


Investments are further limited by the Winnebago County Board as follows:

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1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in this state if the time deposits mature in not more than two-three years, and if such institution is eligible to act as a public depository under Section 34.09, Wis. Stats., and has received the requisite approval as a public depository under Section 34.09, Wis. Stats.

Winnebago County, with the adoption of this investment policy, will allow its Investment Officer to place additional funds in excess of \$650,000 in any bank so named as a County depository if the depository provides a surety bond or collateralization of the time deposit or certificate of deposit. Additional unsecured deposits up to a maximum of \$2,500,000 may be placed in any depository rated in the two highest categories by the financial rating institution used by the County.

2. Certificate of Deposit Account Registry Service (CDARS) - a placement service in which a member institution uses CDARS to place funds into CDs issued by banks that are members of the CDARS Network. This occurs in increments below the standard FDIC insurance coverage maximum, allowing for coverage of principal and interest.
3. ADM - American Deposit Management, a CD placement service and other depository placement service.
4. In bonds or securities issued or guaranteed as to principal and interest by the federal government, an agency, or a sponsored enterprise (GSE) of the federal government. These can be purchased without limitation as to amount.
5. In bonds or securities of any county, city, drainage district, village, town, technical college district, village, town or school district of this state, Wisconsin.
6. Any security that matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating that is the highest or 2nd highest rating category assigned by Standard & Poor's Corporation or Moody's Investor Service.
7. State of Wisconsin Investment Board's Local Government Investment Pool.
8. Repurchase Agreements (Repos). 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 investor, plus interest. Repurchase agreements are to be secured by investment securities of the U.S. government.<sup>1</sup>

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<sup>1</sup> A master repurchase agreement must be in place with the approved financial institution (public depository). The County uses the SIFMA Master Repurchase Agreement (SIFMA resulted from the merger of the SIA and BMA, which is the successor to the PSA).

issuer, and class of security. Diversification strategies will be determined and revised periodically by the Investment Officer for all funds.

### **Investment Rating Downgrade**

Winnebago County may from time to time be invested in a security whose rating is downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO). In the event of a downgrade in the County's portfolio, the Investment Officer will immediately consider the action to be taken in the specific case. In the event of a - downgrade in the County's portfolio managed by an investment adviser, such investment adviser will report the downgrade to the Investment Officer and advise regarding appropriate steps.

### **2. Mitigating market risk in the portfolio**

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. Winnebago County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market profile of the portfolio differently in different interest rate environments.

### **3. Collateralization**

The County will require when investing in collateralized certificates of deposit or repurchase agreements, that the agreements be secured by the depository with bonds or securities issued or guaranteed as to principal and interest by the federal government in conformance with 66.04 (2) (d) *Wis. Stats.* The market value of the collateral shall be maintained on a daily basis in an amount equal to or greater than 102% of the amount of the certificates of deposit and/or repurchase agreements that the County has with the depository. Collateral with a market value equal to 100% of the amount of the certificates of deposit and/or repurchase agreements shall be adequate for investments maturing within five days of purchase

Winnebago County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

#### **Maximum Maturities**

Investments will not extend beyond any recognized unfunded cash needs of the County. Major consideration of maturity dates should be given to requirements of the payroll, debt service, and the periodic bills and claims to be paid by the County.

Investments in Certificates of Deposit and Repurchase Agreements are limited to maturities of ~~two~~ three years or less. All other investments will be limited to securities that mature or which may be tendered for purchase at the option of the holder within seven years.