

Village of Harrison Investment Policy

I. Purpose and Scope

The purpose of this investment policy is to establish guidelines and a framework for the Village of Harrison's investment activities. The policy is intended to be broad enough to allow the investment officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment of assets and optimize the return on investment.

This policy applies to all funds under the authority of the Village of Harrison, Wisconsin (the "Village") that are not immediately needed and are available for investment. These funds are accounted for in the Village's Annual Finance Report and include:

- General Fund
- Special Revenue Funds
- Capital Projects Fund
- Debt Service Fund
- Enterprise Funds

Unless prohibited by law or contract, the Village may pool cash from several funds for investment purposes to receive the best rate of return, should it meet the objectives of the investment policy. Any other funds that may be subject to special federal and/or state laws and regulations may be invested in accordance with such laws and regulations.

II. Investment Objectives

The Village's investment portfolio shall be managed to achieve the following objectives:

- Safety:** The foremost objective is to preserve the principal value of the investments and overall portfolio. The objective is to protect funds from credit risk, interest rate risk, and custodial risk.
- Liquidity:** Investments should be sufficiently liquid to meet the Village's operating requirements that may be reasonably anticipated. This objective will be accomplished by structuring the portfolio so that investments mature concurrently with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets, such as money markets or local government investment pools authorized under Wisconsin state statute, which offer same-day liquidity for short-term funds.
- Return on Investment:** The investment portfolio shall be designed with the objective of maintaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. The return on investment is

secondary compared to the safety and liquidity objectives above. Securities shall be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize the loss of principal.
 - A security wrap would improve the safety and yield of the overall portfolio.
 - Liquidity needs of the Village require the security to be sold before maturity.
- d. **Competitive Quotes:** With the exception of cash accounts, all investments will be selected based on the basis of competitive quotes as presented through current market conditions. The banks that will be considered for investment will be approved through the Village's "Public Depositories Resolution", which will be reviewed annually and brought to the board if changes are deemed necessary.

III. Standards of Care

- a. **Prudence:** The standard care to be used by Village investment officials should be the "prudent person" standard, which states "investments shall be made with judgment and care, under the 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.

Investment officers acting in accordance with written procedures and this 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 the liquidity and the sale of securities are carried out in accordance with the terms of the investment policy.

- b. **Authority:** Management and administrative responsibility for the investment program of the Village is entrusted to the Finance Director/Treasurer and is derived from State of Wisconsin Statutes and Village ordinances. The Finance Director/Treasurer is the investment officer responsible for investment decisions and activities. The Finance Director/Treasurer shall be responsible for all transactions undertaken and shall establish investment procedures consistent with this policy, and a system of controls to regulate the activities of subordinate officials and employees. Individuals authorized to engage in investment transactions on behalf of the Village are the Finance Director/Treasurer, the Village Manager, or those designated by the Finance Director/Treasurer, or Village Manager, or Village Board. The Finance Director/Treasurer will submit a quarterly report of all Village investments and investment activities to the Village Board.

- c. **Conflicts of Interest:** Village 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. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

d. Authorized Investments: Investments include any investment stipulated in Wisconsin statute 66.0603:

- In accordance with Wisconsin statutes 34.01 and 34.09 all Wisconsin banks, state or federal chartered, and financial institutions which are members of the Federal Deposit Insurance Corporation (FDIC), as well as the Wisconsin local government pooled-investment fund are authorized depositories.
- The Village, with the adoption of this investment policy, will allow its Finance Director/Treasurer to place additional funds in excess of \$650,000 in any bank so named as a Village 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 Village.
- Investments considered or defined as “derivatives” are prohibited, including, but not limited to Mortgaged Back Securities (MBS), Collateralized Mortgage Obligations (CMO), Asset Back Securities (ABS), and Interest Rate Swaps.
- Where possible, preference may be given to local financial institutions for the betterment of the local economy or that of local entities within Wisconsin.

IV. Collateralization and Insurance

The FDIC protects deposits up to \$250,000. In addition, public deposits are protected against losses by Wisconsin general-purpose revenues under Statutes 20.144 (1)(a) and 34.08 (2) up to \$400,000 for any one public depositor in any individual public depository. The Village will seek to collateralize certificates of deposit or any other time deposit in an amount up to 100% of the investment less the amount of \$650,000 insured by the State of Wisconsin and the FDIC with appropriate collateral instruments at levels per recommended practices of the Government Finance Officers Association. Where practicable, collateral shall be held by the Village or an independent third-party custodian with whom the Village has a current custodial agreement. Where this is not practicable, verifiable evidence of specific pledged securities must be supplied to the Village.

V. Diversification

Assets shall be diversified to eliminate the risk of loss and balance the effect of interest rate changes affecting different types of securities. Investments will be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector
- Limiting investments in securities with higher credit risks
- Investing in securities with varying maturities
- Continuously investing a portion of the portfolio in readily available funds such as the Local Government Investment Pool (LGIP), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VI. Maturities

The Village will 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 five (5) years from the date of purchase. Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. Any intent to invest in securities with longer maturities will be reported to the Village Board.

VII. Internal Controls

The Finance Director/Treasurer 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 shall address:

- Separation of transaction authority from accounting and record keeping.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Dual authorizations of wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.
- Investment and interest earnings will be recorded in the Village's accounting records based on generally accepted accounting principles (GAAP).
- A monthly summary of all investment transactions will be prepared by the Finance Director/Treasurer for review by the Village Board.

IX. Reporting

The Finance Director/Treasurer shall submit a quarterly investment report on the investment program and activity to the Village Board. The report shall summarize securities held, and investment transactions that occurred during the reporting period, and shall discuss the current portfolio in terms of maturity, rates of return, market values, etc. The summary shall be reported

and prepared in a manner that will allow the Village Board to determine if investment activities conform to the Investment Policy.

X. Adoption and Approval

The Investment Policy shall be formally approved and adopted by the Village Board and reviewed as needed, but at least every three years.

Introduced, Approved, and Adopted by the Village Board of the Village of Harrison on this 16th day of January 2025.

By: _____
Allison Blackmer, Village President

Attest: _____
Vicki Tessen, Village Clerk