

VILLAGE OF WILMETTE CASH AND INVESTMENT POLICY

Scope of Policy

This policy statement applies to all cash and investment activities of the Village of Wilmette. This includes all funds which are subject to the Village of Wilmette Board of Trustees. This does not apply to the Village of Wilmette Firefighters' Pension Fund which is overseen by the Firefighters' Pension Fund Board of Trustees or the Village of Wilmette Police Pension Fund controlled by the Police Pension Board of Trustees. These other Boards have adopted investment policies applicable to their operations.

Objectives of Policy

The purpose of this policy is to establish cash management and investment guidelines for Village officials responsible for the stewardship of public funds. Specific objectives include:

- Safety of principal is the foremost objective of the cash and investment policy. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value.
- The Village shall diversify its investments to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions.
- The Village's investment portfolio shall remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated in any Village Fund. With this in mind, the basic philosophy in selection of investments is one of "buy and hold" (as opposed to "buy and sell"). Investments shall be made with the intention of keeping the security until maturity. Investments should be sold only when the gains from such a sale indicate that this is the preferred and the conservative course of action.

- In managing its investment portfolio, Village officials shall avoid any transaction that might impair public confidence in the Government of the Village of Wilmette. Investments shall be made with judgement 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.

Responsibility for the Cash and Investments Policy

Management responsibility for the cash and investments program for the Village of Wilmette is hereby delegated to the Director of Finance, who shall establish written procedures for the operation of the cash and investments program consistent with this policy.

Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under terms of this policy and procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate officials.

All disbursements and investment transactions engaged in by the Director of Finance shall be made in accordance with these policies and subject to retroactive ratification and approval by the respective Board of Trustees.

Cash Management

The Village's policy regarding cash management is based upon the realization that there is a time value to money. Temporarily idle cash may be invested for a period of one day to an excess of one year depending on when the money is needed. Accordingly, the Director of Finance shall utilize appropriate cash management procedures which shall include, but not be limited to, the following:

- Receipts: All monies due the Village shall be collected as promptly as possible. Monies that are received shall be deposited in an approved financial institution no later than the next business day after receipt by the Village. Amounts that remain uncollected after a reasonable length of time shall be subject to any legal means of collection deemed appropriate.

- Disbursements: All disbursements shall be made in a timely fashion in accordance with applicable state laws and the Wilmette Village Code.
- Cash Forecasting: At least annually, a cash forecast shall be prepared using expected revenue sources and items of expenditure to project cash requirements over the fiscal year of the Village. The forecast shall be updated regularly during the course of a fiscal year to reflect projected budget variances.
- Pooling of Cash: To an extent practical, the Village will pool the cash of the various funds in order to maximize investment earnings. The current position is that separate cash accounts are maintained for the Water, Motor Fuel Tax, Police Pension, and Firefighters' Pension Funds and all other funds are co-mingled.

Accounting

The Village of Wilmette maintains its accounting records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the Village in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

Financial Institutions

It shall be the policy of the Village of Wilmette to select financial institutions on the following basis:

- Security: The Village will not maintain funds in any financial institution that is not a member of the FDIC or FSLIC systems.
- Size: The Village of Wilmette will not select as a depository, any financial institution in which Village funds on deposit will exceed 50% of the institution's capital stock, surplus and undivided profits.
- Location: The Village of Wilmette will maintain operating and investment accounts in financial institutions located within the Village of Wilmette whenever possible, and when not precluded by other standards in this policy. However, the Village may approve depositories regardless of location.

- Collateralization: The Village requires that its primary depository pledge collateral for all deposits in excess of \$100,000. This collateral is to be held by the Village or by a third party in the Village's name and may not be released or modified without Village approval. The value of the collateral shall be determined by the Village or by the third party custodian. The necessary amount (ranging from 102% to 115% of excess FDIC insured deposits) of collateral is determined under the Village's custodial agreement with its depository bank.

- Statement of Condition: The Village of Wilmette will maintain, for public and managerial inspection, current statements of condition for all eligible depositories. If, for any reason, the information furnished is considered by the Director of Finance to be insufficient, the Village may request additional data. The refusal of any institution to provide such data upon request may serve as sufficient cause for the withdrawal of Village funds.

- Village Board Authorization: Selection as a depository of public funds requires a financial institution to meet certain criteria as established in this policy. Upon meeting the established criteria, a financial institution may be named as a depository only upon formal authorization of the Village Board, through a resolution. Attached to this policy is the current listing of all authorized depositories.

Investment Selection

The Village of Wilmette may invest in any of the following types of investment instruments, as set out in the Illinois Revised Statutes, Chapter 85-902-2:

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America.

- Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any investment constituting direct obligations of any institution as authorized by the Village Board.

- Illinois Public Treasurer's Investment Pool.

- Illinois Metropolitan Investment Fund.

The Director of Finance will report to and obtain the approval of the Board of Trustees concerning any proposed change in investment instruments, portfolio structure or investment institutions before taking said action so that the Board may review such proposed action.

Diversification and Maturities

In order to reduce the risk of default, the Village shall not invest funds in any financial institution in excess of FDIC or FSLIC limits applicable at the time of such investment.

Maturities of investments of the various funds of the Village shall be structured to enable the Village to have sufficient cash for all operating purposes.

Internal Controls

The Director of Finance shall establish a system of internal controls which shall be documented in writing. The internal controls shall be reviewed by an independent certified public accountant in conjunction with the annual examination of the financial statements of the Village. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Village of Wilmette.

One of the required elements of the system of internal controls shall be the timely reconciliation of all Village bank accounts. Bank reconciliations shall be performed on a monthly basis and shall be completed no later than twenty-one days after the end of the monthly accounting cycle.

Reporting

The Director of Finance shall submit a monthly investment report detailing all investments of the Village of Wilmette. This report is to show the par value, net book value and market value of all deposits and investments. Additionally, monthly reports shall be submitted to reflect the monthly change in status of all cash accounts, Illinois State Pool Accounts, and investment activity for each fund of the Village of Wilmette.

The Annual Financial Report of the Village of Wilmette shall include an accounting of the classification of risk and collateralization of investments in accordance with Generally Accepted Accounting Principles (GAAP) pronouncements.

From time to time the Director of Finance shall make recommendations relating to policies and improvements of procedures for cash management and investments that might be made in this policy statement.

Indemnification

The standard of prudence to be used by investment officials of the Village of Wilmette shall be the "prudent person" standard of the Government Finance Officers Association (GFOA) which states:

Investments shall be made with judgement 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 possible income to be derived.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the Village's investment portfolio. Officers of the Village of Wilmette acting in accordance with due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

All individuals involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the cash and investment program, or that could impair their ability to make impartial decisions.

Amendment

This policy shall be reviewed from time to time and any changes shall be presented to the Board of Trustees for their approval.