

**VILLAGE OF WINFIELD**

**INVESTMENT POLICY**



**WINFIELD**

EST *Illinois* 1921

**A PLACE TO DISCOVER**

**August 20, 2020**

The Village of Winfield  
Investment Policy

---

**A. Scope**

This Policy applies to the cash management and investment activities of the Village of Winfield and covers all Village funds other than those of the Police Pension Plan. It is the policy of the Village of Winfield to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds. With the exception of the Police Pension Fund, all other funds of the Village shall be administered in accordance with the provisions of this policy. The Police Pension Fund shall be administered in accordance with the contractual and statutory requirements of that fund. Any monies received for the Police Pension Fund shall be administered by the written order of the Board of Trustees of that Fund.

Pooling of Funds

Except for cash in certain restricted and special funds, the Village will consolidate cash and investment 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 and in accordance with generally accepted accounting principles monthly.

**B. Objectives**

The primary objectives of investment activities, in priority order, shall be Legality, Safety, Liquidity, and Yield.

1. Legality

The Village's investments will be in compliance with all federal, state and other legal statutes and requirements governing the investment of public funds.

2. Safety

Safety of principal, along with legality, are the foremost objectives of the investment program. 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, custodial credit risk, and interest rate risk in the overall portfolio. The Village shall diversify its investments to minimize risks regarding individual securities.

The Village of Winfield  
Investment Policy

---

*a. Credit Risk*

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village will minimize credit risk by:

- Limiting investments to the types of securities listed in Section E of this Investment Policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business in accordance with Section D.1. of this policy.
- 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. Custodial Credit Risk*

Custodial Credit Risk is the risk that, in the event of a bank or counterparty failure, the Village's collateral securing uninsured deposits or investments may not be recovered. The Village will minimize custodial credit risk over deposits with financial institutions by ensuring that all deposits with financial institutions are insured or collateralized with securities held by the Village's agent in the Village's name. All investments shall be conducted on a Delivery vs Payment (DVP) basis. Securities will be held by a third-party securities custodian designated by the Village separate from where the investment was purchased.

*c. Interest Rate Risk*

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village will minimize interest rate risk 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 mutual funds, or similar investment pools and limiting the weighted average maturity of the portfolio to no more than two years and limiting the maximum maturity of any investment to three years from the date of purchase, unless matched to a specific future cash flow need.

The Village of Winfield  
Investment Policy

---

3. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. Alternatively, a portion of the portfolio may also be placed in local government investment pools which offer same-day liquidity for short-term funds.

4. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the legality, safety and liquidity objectives described above. Return on investments is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

C. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person,” 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 the entire portfolio.

Investment officers acting in accordance with written procedures 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.

The Village of Winfield  
Investment Policy

---

2. 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

3. Delegation of Authority

Authority to manage the investment program is granted to the Finance Director and derived from the Illinois Public Funds Investment Act 30 ILCS 235 and all applicable State of Illinois statutes. The Finance Director will establish written procedures and internal controls for the operation of the investment program that is consistent with the investment policy. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. 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. The Village Manager and Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, including outside investment managers.

**D. Safekeeping and Custody**

1. Authorized Financial Dealers and Institutions

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

The Village of Winfield  
Investment Policy

---

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- Audited financial statements.
- Proof of National Association of Securities Dealers (NASD) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read and understood and agreeing to comply with the Village's investment policy.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Finance Director.

2. Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity 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 the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the internal controls shall be reviewed by an external auditor as part of the annual audit process to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and recordkeeping.
- Custodial safekeeping.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of telephone transactions for investments and wire transfers.
- Proper authorization of wire transfers.

See Attachment A: Village of Winfield Investment Procedures and Internal Controls Manual.

The Village of Winfield  
Investment Policy

---

3. 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 Village custodian prior to the release of funds.

4. Safekeeping

Securities will be held by an independent third-party custodian selected by the Village as evidenced by safekeeping receipts in the Village's name and a written custodial agreement. 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).

**E. Sustainability**

The Village will seek to prudently integrate sustainability factors into its investment decisions, investment analysis, portfolio composition, due diligence, and investment ownership. Such factors include, but are not limited to, corporate governance and leadership, environmental, social capital, human capital, and business model and innovation, as provided under the Illinois Sustainable Investing Act (40 ILCS 5/1-113.6 and 1-113.17).

**F. Suitable and Authorized Investments**

1. Investment Types

Except as modified herein all investments purchased under this policy shall be guided by the Public Funds Investment Act 30 ILCS 235, the Investment of Municipal Funds Act 50 ILCS 340 and all revisions thereto, as may be made by the Illinois Legislature. Below is a summary of acceptable investments as determined by the Finance Director in compliance with the applicable statute:

- a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value and are rated A or better by a nationally recognized ratings agency.
- b. Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the three highest tier (e.g., A-1, P-1, D-1, or F- 1 or higher) by a nationally recognized rating agency
- c. Investment-grade obligations (rated A or better by a nationally recognized ratings agency) of state, provincial and local governments and public authorities.
- d. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

The Village of Winfield  
Investment Policy

---

- e. Pooled interest bearing accounts managed by either the Illinois Funds or the Illinois Metropolitan Investment fund, in accordance with the Public Funds Investment Act 30 ILCS 235/2.
- f. Repurchase agreements collateralized by U.S. Treasury or federal agency securities marked-to-market shall require authorization by the Village Board. Investment in derivatives shall require authorization by the Village Board.

2. Collateralization

Monies held in depository accounts, time deposit accounts, or money market mutual funds, or invested in the certificates of deposit of financial institutions (banks, savings and loan associations, or credit unions) in excess of FDIC or SAIF insurance shall be secured by some form of collateral. The Village will accept the following assets as collateral:

- (a) U.S. Government securities.
- (b) Obligations of federal agencies.
- (c) Obligations of federal instrumentalities.
- (d) General obligation bonds of any United States state or local government rated “A” or better (i.e., at least upper medium quality) by Moody’s Investors Service, Standard & Poor’s Rating Service, or Fitch Investors Service.

The Finance Director may reject any form of collateral at any time.

The amount of the collateral provided by a financial institution will not be less than 110% of the market value of the net amount of deposits and investments to be secured. The ratio of market value of collateral to the amount of funds to be secured will be reviewed monthly by the Finance Director. Additional collateral will be requested of a financial institution when the ratio declines below the required level. Collateral may not be released without the signature of the Village Manager or Finance Director. Pledged collateral will be held in safekeeping, by an independent third-party depository, or the Federal Reserve Bank, as designated by the Village Manager or Finance Director, and evidenced by a safekeeping receipt.

Financial institutions pledging collateral will sign a collateral agreement that meets the requirements of the Financial Institution Resource Recovery Enforcement Act (FIRREA) acceptable to the chief investment officer.

The Village of Winfield  
Investment Policy

---

**G. Investment Parameters**

1. Diversification

The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities). No more than 10% of the portfolio can be invested in any one investment.
- Limiting investment in securities that have higher credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- Limiting investment types according to the following limitations:

<u>Investment Type</u>	<u>Max % of Portfolio</u>
➤ US Treasury notes/bonds/bills	100%
➤ U.S. agencies from the following issuers:	60%
• Federal Home Loan Bank (FHLB)	
• Federal Farm Credit Bank (FFCB)	
• Federal Home Loan Mtge Corp (FHLMC)	
• Federal National Mtge Assoc (FNMA)	
➤ Certificates of Deposit (up to FDIC limit)	60%
➤ Local government investment pools (no single pool to exceed)	40%
➤ Municipal bonds	20%

The Village of Winfield  
Investment Policy

---

2. Maximum Maturities

To the extent possible, the Village shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three (3) years from the date of purchase. The Village shall adopt weighted average maturity limitations, consistent with the investment objectives, as previously noted.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in these types of securities shall be disclosed in writing to the Village Board.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

**H. Reporting**

The Finance Director shall prepare an investment summary as part of the quarterly financial report. In addition, the Finance Director shall provide a report, including an analysis of the status of the current investment portfolio and the individual transactions executed for the most recent year-to-date. This management summary will be prepared in a manner which will allow the Village to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Village Manager and the Administration & Finance Committee. The report will include the following:

- Listing of individual securities held, by fund, at the end of the reporting period reporting original cost and current market value of each security.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investments by maturity date.
- The purchase and safekeeping institutions.

**I. Performance Standards**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance should be compared to appropriate benchmarks on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmark shall have a similar weighted average maturity as the portfolio.

The Village of Winfield  
Investment Policy

---

**J. Marking to Market**

The market value of the portfolio shall be calculated at least quarterly and reported as part of the quarterly financial report. This review of the investment portfolio, in terms of value and price volatility, should be performed consistent with the GFOA Recommended Practices on “Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools”. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

**K. Policy Consideration**

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the Village Board in consultation with the individuals charged with maintaining internal controls.

**L. Policy Violations**

The Village administration shall maintain governance practices that encourage ethical behavior. Any transactions related to the investment policy that indicate the intentional non-compliance of the policy or a possibility of fraud shall be reported, either verbally or in writing, to the Village Manager and/or Chief of Police.

# Attachment A: Investment Procedures and Internal Controls Manual

---

## A. Introduction

The Finance Director, under the direction of the Administration and Finance Committee, is responsible for conducting cash and investment transactions for all funds (except the Police Pension Fund) held by or for the benefit of the Village of Winfield.

## B. Objective

The Procedures and Internal Control Manual provides an outline for cash and investment transactions. This manual shall be reviewed on an annual basis for possible revisions by the Finance Director to ensure that the manual is current with investment industry standards and practices.

## C. Prudence and Standard of Prudence

The standard of prudence to be used by the investment staff shall be that of a “prudent person” and shall be applied in the context of managing the overall portfolio. The Finance Director acting in accordance with written policies and procedures and exercising due diligence, shall not be responsible for an individual security’s credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control or mitigate adverse developments.

The “prudent person” standard is herewith understood to mean the following:

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.

## D. Investment Decisions

The investment staff, which includes the Administration and Finance Committee, Village Manager and Finance Director, shall adhere to the guidelines of the Village of Winfield’s Investment Policy regarding all investment procedures or any other cash and investment transactions.

## E. Chain of Command

For the purpose of obtaining approval on investment matters not addressed in the Investment Policy, the following chain of command is appropriate:

1. Administration and Finance Committee Chair
2. Village Manager
3. Finance Director

## Attachment A: Investment Procedures and Internal Controls Manual

---

### F. Duties and Responsibilities

The Administration and Finance Committee, Village Manager and Finance Director have specific duties and responsibilities as stated in their respective position descriptions. The Finance Director through the direction of the Village Manager and the Administration and Finance Committee shall be responsible for the daily operational duties (i.e., reports, accounting and reconciliation). The Village Manager and Administration and Finance Committee are responsible for the approval of all transactions (purchases, sells, bank transfers, wires) and monitoring of compliance with the internal control procedures.

### G. Conflicts of Interest

For the protection of the investment staff, it is imperative that full disclosure be made by investment personnel and the Board of Trustees to the Village Manager of any material interests which they may hold in a financial institution (brokers/dealers, banks, etc.) which conducts business with the Village.

### H. Separation of Duties

Investment staff shall observe proper segregation of duties while engaged in investment activities. Persons responsible for approving investment transactions should not be engaged in activities relating to the recording of transactions in the financial records or the reconciliation of cash and safekeeping account statements.

### I. Reporting Requirements

A quarterly summary report shall be included as part of the quarterly financial presentation to the Village Board. In addition, a more detailed report shall be prepared by the Finance Director, reviewed by the Village Manager and reported to the Administration & Finance Committee. The report shall contain, but not be limited to, the following information:

- |                                     |                        |
|-------------------------------------|------------------------|
| a) Security ID                      | g) Par value           |
| b) Purchase date                    | h) Original cost value |
| c) Maturity date                    | i) Coupon rate         |
| d) Purchase/Safekeeping institution | j) Yield to maturity   |
| e) Weighted Average Maturity        | k) Benchmark Returns   |
| f) Weighted Average Yield           |                        |

A mark-to-market report shall be prepared as part of the quarterly report. This report shall include the market value, book value, and unrealized gain or loss of the securities in the portfolio. These values should be obtained from a reputable and independent source.

# Attachment A: Investment Procedures and Internal Controls Manual

---

## J. Operations

“Operations” is defined as those necessary procedures and duties required to maintain a properly working department on a daily basis.

### 1. Daily Cash and Investment Procedures

The following is a basic outline of routine daily procedures necessary to maintain proper documentation on cash and investment transactions.

On a daily basis, it is necessary to monitor cash activity within specific bank accounts for the purpose of determining net cash available for investment. The Finance Director shall be responsible for monitoring the daily cash requirements for each fund and notify the Village Manager and Administration and Finance Committee of any liquidity needs that require a transfer of funds. The Finance Director will maintain a daily cash flow spreadsheet which shall include a summary of daily cash by bank account and corresponding book balances at the end of each day.

Proper documentation and authorization shall be required before any cash or investment transaction is executed.

### 2. Authorized Wire Transfers

The Finance Director is authorized to recommend wire transfers for cash flow purposes, investment of funds, budgeted pension contributions, and payment of debt service to established Village bank accounts. Only the Village Manager and Administration and Finance Committee Chair are authorized to approve a wire of Village funds. Wire instructions and personal identification numbers (PIN's) shall be safeguarded by the authorized representatives.

All bank transfer requests shall be in writing and approved by an authorized representative and all requests shall be filed with the cash and investment supporting documents. The purpose of the bank transfer must be noted as part of the transfer information.

*Monthly Wire Transfer to Police Pension:* The approved budget includes additional Village contributions to the Winfield Police Pension Fund. In addition, the Village provides payroll and insurance processing for the pension fund. The Finance Director is responsible for transferring the net amount due/from the pension fund for these transactions on a monthly basis. This wire transfer will be approved by the Village Manager.

## Attachment A: Investment Procedures and Internal Controls Manual

---

### 3. Securities' Confirmations

The processing of securities' confirmations, including the filing and reconciling, shall be reviewed by the Program Generalist who did not execute the purchase or sale. All confirmations for securities, including certificates of deposit, shall be filed in the investment file. The original confirmations are not permitted to leave the Finance Department, and only copies will be provided upon request.

Upon receipt, the safekeeping account listing shall be reconciled against the appropriate investment reports.

### 4. Coupon Notices

Securities which periodically pay coupons will require that the amount of the coupon payments be transferred to the appropriate bank account and a journal entry prepared by the Finance Director.

### 5. Safekeeping Procedures

All marketable securities purchased for the Village shall be received by "delivery vs. payment" (DVP) to the Village's designated custodian for safekeeping. The Village's designated safekeeping institution shall be notified of the trade prior to or on the day of settlement. Confirmation of the delivery will include the type of security purchased/sold, CUSIP, coupon rate (if applicable), maturity, purchase and settlement dates, par value and purchase price.

Nonnegotiable Certificates of Deposit are permitted to be safekept at the issuing bank provided they are fully collateralized and pledges are held at an independent third party institution. Negotiable certificates of deposit should be on a DVP basis as noted above. All certificates of deposit confirmations must be verified against the appropriate investment reports and general ledger account on a monthly basis.

Additional requirements and procedures are outlined in the Third-Party Custodial Safekeeping Agreement regarding safekeeping procedures.

### K. Accounting for Investment Transactions

Investments shall be recorded in the financial records at original cost. Interest income will be recognized when received or amortized as of the last day of the fiscal year according to the effective interest method of amortization. The Finance Director is responsible for recording the transaction. The Program Generalist, who is independent of the origination or recording of the transaction, maintains the investment subsidiary spreadsheet and reconciles to the general ledger on a monthly basis.

## **Attachment A: Investment Procedures and Internal Controls Manual**

---

### **L. Investment Information**

#### **1. Internal Investment Reports**

The Finance Director is responsible for preparing the monthly Treasurer's Report. This report is reviewed by the Village Manager. The Finance Director reports this to the Village Board.

#### **2. Market Values**

Market values shall be calculated on a quarterly basis by the Finance Director and a report provided to the Village Manager, and the Village Board.

#### **3. Trust Statements**

Original statements for the Village's investment accounts which are held by a custodian shall be reconciled by the Finance Director on a monthly basis.

### **M. Selection of Dealers and Bankers**

As stated in the Village of Winfield's Investment Policy, the Village shall only purchase securities from financial institutions which are qualified as public depositories by the Village of Winfield or from broker/dealers that were selected based on credit worthiness that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The Finance Department shall provide each authorized dealer a copy of the Village's Investment Policy and each dealer shall be required to submit, in writing, a statement that they have received, read and understand the Village's investment policy. This statement shall be submitted to the Finance Director.

Once all requirements are met, the Finance Department will provide the dealer with a list of staff members who are authorized to conduct cash and investment transactions.

### **N. Security Selection Process**

When purchasing or selling securities, the Finance Director will work with the Village Manager to select the security which provides both the highest rate of return within the established parameters of the Investment Policy and satisfies the current objectives and needs of the Village's portfolio. The Finance Director will review the planned timing of investments with the Administration and Finance Committee in advance of any investment purchase. The Administration and Finance Committee will approve parameters, including interest rate and maturity date, for planned purchases. The Finance Director will report all completed investment transactions to the Administration and Finance Committee. The selections shall be made based on a minimum of two (2) quotes (unless securities are being purchased at the FED window) being obtained from banks and/or broker/dealers on the securities in question.

## Attachment A: Investment Procedures and Internal Controls Manual

---

Two quotes are not necessary in the following situations:

1. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
2. When no active market exists for the issue being traded due to the age or depth of the issue.
3. When a security is unique to a single dealer, for example, a private placement.
4. When the transaction involves new issue or issues in the “when issued” market.

When using the competitive bid process, all bids shall become part of the record of the specific security involved.

### O. Liquidity Management & Cash Flow Forecast

Liquidity is the amount of cash (including assets that can easily and quickly be converted to cash) available to be utilized to meet obligations and pay commitments. The Village will establish liquidity management guidelines to provide guidance for minimum liquidity measures that the Village has to adhere to throughout the year in order to ensure that the current and future liquidity position is managed in a prudent manner, negate any short term borrowing, and allow for investment of any excess liquidity. The liquidity management guidelines will apply to the cash management and investment activities of the Village of Winfield and cover all funds except for the Police Pension Fund and the Impact Fee Fund.

#### **Liquidity Procedures:**

1. The Village Administration & Finance Committee will establish minimum liquidity requirements and review these on a periodic basis. Minimum liquidity levels shall be calculated based on the projected current fiscal year-end and budgeted year amounts reported in the Village’s annual operating budget. Liquidity levels will be defined as follows:
  - a. **Primary Liquidity:** A level of cash available for normal operational expenditure needs to be held in cash to ensure that the Village will be in a position to meet its financial requirements. The Village shall maintain two months operational expenditure, excluding depreciation and other non-cash expenses, available for primary liquidity. This amount will be invested in money market funds and Local Government Investment Pool (LGIP) accounts which provide interest earnings similar to investment instruments held longer than 30 days while still providing same day liquidity. In addition, the core operating bank account for the Village in an amount that provides for the minimum balance requirement included in the contract with the financial institution. While the required minimum is restricted in nature and will not be

## Attachment A: Investment Procedures and Internal Controls Manual

---

considered part of the primary liquidity, any amount that exceeds the minimum required balance will be considered part of the available primary liquid investment balance.

- b. **Secondary Liquidity:** The Village shall maintain an additional month of operating expenditures as secondary liquidity. When combined with primary liquidity this amount approximates the minimum required fund balance as stated in the Village's Fund Balance Policy. Secondary liquidity shall be invested in money market financial instruments and LGIPs.
  - c. **Core Reserves:** The core portfolio represents the remaining Village funds available for longer term investments and shall be invested in a method that accommodates periodic liquidity needs with the expectation that it will not be unexpectedly called upon to fund cash flow needs.
2. As part of the annual budget process, the Village shall prepare a cash flow forecast for the projected current year and the subsequent budget year amounts. While coordinated with the annual budget cycle, the forecast is distinct in that its intent is to measure the organization's ability to meet its needs in light of resources with the ultimate goal of mitigating the need for short term borrowing or liquidation of securities before the maturity date.
3. Identify core funds that can be invested for longer terms and opportunities for additional short term investments of excess liquidity.
4. Develop annual investment plan and present to Administration & Finance Committee for approval. The plan should include amount dedicated to fixed income ladder, criteria for short term excess liquidity investments, and preferred investment categories.
5. Monitor cash flows on a monthly basis, comparing forecast to actual results. Make any necessary adjustments and prepare summary report. Submit report to committee members for review and approval of any proposed adjustments to the annual plan..