a security is sold with a simultaneous agreement to buy it back from the purchaser at a future date. Informally known as repos.
<b>Request for Proposal (RFP)</b>	A written notification prepared by an organization requesting offers to provide certain services (e.g. banking services) and to specify prices for these services. RFP's are generally quite detailed as to the type of services needed.
<b>Revenue Anticipation Note</b>	Short term debt securities issued in anticipation of future specified revenue sources. Tax Anticipation Notes (TANs) are generally issued by state and municipal governments to provide immediate funding for capital expenditure, such as highway construction. Other anticipation notes may be related to specific types of revenues such as enterprise fund revenues.

**GLOSSARY (continued)**

<b>Risk</b>	<p>Events, expected or otherwise, that may have an adverse impact. Examples:</p> <ul style="list-style-type: none"> <li>• <u>Liquidity risk</u> is the risk of being unable to liquidate an investment, if necessary, prior to maturity.</li> <li>• <u>Market risk</u> or <u>Interest Rate risk</u> is the risk that the value of an investment will decrease due to changes in the financial market.</li> <li>• <u>Credit risk</u> is the risk that a debt issuer or financial institution will fail and assets owed cannot be delivered.</li> <li>• <u>Reinvestment Risk</u> is the risk that you may be forced to reinvest called principal when interest rates are depressed.</li> </ul>
<b>Safekeeping</b>	An arrangement under which a third party holds securities or other valuables under safe, controlled conditions. A safekeeping arrangement is evidenced by a safekeeping receipt.
<b>Settlement Date</b>	The agreed date for transferring funds to complete transactions.
<b>Sweep Account</b>	A deposit account, usually at a financial institution, that periodically removes a portion of the customer's funds into a higher yielding instrument. Bank sweep accounts are often sold as cash management tools. With a bank sweep account, idle funds are swept each night from a transaction account into a higher yielding, overnight investment.
<b>State Deposit Guarantee Fund</b>	The state deposit guarantee fund was established in 1931 to pay public depositors (governments) for money lost in a bank or credit union failure. Payments are made for losses up to \$400,000.
<b>State of Wisconsin Investment Board (SWIB)</b>	The State of Wisconsin Investment Board (SWIB), created in 1951, is responsible for managing the assets of the Wisconsin Retirement System (WRS), the State Investment Fund (SIF) and other state trust funds including the LGIP.
<b>STRIPS</b>	Separate Trading of Registered Interest and Principal Securities are T-Notes, T-Bonds and Treasury Inflation Protected Securities whose interest and principal portions of the security have been separated, or "stripped"; these may be sold separately in the secondary market.
<b>Treasury Bills</b>	Short-term obligations issued by the U.S. Treasury. T-Bills are issued for maturities of one year or less. They do not pay interest but are issued at a discount.
<b>Treasury Notes</b>	Medium term obligations issued by the U.S. Treasury. Notes are issued for initial maturities from 1 to 10 years. Interest is paid semi-annually.
<b>Yield</b>	Refers to the annual return on an investment expressed as a percentage on an annual basis. For interest-bearing securities, the yield is a function of the rate, the purchase price, the income that can be earned from the reinvestment of income received prior to maturity, call, or sale, and the time from purchase to maturity, call, or sale.

## Walworth County Code of Ordinances

## Chapter 30

## FINANCE

ARTICLE V.  
INVESTMENT POLICY

**Sec. 30-221. Purpose.**

**Sec. 30-222. Scope.**

**Sec. 30-223. Objectives.**

**Sec. 30-224. Delegation of authority.**

**Sec. 30-225. Standard of prudence.**

**Sec. 30-226. Reporting requirements.**

**Sec. 30-227. Internal controls.**

**Sec. 30-228. Eligible investments.**

**Sec. 30-229. Prohibited investments.**

**Sec. 30-230. Safekeeping.**

**Sec. 30-231. Investment parameters.**

**Sec. 30-232. Other post employment benefit trust investments.**

**Secs. 30-233—30-255. - Reserved.**

**Sec. 30-221. Purpose.**

To establish the county's cash investment objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments, selection process for investments, investment management and advisory firms, diversification and safekeeping requirements.

**Sec. 30-222. Scope.**

- (a) This investment policy applies to all investment transactions/activities of the county, except clerk of courts agency funds as outlined in Wis. Stats. § 59.40(3) and the investment of other post employment benefits held for employees' retirement funds.
- (b) *Pooling of Funds.* The county will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation authorized pursuant to chapter 30 of this code and in accordance with generally accepted accounting principles.

**Sec. 30-223. Objectives.**

(a) The primary objectives of county investment activities shall be the following in order of importance:

- (1) *Safety of Principal.* To preserve capital in the overall portfolio, to protect investment principal, and to mitigate credit risk, interest rate risk, and reinvestment rate risk.

*Credit risk.* The county will minimize credit risk, which is the risk that all or part of the principal of, or interest due on, an investment will be lost, by limiting investments to the types of securities listed, pre-qualifying financial institutions and investment advisors with which the county will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual will be minimized.

*Interest rate risk.* The county 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. Investments should be in high grade, actively traded securities. High grade is defined as securities rated in the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or some other nationally recognized rating agency.

*Reinvestment Risk.* The county will minimize reinvestment risk, which is the risk that cash flows from securities will be reinvested at a lower interest rate than the original investment, by carefully evaluating the use of callable securities within the overall portfolio.

- (2) *Liquidity.* To remain sufficiently liquid to meet operating requirements which might be reasonably anticipated; and
- (3) *Yield.* To manage the investment portfolio to maximize return consistent with objectives in subsections (1) and (2) and other risk limitation described in this policy.
- (4) *Legal Restrictions.* To manage the portfolio in conformity with all applicable laws - federal, state and local - as well as the county's internal administrative procedures.
- (5) *Other.* To allow deviation from section 30-223(a)(3) objectives when authorized by the county board, with recommendation from the finance committee.

**Sec. 30-224. Delegation of authority.**

- (a) Pursuant to Wis. Stats. §§ 59.62 and 59.61(3), the county board delegates the responsibility for investment of county funds to the finance committee. The finance committee shall further delegate to the county administrator responsibility and authority for investment of county funds subject to this ordinance. The Finance Director shall be the investment officer. The investment officer shall oversee investment transactions conducted on behalf of the county. Transactions shall be completed utilizing a competitive process, as outlined in the investment procedures. The investment officer may contract with one or more investment advisors with prior approval of the finance committee and with sufficient funds available within the county budget.

- (b) The investment officer is responsible for proposing written investment guidelines and administrative procedures for operation of the county's investment programs, consistent with this policy. These procedures shall be submitted to the county administrator for approval and inclusion in the county's administrative procedure manual.
- (c) The investment officer or their designee shall have the authority to direct the transfer of funds between accounts established for investments as prescribed in administrative procedures.
- (d) The investment officer or their designee shall have the authority to sign agreements and contracts related to investments on behalf of the county as prescribed in administrative procedures.
- (e) Pursuant to Wis. Stats. §§ 59.61 (2), the county board delegates the responsibility for designating approved county financial depositories, broker/dealers, and investment advisors to the finance committee. The finance committee delegates the monitoring of these approved financial depositories, broker/dealers, and investment advisors to the investment officer. The investment officer shall bring forth any concerns or recommended changes of approved institutions to the finance committee as needed.
- (f) The county board delegates the authority of selecting appropriate performance benchmarks related to yield and duration to the finance committee upon recommendation from the investment advisor.
- (g) The county board delegates the authority of decisions regarding sale of investments prior to maturity to the administrator upon recommendation from the investment officer. An early sale may be made to realize a gain or loss for budget purposes or due to current market conditions.
- (h) The county treasurer shall ensure timely transfer of appropriate funds in accordance with authorized investment transactions and pursuant to all county policies.
- (i) The county treasurer is responsible for maintaining adequate levels of cash in the county's operating account necessary for day-to-day cash flow. Any requirement for large or non-recurring disbursements of cash shall be reported by the county treasurer to the investment officer in order to provide sufficient notice of investment impact.
- (j) The county board authorizes the county clerk, county administrator, and investment officer to sign cash and investment authorization agreements and contracts with approved depositories. Authorized signatories of the operating bank account shall be the facsimile signature of the county board chair, treasurer, and county clerk. Administrative procedures shall authorize signatories of other county depository checking and savings accounts.

### Sec. 30-225. Standard of prudence.

- (a) The standard of prudence to be applied by the investment officer to management of the overall portfolio shall be the "prudent person rule" which states, "Investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, character 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) The investment officer, in accordance with Wis. Stats. ch. 34 and county procedures, shall exercise due diligence and ensure compliance with all regulations.
- (c) Officers and employees involved in the investment process shall refrain from personal business activity that could conflict, or appear to 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 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 investment portfolio.

### Sec. 30-226. Reporting requirements.

- (a) The investment officer shall provide the finance committee with copies of a portfolio performance report on a quarterly basis or when a specific request is made. The report shall summarize the investment strategies employed; the types, terms and characteristics of investment holdings; the total investment return; the performance of each investment relative to the performance standard set forth in section 30-231(a) and a comparison to the annual budget. Upon review by the finance committee, the report shall be forwarded to the full County Board with any comments from the finance committee appended thereto. After review of the report, the finance committee may direct the investment officer to invest in a different manner, consistent with this ordinance. Future reports shall note which investments were directed to be made by the finance committee.
- (b) The investment officer, or their designee, shall be responsible for projecting cash flows for a minimum of five years for use in evaluating investment options. The county treasurer shall provide to the investment officer, on a timely basis, all information necessary to maintain a current cash projection.
- (c) The investment officer shall immediately report any/all investment issues or concerns to the county administrator. The county administrator shall report any significant investment issues or concerns to the finance committee, as appropriate.

### Sec. 30-227. Internal controls.

- (a) The Finance Director shall establish a system of internal controls which shall be reviewed by the county's independent auditor during the annual audit. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation by another party or imprudent actions by an employee or employees of the county. Adherence to these procedures will be monitored by the Finance Director or designee.
- (b) *Authorization to purchase/sell.* In order to obtain the best possible market terms, the investment officer is authorized to conduct investment transactions as allowed by this ordinance and in accordance with all county policies and procedures. All investment purchases or sale transactions must be in writing and authorized as specified in the administrative procedure. Written documentation of the purchase or sale shall be kept on file with the comptroller.

**Sec. 30-228. Eligible investments.**

- (a) *Allowable investments.* Subject to limitations as may be imposed by law, related to but not limited to, Wis. Stats. § 66.0603 or its successor, funds will only be invested in any of the following investments:
- (1) *U.S. Treasury obligations and government securities.* Obligations of the United States of America, its agencies and instrumentalities, provided that the payment of the principal and interest is fully guaranteed by the issuer.
  - (2) *Certificates of deposit.* Certificates of deposit and other evidences of deposits from county board approved financial institutions which are authorized to transact business in the state, which time deposits mature in not more than five years. Any investments in certificate of deposit in excess of the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC), state deposit guaranteed fund or National Credit Union Administration (NCUA) are to be fully collateralized under the specific requirements of section 30-230 or placed in the IntraFi Network Deposits program to be fully insured with other institutions' FDIC guarantee.
  - (3) *Municipal debt instruments.* Municipal debt instruments of any county, city, drainage district, vocational college, village, town or school district of the State of Wisconsin, if the bond, note, or security is rated in one of the two highest rating categories assigned by Standard and Poor's Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency.
  - (4) State of Wisconsin Investment Board's Local Government Investment Pool.
  - (5) *Repurchase agreements.* Investment agreements pursuant to which a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank, or national bank in the State of Wisconsin agrees to repay funds advanced to it by the issuer, plus interest. Repurchase agreements are to be secured by investment securities fully guaranteed by the U.S. Government.
  - (6) *Operating bank account.* Deposits with a single institution shall be limited to the amounts guaranteed by Federal Deposit Insurance Corporation and the state deposit guarantee fund unless overnight funds in excess are fully collateralized under the specific requirements of section 30-230. Deposits by the county with institutions outside of the State of Wisconsin are prohibited. It is recommended that investments made on behalf of the county by the operating bank are placed in county board approved financial institutions.
  - (7) *Money market funds.*
    - a. Open-ended money market funds restricted to investments permitted in Wis. Stats. § section 66.063(1m), limited to a minimum average maturity of less than five (5) years. This limit will not apply to the State of Wisconsin Investment Board's Local Government Investment Pool.

- b. Collateralized money market funds. Collateralized financial institution public investment pools/money markets, where investment pools are collateralized by a third party financial institution with allowable investment types and money market funds may be withdrawn with one week or less notification.
- (8) *Separate Trading of Registered Interest and Principal Securities (STRIPS)*. A pre-stripped, zero coupon bond that is a direct obligation of the U.S. Treasury. Only Treasury strips are authorized investments.
- (b) *Eligible amounts*. The investment officer shall ensure amounts on deposit do not exceed collateralized amounts guaranteed by the financial institution, consistent with this written policy.

### Sec. 30-229. Prohibited investments.

In addition to the limitations placed on investment types by Wisconsin statutes, the following additional restrictions will apply to any investment made by Walworth County:

- (a) County funds will not be invested in derivative type investments such as collateralized mortgage obligations, strips other than specifically identified in Section 30-228(a)(8), floaters or other high risk investments.
- (b) *Leveraged investments*. No investments shall be made in reverse repurchase agreements nor shall any investments be made with funds borrowed through the use of county investment assets as collateral.
- (c) *Foreign securities*. No investments shall be made in securities of foreign issuers or in securities denominated in a currency other than the U.S. Dollar.
- (d) Any security which matures or which may be tendered for purchase at the option of the holder for a term to exceed five (5) years from the date it is acquired.

### Sec. 30-230. Safekeeping.

- (a) All financial institutions acting as a depository for the county must enter into a "depository agreement" requiring the depository to pledge collateral to secure amounts over and above those guaranteed through a combination of the Federal Deposit Insurance Corporation, state deposit guarantee fund, or National Credit Union Administration. All securities serving as collateral shall be specifically pledged to the county (not as part of a pooled fund) and placed in a custodial account at a federal reserve bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution. The custodian shall send statements of pledged collateral to the investment officer on a monthly basis or as requested by the county.



- (b) Acceptable collateral includes the following:
- (1) Securities of the U.S. Treasury or U.S. Governmental Agency as defined by the Federal Reserve.
  - (2) U.S. government guaranteed securities such as those issued through the Small Business Administration are acceptable as long as they are fully guaranteed.
  - (3) Commercial paper which is rated at the highest or second highest rating category assigned by Standard and Poors Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency may be used to the extent that a collateralization level of one hundred twenty-five (125) percent is maintained.
  - (4) Debt Instruments of municipalities are acceptable to the extent that they are rated second highest or higher by Moody's Investors Service, Inc., Standard and Poors Corporation or other nationally recognized rating agency.
  - (5) Federal Home Loan Bank Letter of Credit.
- (c) *Collateral held in trust.* Collateral held by a trust institution supporting certificates of deposit, repurchase agreements or other qualified investments consistent with this investment policy and not identified in subsection (a) or (b) above, must meet the requirements outlined below.
- (1) Collateral must be equal to 102-110 percent market value of the total amount invested plus interest to be earned at the time of investment, based upon market condition and designated collateral. Collateral shall be market-to-market on a monthly basis.
  - (2) Acceptable collateral includes items identified in subsection (b) above.
  - (3) A detailed statement listing a description of securities pledged and held in safekeeping must be provided on a monthly basis.
  - (4) Institutions serving as custodian of other collateral shall provide evidence of professional liability insurance and fidelity bond.

### Sec. 30-231. Investment Parameters.

- (a) *Performance Standards.* The investment portfolio will be designed to obtain a market average rate of return taking into account the County's investment risk constraints and cash flow needs. Given the nature of the County's investment strategy, the basis used to determine whether market yields are being achieved shall be performance benchmarks recommended by the investment officer and approved by the finance committee.
- (b) *Maximum Maturities.* To the extent possible, the County will attempt to match its investments with anticipated cash flow requirements. The County will not directly invest in securities maturing more than five (5) years from the date of purchase.

### Sec. 30-232. Other post employment benefit trust investments.

- (a) *Delegation of Authority.* The Finance Committee shall oversee policies and procedures related to the operation and administration of the Trust. The Finance Committee shall:
- (1) Review and annually approve the investment policy and investment objectives, performance expectations and investment guidelines for Trust assets to control overall risk and liquidity.
  - (2) Establish an appropriate investment strategy for managing all Trust assets, including selection of an investment advisor, investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
  - (3) Establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.
- (b) *Objectives.* The investment objectives of the Trust are as follows:
- (1) To invest assets of the Trust in a manner consistent with the following fiduciary standards:
    - (a) All transactions undertaken must be for the sole interest of Trust beneficiaries and defray reasonable expenses in a prudent manner, and
    - (b) Assets are to be diversified in order to minimize the impact of large losses from individual investments.
  - (2) To provide for funding and anticipated withdrawals on a continuing basis for payment of OPEB benefits and related expenses.
  - (3) To conserve and enhance the value of Trust assets in real terms through asset appreciation and income generation, while maintaining a moderate investment risk profile.
  - (4) To minimize principal fluctuations over the time horizon as defined in the investment policy.
- (c) *Safekeeping.* All securities shall be held by a custodian approved by the County and in consultation with the investment advisor for safekeeping of Trust assets.
- (d) *Allowable investments.* The Other Post Employment Benefit (OPEB) investments may be invested pursuant to the Uniform Investor Act as set forth in Wis. Stats. § 881.01. The following investments and transactions are not authorized and shall not be purchased:
- (1) Letter stock and other unregistered securities, direct commodities or commodity contracts, short sales, margin transactions, private placements (with the exception of Rule 144A securities), venture capital funds, private equity, or hedge funds.
  - (2) Derivatives, options or futures for the purpose of portfolio leveraging.
  - (3) Neither direct real estate equity nor natural resource properties such as oil, gas or timber may be held except by purchase of publicly traded securities or within pooled vehicles, except for existing real estate holdings.
  - (4) The purchase of collectibles.

**Secs. 30-233-30-255. Reserved.**