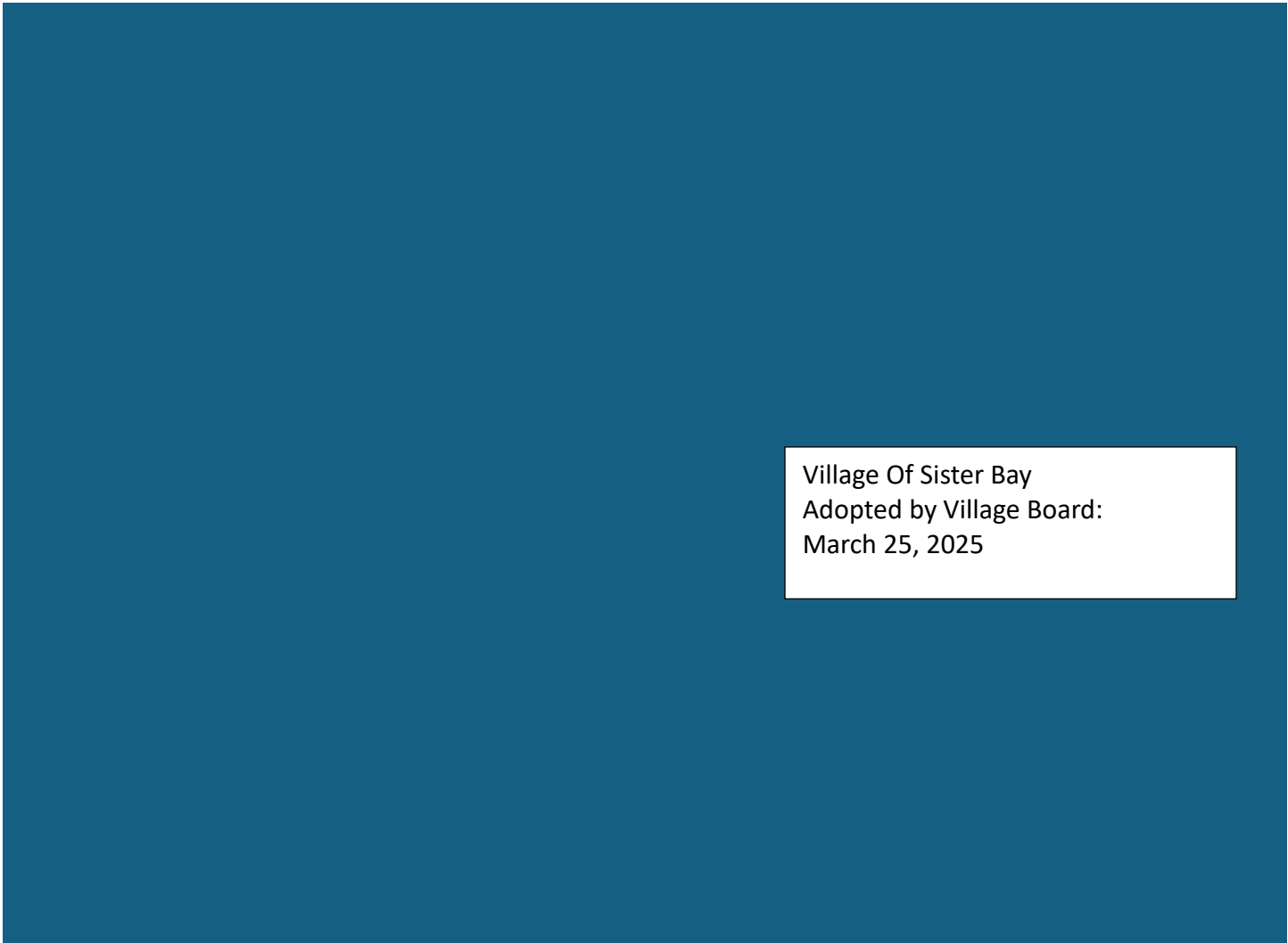




FINANCIAL POLICIES



Village Of Sister Bay
Adopted by Village Board:
March 25, 2025

Table of Contents

Introduction	2
Budget Development and Management Policy	3
Purchasing Policy	7
Local Preference Purchasing Policy	8
Debt Management Policy.....	10
Capital Asset Policy	11
Fund Balance Policy	14
Investment Policy	18

Introduction

The financial policies of the Village of Sister Bay are set forth to establish a general framework for the overall fiscal management of the Village. They are guidelines that have been reviewed by the Finance Committee and established by the Village Board and should be considered when making financial decisions impacting the future of the Village. The Village Board recognizes that financial and budgeting decisions require a great deal of discretion. There may be times when these guidelines may not practically be followed and/or in which the Village Board and its administrative officials may need to deviate from these established guidelines. The financial policies may be updated by the Village in the future when deemed appropriate.

The purpose for these guidelines are:

1. To improve the Village's fiscal position.
2. To provide a consistent framework for financial decisions for elected or appointed officials.
3. To improve credibility and confidence among stakeholders (residents, taxpayers, and investors) in the financial management of the Village.

If previously adopted policies conflict with the policies contained herein, the policies in this document shall prevail.

Budget Development and Management Policy

Purpose: The purpose of this policy is to describe the process by which the annual budget is created, presented and managed for the Village of Sister Bay.

General: The process for publication and legislative consideration of the annual budget is prescribed in Wisconsin Statutes 62.12 and 65.90. Those legislative pronouncements provide the overall framework for and minimum legal requirements of the Village budget. This policy outlines the process to be followed by the Village Board of Trustees and the Village staff in developing and presenting the annual budgets of all Village operations and funds for review and adoption.

The annual budget will include all operations of the Village, including enterprise and special revenue funds, and include both the operating budget and a capital budget for the ensuing fiscal year. The capital budget should align with the five-year capital improvement plan. The Village Board recognizes that there must be a starting point for the budget in terms of tax revenue. Therefore, annually, typically in June, the Finance Committee is to set a budget directive. In the absence of such directive, management will prepare their budgets assuming a maximum increase in operations using the prior years finalized Consumer Price Index Figure.

Development Procedures:

1. The Finance Director will review each department's budget, establish or estimate parameters for wage increases and requested personnel changes, review the Village's debt needs and capital plans, and review targets for revenue sources, tax growth, and other factors. The budget parameters will then be provided to the department directors for the creation of their preliminary department budgets.
2. Following the setting of budgetary parameters the Finance Director is responsible for coordination and initial review of department budget submissions. The budget submissions shall include proposed capital items for the 5 Year Capital Improvement Plan. Meetings will be held with departments to review their budget requests beginning as early as June of each year.
3. Following the initial review, and preferably by July, the Finance Director will compile the preliminary department budgets and present a draft to the Village Administrator. Should the need arise, the Finance Director and Village Administrator may meet with department heads again to refine the draft operating budget and make changes based on the total overall needs of the Village and established parameters.
4. In July the various committees shall review the preliminary budgets and make changes, as appropriate. Preliminary budgets are also due from the Fire Board, Library, SBAA and any other partner agencies. For agencies that do not have a budget prepared by July, an estimate must be submitted with their actual budget submitted to the Village in early August.

5. Staff shall attempt to calculate the Village's portion of TID IN calculations based on preliminary numbers obtained from the Department of Revenue (DOR) in early mid-August. Any reference to the mill rate in the budget, and related budget documents shall use the terms "Operational Mill Rate" and "Finalized Mill Rate" as appropriate.
6. The Draft Annual Budget shall be presented to the Finance Committee in late July or early August, as schedules allow. The Finance Committee shall establish a schedule for adoption of the 5-Year Capital Improvement Plan and Annual Budget.
7. The Draft Annual Budget, which includes the 5-Year Capital Improvement Plan, and adoption schedule, shall be presented to the Board of Trustees for review in September. Following this review, additional department adjustments or Finance Committee recommendations may follow.
8. The budget summary is properly noticed and published in accordance with state statutes. A public hearing on the budget is conducted not less than 15 days after the summary is published. The Village Board deliberates the proposed budget at or following the public hearing.
9. The budget is adopted by the Village Board through an appropriate resolution and two-thirds vote. Once adopted, the Finance Director is responsible for ensuring that the adopted version of the budget document is provided to all departments, Trustees, and made available to the public.
10. Per statute, the tax levy must be determined no later than December 15th. However, due to the Village's arrangement with Door County for tax bill preparation services, the tax levy should be established before Thanksgiving (or sooner) per the deadline set by the County.
11. The DOR publishes a finalized statement of assessment rates in November, which will likely be after the County's deadline for receiving the tax levy to prepare tax bills. Upon receipt of these numbers, the Finalized Mill Rate shall be brought back to the Board for review. The Board may provide consensus of no changes to the budget or request an amending resolution which must be passed by two-third vote.

Management Procedures:

1. Annual revenues will be estimated by an objective, analytical process with involvement of staff related to the revenue line item. User fees will be reviewed annually by departments and the appropriate standing committees will address recommended changes as part of the budget process to ensure full cost recovery.
2. Enterprise fund payments in lieu of taxes shall be budgeted based on estimates and revised based on final numbers during the budget year.
3. Revenues with high volatility should be budgeted conservatively. Revenues which are generally received, but of which there is not reasonable assurance of receipt, will not be budgeted.

4. Proceeds from the sale of property or equipment shall not be budgeted as operating revenue unless such amounts can be accurately projected. Any such proceeds received shall be recorded in the appropriate fund.
5. The Village Board desires to stay informed as to major outlays. Though authorized by the Budget Resolution, sums expended in excess of \$50,000 for capital purchases should be reported to the respective committee charged with oversight for the section of the Budget from which funds were appropriated. The committee may require Board approval of the expenditure.
6. Budget amendments and transfers between cost centers are initiated by the department (examples of cost centers in the general fund include general government, public safety, public works, health & human services, culture & recreation, and development). After approval by the Finance Director, the transfer recommendation is made to the Finance Committee, with final approval by the Board of Trustees. Any unbudgeted, emergency expenditure of funds in excess of \$5,000 will require the approval of the Village President and Village Administrator, as well as notification of the chair of the affected committee and the chair of the Finance Committee, and the Village Board shall be notified that said actions were taken at their next meeting.
7. Department heads are authorized to move funds within a cost center of the budget in consultation with the Finance Director and/or Village Administrator to make more efficient use of the funds. Any moves must result in an end of year-net-zero-effect in the cost center's budget.
8. The Capital Improvement Plan Fund (CIP) is intended to help the Village plan for future expenditures by saving money for future expenditures. It is challenging to plan for every contingency that may arise. From time to time, what may have been anticipated as a future need in order to address an anticipated issue may no longer be a suitable solution to the issue. In such cases, the Board authorizes the Finance Committee to make recommendations on repurposing of those funds into suitable CIP categories. The Village Board will review those recommendations and approve as it deems appropriate based on the overall needs of the Village. The intent is to use CIP money for the benefit of the Village through public expenditures on Capital Items.
9. All unspent CIP funds will remain allocated and appropriated for those items which were originally allocated, or reallocated through subsequent amendments, for all future budget years until such time that those funds are expended or repurposed.
10. All unspent funds in any budget section will revert to the unassigned fund balance unless such funds are assigned or committed by the Board.
11. Village oversight committees are subject to review by the Village Board. They exist to monitor operations and to recommend policy changes to the Village Board. Policy recommendations on rates, charges, or credits are subject to review and approval by the Village Board.

12. The Village Board has authorized funds to be spent in recognition of employees' hard work and extraordinary efforts. The Village Board authorizes recognition funds to be spent in an equitable manner whether through direct pay to employees or at a recognition event for all employees.
13. The Village Board will budget for annual step increases for employees as referenced in the Village of Sister Bay's Employee Handbook. Upon a successful performance evaluation employees will be eligible to advance to the next step of the approved compensation schedule. For budget deliberation purposes village staff will present a draft budget calculating every employee receiving an annual step increase. Consideration for a step increase will be based on length of employment, date of hire, or an employee under a separate employment agreement.
14. In lieu of a step increase for employees, Village staff will also provide for budget deliberations purposes, a Cost-of-Living Adjustment (COLA) wage increase for full-time and or year-round employees. The COLA applied will be the Consumer Price Index for all urban consumers (CPI-U) as certified by the Wisconsin Department of Revenue. The COLA estimate proposed in the budget will not be less than zero.
15. The Tax Increment Financing District (TID) can use monies from other funds to pay for a variety of projects. Based on activity within the TID, the Village Board expects that the TID will generate increment and revenues to pay back some, or all, of those borrowed funds. Toward that end, the Village Board authorizes the Finance Director, upon review by auditors, to make a transfer of cash near the end of each calendar year to pay borrowings in the following order:
 - a. Repayment of the advance from the Capital Projects Fund to the TIF
 - b. Repayment of the project costs funded by the Capital Projects Fund
 - c. Repayment of the project costs funded by the General Fund
 - d. Repayment of the project costs funded by the Utility Fund
 - e. Repayment of the project costs financed by debt
 - f. Repayment of the project costs funded by the Marina
16. The transfer is authorized if the TID will retain a positive fund balance and positive cash balance. The repaid cash balances will be allocated by the Finance Committee or reverted to the unassigned fund balance of the applicable fund.

Audit: This policy will be reviewed by the Finance Committee every three years following adoption, or sooner, at the discretion of the Village Board.

Purchasing Policy

Purpose: The Village shall maintain a Purchasing Guideline as a supplement to these Budget and Financial Policies which shall be reviewed and updated as necessary and provide further detail on expenditure approvals.

Contracts: Department Heads/Village Administrator are authorized by the Board of Trustees to sign or otherwise enter into a contract for goods and/or services approved by the Board. All other employees shall refer any contract negotiations to the appropriate Department Head.

Purchasing: Department Heads oversee all purchasing for their department. Department Heads shall ensure that purchases within their department fall within the approved budget. Spending beyond the budget shall be pre-approved by the Finance Director and/or Village Administrator.

Invoices shall be reviewed by Department Heads to ensure that:

1. All goods have been received and are as expected in both quantity and quality
2. All services have been provided and are completed according to the terms of the work
3. All costs are reasonable and as agreed upon prior to procurement
4. No sales tax has been assessed

If all the above conditions are met, the invoice can be entered into the accounting program with the appropriate budget line-item accounting code and submitted for approval.

A report shall be provided to the Village Board each month listing all payments from the treasury for the preceding month. This list will include the name of the payee, amount, date, and purpose of the payment.

Audit: This policy will be reviewed by the Village with the help of an independent audit contractor.

Local Preference Purchasing Policy

Purpose: The Village of Sister Bay desires to patronize local businesses in order to stimulate local commerce and promote public policy objectives related to quality of life. The Village of Sister Bay also desires to provide a balance between achieving the public policy objective of promoting procurement of goods and services from local businesses, with the overall objective of obtaining the lowest cost possible on comparable goods and services for the tax paying public.

1. The village will give a 10% vendor bid/price preference to a local business for goods, materials and general services.
 - a. General services are defined as basic operational contract services such as printers, gardeners, janitors, etc. General services differ from professional services, with professional services requiring a specialized expertise or skill set. Example, a gardener is considered general services, whereas a landscape designer would fall under professional services. The Village Administrator will determine whether a contractor falls under the general services or professional services category.
 - b. A local business must be in operation in the Village of Sister Bay for at least six (6) months to qualify for the local preference. The business must have a verifiable address in the Village of Sister Bay and must be able to prove that the business has been in operation in the Village of Sister Bay for at least six months.
 - c. Gas purchases shall be divided equally amongst all local gas stations by rotating which business is patronized to provide said service.
2. The Village will calculate the bid preference as follows:
 - a. The local vendor's bid/price will be reduced by 10% when compared to other bids/prices. Assuming all elements of the bid/prices are equal (e.g., quality, timeliness of delivery, etc.) upon calculation of the 10% preference, if the local vendor has the lowest bid/price, it will receive the contract subject to the Department Head's approval; if over \$25,000, the Board's approval shall be required, upon referral from the oversight committee.
 - b. If a local vendor's bid/price is above the budgeted project costs but when reduced by 10% they are equal in comparison to the other bids/prices, the Village Board will have to provide direction to Village staff on how the overage will be funded.
3. Recognizing the Village Board only meets once a month, in the event of an emergency, or if the operational effectiveness of the village would be seriously threatened if the purchase of goods or services were not made immediately, the Finance Director or the Village Administrator may waive this preference and the bid process as a whole.
4. Professional services contracts are exempt from the local vendor preference. However, when issuing a Request for Proposals (RFP) or Request for Goods (RFG) the Village will pursue outreach of Village of Sister Bay contractors via media such as the newspaper, website, social media, or, direct contact.

5. This policy does not apply to the following purchases or contracts:
 - a. Contracts defined as being for public construction, nor to any other bid processes which would violate the laws of the state of Wisconsin or the United States of America for competitive bid, prevailing wage or other mandated requirements or thresholds.
 - b. Contracts which are funded in whole or in part by other entities such as private donors, or other governmental units/agencies.
 - c. Goods or services procured under intergovernmental agreements.

Debt Management Policy

Objective: The Village of Sister Bay shall monitor the financial health of the Village through, in part, its ability to manage its debt.

General Guidelines:

1. The Village will seek the best financing types, debt structure and time frame for each financing need based on project needs, timing, tax or rate payer equity, and lowest true interest cost. The Village shall assess the fiscal impact of the debt prior to issuance upon consultation with a qualified financial consultant.
2. The Village should strive to maintain a long-term relationship with a financial consultant to allow for continuity and consistency in services provided by the consultant. However, the arrangement between the financial consultant and Village should be examined as deemed necessary by the Finance Director and brought to Village Board if changes are recommended.
3. The Village's general obligation public improvement debt should be structured such that the debt life is not greater than 20 years. Generally, the Village will structure each general obligation debt issue on an equal annual principal basis unless the anticipated future debt service required from the general levy would make it beneficial for the Village to structure its debt in a manner other than an equal principal basis.
4. When the Village finances capital projects by issuing debt, it will pay back the related debt within a period not to exceed the expected useful life of the project(s).
5. General obligation debt shall not exceed Wisconsin State Statute limitations of 5% of equalized valuation. The Village shall also set a self-imposed limit of 75% of the statutory limit as the ceiling for general obligation debt, except in emergencies and/or extenuating circumstances as determined by the Village Board.

Refunding: The Village should periodically review all outstanding debt to determine if savings can be achieved through refinancing, also referred to as Refunding. Refunding may be considered by the Village Board if it appears there may be a net economic benefit. In general, refunding for savings may be undertaken when the present value of future annual debt service savings, net of issuance cost, amounts to at least 2%.

Disclosure: The Village will promote effective communications regarding its financial conditions with bond rating agencies and others in the marketplace based on full disclosure. The Village shall strive to achieve and maintain the highest long-term credit/bond rating available through known sources and indices.

Audit: The Village Finance Director, through the authority of the Finance Committee, and with consultation with its financial consultant, will evaluate the policy and legal debt margins annually or with each new debt issuance, whichever is sooner.

Capital Asset Policy

Purpose: The purpose of this policy is to establish a consistent methodology for recording in the financial records of the Village of Sister Bay, the capitalization and depreciation of capital assets, consistent with current reporting requirements as determined by the State of Wisconsin and the Governmental Accounting Standards Board (“GASB”).

General: The Village of Sister Bay holds certain capital assets which include land, buildings, building improvements, vehicles, machinery, equipment, docks and piers, furniture, appliances, infrastructure, and other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a one-year period.

These assets must be accounted for at historical cost or estimated historical cost and fairly represented in the Village’s Annual Financial Statement.

Valuation: All costs shall be documented, including methods and sources used to establish such cost basis.

1. Purchased assets: the recording of purchased assets shall be made on the basis of actual costs, including all ancillary costs, based on the vendor invoice or other supporting documentation.
2. Self-constructed assets: all direct costs (including labor) associated with the construction project shall be included in establishing a self-constructed asset valuation. If a department is unable to identify all direct costs, an estimate of the direct cost is acceptable but must be supported by a reasonable methodology.
3. Donated assets: assets acquired by gift, donation, or payment of a nominal sum not reflective of the asset’s fair market value shall be assigned cost equal to the fair market value at the time of acquisition.
4. Leased property: capital lease property shall be recorded as an asset and depreciated as though it had been purchased.
5. Dedicated assets: required installation by developers of public improvements, including but not limited to sanitary sewer mains, manholes, laterals, water mains, hydrants, valves, storm and sanitary sewers, streets, curb and gutter, streetlights, street signs, sidewalks will be dedicated to the Village upon completion. Recording of infrastructure assets will be made on the basis of actual costs, including ancillary costs, based on vendor invoice or other supporting documentation provided by the developer.
6. Shared purchases: assets shared with other municipalities or entities shall be made based on the Village’s share of actual costs, including ancillary costs, based on vendor invoice or other supporting documentation.

Ancillary costs: Ancillary costs are to be included in the capitalized cost of a fixed asset. However, minor costs, not measurable at the time a fixed asset is recorded in the Village’s fixed asset inventory system, may be expensed.

Ancillary costs include:

1. Buildings and Improvements: professional fees of architects, attorneys, appraisers, financial consultants, etc.; damage claims; costs of fixtures permanently attached to a

building or structure; insurance premiums and related costs incurred during construction; and other expenditures necessary to place a building or structure into its intended state of operation.

2. Equipment: transportation charges, installation costs, and any other normal and necessary expenditure required to place the asset into its intended state of operation.
3. Land: legal and title fees, surveying fees, appraisal and negotiation fees, damage payments, site preparation costs, and costs related to demolition of unwanted structures.

Classification:

“Capital assets” include items with useful lives greater than one year, land, land improvements, buildings, building improvements, construction work in progress, machinery and equipment, vehicles, infrastructure, easements, and works of art and historic treasures. A capital asset is to be reported and, with certain exceptions, depreciated in government-wide statements. Assets that are not capitalized are expended in the year of acquisition.

“Infrastructure assets” are long-lived assets that normally can be preserved for a significantly greater number of years than most capital assets and that are normally stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water systems, and dams. Infrastructure assets do not include buildings, drives, parking lots, or any other examples given above that are incidental to property or access to the property.

“Long-term assets” can be classified into the following:

1. Furniture and equipment: office furniture; office, data processing, and special department equipment
2. Vehicles and equipment: vehicles, operating and mechanical equipment
3. Land: land, land improvements
4. Buildings: buildings, building improvements
5. Infrastructure: streets, water and sewer systems, drainage systems, sidewalks, curb and gutter, etc.

Capitalization: Capital asset value thresholds for capitalization are to be applied to individual capital assets rather than to groups of similar capital assets. Capital assets must have an initial value of \$5,000 or more. This will be known as the “capitalization threshold” for reporting purposes in the Annual Financial Report. The Water and Sewer Utility will follow capitalization guidelines as established by the Wisconsin Public Service Commission.

Repair and maintenance costs are expenditures that keep the property in ordinary, efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair and maintenance costs to capital assets are to be treated as an annual operating expense and charged to the appropriate department and fund.

Improvements are expenditures for additions, alterations, and renovations that appreciably prolong the life of the asset, materially increase its value, or adapt it to a different use. Improvement costs of \$5,000 or more to an individual capital asset are to be capitalized.

Non-capital items (items below the threshold individually, but collectively above the threshold) may be included in the Capital Improvement Plan if those items are submitted by an intergovernmental unit and are requested in addition to normal support expenditures.

Depreciation: All long-term assets (except for land, certain land improvements, and construction in progress) identified in the capital assets policy will be depreciated/amortized. Regardless of the month the asset is placed in service, a full year of depreciation/amortization will be recorded in the first year. Once the asset has been fully depreciated, the asset will be kept on the books until disposed of. When the asset is disposed of prior to the end of its useful life, the remaining “book” value will be written off as depreciation unless it will materially affect the Village’s financial statements.

The water utility will follow guidelines for depreciation as established by the Wisconsin Public Service Commission.

Useful Life: To determine the useful life of an asset for depreciation purposes, the Village shall consider an asset’s present condition and how long it is expected to meet its service demands in addition to applying applicable industry standards for useful life.

Inventory: The Finance Director shall maintain an inventory of all long-term assets and it should be reviewed and updated annually.

Fund Balance Policy

Purpose: The purpose of this policy is to set guidelines for the control and reporting of the Village of Sister Bay fund balance assignments in the financial statements and related financial documents. The reporting of the fund balance will remain consistent with current reporting requirements as determined by the State of Wisconsin and the Governmental Accounting Standards Board (“GASB”).

General: The fund balance is the difference between assets and liabilities in a governmental fund. Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

An adequate fund balance is an essential element in both short-term and long-term financial planning. Maintaining sufficient levels of a fund balance enables the Village to stabilize funding for operations, stabilize taxes and fees, and realize cost savings in issuing debt.

Classification:

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

“Non-spendable Fund Balance” are amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; the long-term amounts of loans, notes receivable, and long-term advances to other funds; and property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then the assets in their current form should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than non-spendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

“Restricted Fund Balance” are amounts that are constrained for specific purposes by external parties (such as grantors or bondholders), through constitutional provisions, or by enabling legislation.

“Committed Fund Balance” are amounts that are constrained for specific purposes by action of the Village Board. These constraints can only be removed or changed by the Village Board using the same action that was used to create them. In contrast to a fund balance that is restricted by enabling legislation, amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process.

“Assigned Fund Balance” are amounts that are constrained for specific purposes by action of Village management with authorization provided by the Village Board. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.

“Unassigned Fund Balance” are amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The following are the overarching governmental funds for which the financial statements are prepared:

1. General Fund: A government’s primary operating activities. This fund is used to account for the day-to-day operations of the Village including all functions of the general government, public safety, public works, health and human services, other culture and recreation, conservation and development, and other financing uses.
2. Special Revenue Funds: Accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
3. Debt Service Funds: Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
4. Capital Projects Funds: Accounts for all financial resources used for the acquisition of capital equipment or the construction of major capital facilities and infrastructure funded by a variety of means including levy, grants, bond proceeds, and other revenue sources.
5. Permanent Funds: Accounts for resources that cannot be expended but must be held in perpetuity. Generally, these resources are invested, and a government may spend the earnings, often for a purpose specified by the provider of the resources.

Statements:

The following are statements of the fund balance policy for the Village of Sister Bay:

1. At the end of each fiscal year, the Village will report the portion of the fund balance that is not in spendable form as non-spendable fund balance in the financial statements.
2. At the end of each fiscal year, the Village will report restricted fund balances for amounts that have applicable legal restrictions per GASB No. 54. Normally, fund balances in debt service funds and capital projects funds with remaining long-term debt proceeds will be reported as restricted.
3. At any point during the fiscal year, the Village may determine the specific purposes of committed fund balance in the general fund. Such purposes and final amounts shall be set forth in a resolution. Specific purposes for committed fund balance approved in prior year resolutions will be carried forward until uncommitted by like appropriate action to be expended or repurposed. Fund balances in special revenue funds, unless restricted by an outside party, are considered to be committed to the specific purpose set forth by each special revenue fund. In addition, capital project fund balances that do not include debt proceeds will normally be

reported as committed. Since committed fund balances are approved by legislative action, the Village Board is required to formally establish all special revenue and other funds with committed balances. In addition, special revenue funds are required to report the purpose and specific revenue source that establishes each fund.

4. During budget planning, the General Fund unassigned fund balance shall plan on an ending fund balance of no less than 25% of the general fund expenditures for the current year. However, while 25% is the stated minimum policy limits, the target fund balance for the general fund shall be 35-40% of the expenditures for the current year. Unassigned fund balance shall be reported in comparison to these target benchmarks in the annual budget.
5. The Village authorizes the Finance Director to assign the fund balance of the general fund at the end of the fiscal year or shortly after year end. Assignment of the fund balance shall be reported to the Finance Committee at their next meeting. Assignment of the fund balance must never put the unassigned fund balance below targeted fund balance levels described above.
6. The Village may choose to use any of the excess General Fund unassigned fund balance; however, the use of said fund balance shall not cause an extreme fluctuation of the tax rate and must be based on the following guidelines for use of such funds:
 - a. Capital expenditures – to reduce the Village’s reliance on borrowed funds and future debt service costs.
 - b. Prepayment of outstanding debts – to reduce debt service costs for an immediate savings.
 - c. Start-up costs of new programs – to fund non-recurring start-up costs for new Village programs.
 - d. Non-recurring expenditures – to fund other non-recurring expenditures. Preference should be given to expenditures that will result in future efficiency or other cost savings.
 - e. Alleviate financial stress – in the event of severe financial stress resulting from unanticipated revenue decreases or expenditure increases, unassigned fund balance may be used to resolve the negative impact on public services on a short-term basis.

Maintenance:

The Village will use the following order of fund balance spend-down and for the purposes of reporting:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

Once the annual audit of the Village is complete, the unassigned fund balance will be calculated by the Finance Director, or designee. In the event that the unassigned General Fund balance is

calculated to be below target benchmarks, the Finance Director shall report such to the Finance Committee and a plan shall be created to adjust budget resources to restore the financial condition. In the event the unassigned General Fund balance is calculated to be below policy limits, the Village Board, at the next Village Board meeting, shall identify immediate actions that can be taken within the current budget to address the fund balance shortage. Then, a plan shall be created to improve the unassigned fund balance of the Village in future years.

Administrative Responsibilities: The Finance Director is responsible for monitoring and reporting the Village's fund balance assignments. The Administrator and the Finance Director may both make recommendations to the Village Board on the use of various funds during the annual budget process and when the need may arise.

Investment Policy

Purpose: The purpose of this policy is to set guidelines for the investment of public funds for the Village of Sister Bay. It is the policy of the Village 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 Wisconsin and local statutes governing the investment of public funds.

Scope: This policy applies to those funds that are under the authority of the Village. Financial assets of funds not under the authority of the Village are administered in accordance with a separate policy. Financial assets of all other funds may be administered in accordance with this policy but are not required to follow this policy.

Prudence: 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.

The standard of prudence to be used by investment officials shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy 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. Notwithstanding any other provision of law, any Village employee, in the absence of the investment officer, who deposits public money in any authorized public depository, in compliance with Wisconsin Statutes §34.05 is, under the provisions of Wisconsin Statutes §34.06, shall be relieved of any liability for any loss of public monies which results from the failure of any public depository to repay the public depositor the full amount of its deposits, thus causing a loss as defined in Wisconsin Statutes §34.01(2).

General Objectives:

Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in individual investments and the overall portfolio. The objective will be to mitigate credit risk, interest rate risk, and custodial risk.

1. Credit Risk: The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the types of securities or instruments permitted under Wisconsin Statutes §66.0603;

- Approving a resolution declaring the public depositories of the Village and reviewing such resolution and public depositories at least annually; and
 - Diversifying the portfolio so that the impact of potential losses from any one type of security or from any one issuer will be minimized.
2. Interest Rate Risk: The Village 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.
 3. Custodial Risk: The Village will minimize custodial risk, which is the risk that, in the event of a financial institution failure, the Village's deposits may not be returned to it, by:
 - Maintaining a list of public depositories, financial institutions, and broker/dealers authorized to provide deposit and investment services.

Liquidity: The Village's investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Investment portfolios will be structured so that the maturities are concurrent with cash needs to meet anticipated demands. Alternatively, a portion of any portfolio may be placed in money market funds or local government investment pools authorized and permissible under Wisconsin Statutes which offer same-day liquidity for short term funds.

Yield: The Village's investment portfolio shall be designed with the objective of attempting to attain a market rate of return throughout budgetary and economic cycles, considering investment risk constraints and liquidity needs. Return on investment is of lesser importance compared to the safety and liquidity objectives described above. Securities shall generally be held until maturity with the following exceptions:

1. A security with declining credit quality may be sold prior to maturity to minimize loss of principal.
2. Liquidity needs of the Village require a security or securities to be sold prior to maturity.
3. A security swap would improve the safety and yield of the overall portfolio.

Delegation of Authority: Management and administrative responsibility for the investment program of the Village is entrusted to the Finance Director/Treasurer under the direction of the Village Board. Individuals authorized to engage in investment transactions on behalf of the Village are the Finance Director/Treasurer, or those individuals designated by the Village Board.

Ethics and Conflicts of Interest: Finance Director/Treasurer 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. The standard of care to be used by investment officials shall be the "prudent investor" standard, 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 an overall portfolio.

Authorized and Suitable Investments: The investment of Village funds shall be in accordance with Wisconsin Statutes §66.0603(1m). Permitted investments further restricted are noted below:

1. Municipal debt obligations should be further limited to Wisconsin municipal issuers, or in some cases to municipal issuers carrying a credit rating of AA or better.
2. Certificates of Deposit (CD). Village funds may be invested in a CD issued by a federally insured institution. As practicable, investment amounts are limited to the maximum state and FDIC/NCUA insurance limits for each institution unless collateralized.

Internal Controls: Finance Director/Treasurer, or their designee, shall establish a system of internal controls designed to prevent losses of Village funds arising from fraud, misrepresentation by third parties, unanticipated changes in financial markets, employee error or imprudent actions by employees.

Internal controls may include:

1. Separation of transaction authority from accounting and record keeping.
2. Clear delegation of authority to subordinate staff members.
3. Written confirmation of transactions for investments and wire transfers.
4. Dual authorizations of wire transfers.
5. Development of a wire transfer agreement with the lead bank and third-party custodian.
6. Investment and interest earnings will be recorded in the Village’s accounting records based on generally accepted government accounting procedures.

Investment Parameters Diversification: Investments shall be diversified by:

1. Limiting investments to avoid over concentration in securities from a specific issuer, industry or business sector, excluding U.S. Treasury obligations.
2. Investing in securities with varying maturities.
3. Continuously investing a portion of the investment portfolio in readily available funds such as local government investment pools, money market accounts or money market mutual funds permissible under state statute.

Pooling of Cash: Except where otherwise provided by the Village Board, Finance Director/Treasurer, or their designee, is authorized to pool the cash of various funds to maximize investment earnings where it is advantageous and prudent to do so. Investment income will be allocated to the various funds based on the pro rata portion of each fund.

Adoption and Approval: The Investment Policy shall be formally approved and adopted by the Village Board and reviewed as needed.