

**CITY OF WEST BEND, IOWA
INVESTMENT AND CASH MANAGEMENT POLICY**

OBJECTIVE: To maximize interest earnings on general City funds and various utility funds, within the constraints of daily cash needs and the applicable statutory requirements of the Code of the State of Iowa.

SECTION 1. SCOPE OF INVESTMENT POLICY

The Investment Policy of West Bend, Iowa shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statement of West Bend. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

The investment of bond funds or sinking funds shall comply not only with this Investment Policy, but also be consistent with any applicable bond resolution.

This Investment Policy is intended to comply with Iowa Code Chapter (12B).

Upon passage and upon future amendment, if any, copies of this Investment Policy shall be delivered to all of the following:

1. The governing body or office of West Bend to which the Investment Policy applies.
2. All depository institutions or fiduciaries for public funds of West Bend
3. The auditor engaged to audit any fund of West Bend.
4. The State Auditor

SECTION 2. DELEGATION OF AUTHORITY

In accordance with Section 12B.10(1), the responsibility for conducting investment transactions resides with the Treasurer of West Bend, Only the Treasurer and those authorized by resolution may invest public funds and a copy of any empowering resolution shall be attached to this Investment Policy.

All contracts or agreements with outside persons investing public funds, advising on the investment of public funds, directing the deposit or investment of public funds or acting in a fiduciary capacity for West Bend shall require the outside person to notify in writing West Bend within thirty days of receipt of all communications from the Auditor of the outside person or any regulatory authority of the existence of a material weakness in

internal control structure of the outside person or regulatory orders or sanctions regarding the type of service being provided to West Bend by the outside person.

The records of investment transactions made by or on behalf of West Bend are public records and are the property of West Bend whether in custody of the Treasurer or in the custody of a fiduciary or other third party.

All funds transferred to North Iowa Municipal Electric Cooperative Association (NIMECA) shall be invested by the Treasurer of NIMECA or such other officer of NIMECA as may be provided in the NIMECA Investment Policy approved by the Board of Directors of NIMECA.

The Treasurer shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those officers and employees of West Bend responsible for elements of the investment process and to address the capability of investment management. The controls shall provide for receipt and review of the audited financial statement and related report on internal control structure of all outside persons performing any of the following for this public body.

1. Investing of public funds.
2. Advising on the investment of public funds.
3. Directing the deposit or investment of public funds.
4. Acting in a fiduciary capacity for this public body.

A Bank, Savings and Loan Association or Credit Union providing only depository services shall not be required to provide an audited financial statement and related report on internal control structure.

The Treasurer of West Bend and all employees authorized to place investments shall be bonded in the amount of \$10,000.

SECTION 3. OBJECTIVES OF INVESTMENT POLICY

The primary objectives, in order of priority, of all investment activities involving the financial assets of West Bend shall be the following:

1. **SAFETY:** Safety and preservation of principal in the overall portfolio is the foremost investment object.
2. **LIQUIDITY:** Maintaining the necessary liquidity to match expected liabilities is the second investment objective.

3. RETURN: Obtaining a reasonable return is the third investment objective.

SECTION 4. PRUDENCE

The Treasurer of West Bend, when investing or depositing public funds, shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the (Section 3. Investment Objectives.) This standard requires that when making investment decisions, the Treasurer shall consider the role that the investment or deposit plays within the portfolio of assets of West Bend and the investment objectives stated in Section 3.

SECTION 5. INSTRUMENTS ELIGIBLE FOR INVESTMENT

Assets of West Bend may be invested in the following:

- Interest bearing savings accounts, interest bearing money market accounts, and interest bearing checking accounts at any bank, savings and loan association or credit union in the State of Iowa. Each bank must be on the most recent Approved Bank List as distributed by the Treasurer of the State of Iowa or amended as necessary by notice inserted in the monthly mailing by the Rate Setting Committee. Each financial institution shall be properly declared as a depository by the governing body of West Bend. Deposits in any financial institution shall not exceed the amount approved by the governing body of the City of West Bend, Iowa.
- Obligations of the United States government, its agencies and instrumentalities.
- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions approved and secured pursuant to Chapter 12C.
- Iowa Public Agency Investment Trust (IPAIT)
- Prime bankers' acceptances that mature within 270 days of purchase and that are eligible for purchase by a federal reserve bank.
- Repurchase agreements, provided that the underlying collateral consists of obligations of the United States government, its agencies and instrumentalities and West Bend takes delivery of the collateral either directly or through an authorized custodian.
- In addition to the foregoing, any funds transferred to North Iowa Municipal Electric Cooperative Association (NIMECA) may be invested as permitted by the Iowa Code and the Investment Policy of NIMECA in effect at the time of such investment.

All instruments eligible for investment are further qualified by all other provisions of this Investment Policy, including (Section 7. Investment Maturity Limitations) and (Section 8. Diversification Requirements.)

SECTION 6. PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

Assets of West Bend shall not be invested in the following:

1. Reserve repurchased agreements.
2. Futures and options contracts.

Assets of West Bend shall not be invested pursuant to the following investment practices:

1. Trading of securities for speculation or the realization of short-term trading gains.
2. Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.
3. If a fiduciary or other third party with custody of public investment transaction records of West Bend fails to produce requested records when requested by this public body within a reasonable time, West Bend shall make no new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

SECTION 7. INVESTMENT MATURITY LIMITATIONS

Operating Funds must be identified and distinguished from all other funds available for investment. Operating Funds are defined as those funds which are reasonable expected to be expended during a current budget year or within fifteen months of receipt.

All investments authorized in Section 5 are further subject to the following investment maturity limitations:

1. Operating funds may only be invested in instruments authorized in Section 5 of this Investment Policy that mature within three hundred ninety-seven (397) days.
2. The Treasurer may invest funds of West Bend that are not identified as Operating Funds in investments with maturities longer than three hundred ninety-seven (397) days. However, all investments of West Bend shall have maturities that are consistent with the needs and use of West Bend.

SECTION 8. DIVERSIFICATION

Investments of West Bend are subject to the following diversification requirements:

Prime banker's acceptances:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of West Bend shall be invested in prime banker's acceptances, and
2. At the time of purchase, no more than five percent (5%) of the investment portfolio of West Bend shall be in the securities of a single issuer.

Commercial paper or other short-term corporate debt:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of West Bend shall be in commercial paper or other short-term corporate debt.
2. At the time of purchase, no more than five percent (5%) of all investment portfolio of West Bend shall be invested in the securities of a single issuer, and
3. At the time of purchase, no more than five percent (5%) of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification.

When possible, it is the policy of the Treasurer to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

SECTION 9. SAFEKEEPING AND CUSTODY

All invested assets of West Bend involving the use of public funds custodial agreement shall comply with all rules adopted pursuant to Section 12B.10C. All custodial agreements shall be in writing and shall contain a provision that all custodial services provided in accordance with the laws of the state of Iowa.

SECTION 10. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all officers and employees of West Bend involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Any personal investments or loans in excess of \$500,000 on or with any entity that West Bend has declared as a depository or regularly conducts

investment business with shall be disclosed in writing to the governing board of West Bend.

SECTION 11. REPORTING

The Treasurer shall submit quarterly an investment report that summarizes recent market conditions and investment strategies employed since the last investment report. The investment report shall set out the current portfolio in terms of maturity, rate of return and other features and summarize all investment transactions that have occurred during the reporting period and compare the investment results with the budgetary expectations.

SECTION 12. INVESTMENT POLICY REVIEW AND AMENDMENT

This Investment Policy shall be reviewed every five years or more frequently as appropriate. Notice of amendments to the Investment Policy shall be promptly given to all parties noted in Section 1.