Office of Selectmen

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STATEMENT OF POLICY
No. 5

2016 INVESTMENT POLICY

Responding to the requirements of RSA 41:9 VII, the Board of Selectmen hereby enacts this investment policy.

I. SCOPE.

This investment policy applies to all Town of Moultonborough financial assets except those controlled by the Trustees of the Trust Funds. This includes:

- General fund
- Special revenue fund(s)
- Any other funds legally and appropriately held by the Treasurer.
- Any new funds created by at Town Meeting, unless specifically exempted by the article of creation.

This investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds. This investment policy does not address the financial assets of the Town of Moultonborough maintained by the Trustees of the Trust Funds.

II. OBJECTIVES.

A. Safety. The safety of principal of the financial assets of the Town of Moultonborough is the foremost objective of the Board of Selectmen. Each investment transaction shall seek first to ensure the avoidance of losses.

B. Credit Risk. The Board of Selectmen recognizes that investment risks can result from issuer defaults or various technical complications leading to temporary loss of liquidity. The Treasurer shall only invest assets of the Town of Moultonborough in such instruments as may be specifically authorized by the Revised Statutes Annotated of the State of New Hampshire.

C. Yield. The Board of Selectmen seeks to attain market rates of return on the investment of Town funds that are consistent with state laws that restrict the placement of public funds. It is therefore the responsibility of the Treasurer to represent the best interests of the Town in seeking to invest funds efficiently.

III. STANDARDS OF CARE.

All participants in the investment process shall act responsibly as custodians of the public trust. They shall avoid any transaction that might impair public confidence in any elected official.

A. Delegation of Authority. RSA 41:29 gives the duly elected Treasurer, with the approval of the Board of Selectmen, the authority to manage the investment program for the Town of Moultonborough. The Board of Selectmen hereby authorizes investment of excess and other funds in accordance with RSA 41:29, RSA 35-B, RSA 36-A, RSA 202-A, RSA 673, and any other applicable RSAs.

B. Prudence. The standard of prudence to be used by the Treasurer shall be the "prudent person" standard and shall be applied in the context of managing an overall investment portfolio. The Treasurer shall make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, considering the safety of capital as well as the probable income derived. The Treasurer, acting in accordance with this investment policy and exercising due diligence, shall be relieved of personal responsibility for issuer defaults or technical complications leading to temporary loss of liquidity, provided deviations from expectations are reported to the Board of Selectmen in a timely manner and the investments liquidated in a timely and responsible manner.

C. Ethics and Conflict of Interest. The Treasurer shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair his or her ability to make impartial investment decisions. The Treasurer shall refrain from undertaking personal investment transactions with the same individual with whom he or she conducts business on behalf of the Town of Moultonborough. The Treasurer shall disclose, to the Board of Selectmen, any material financial interests in banks that conduct business with the Town of Moultonborough. He or she shall further disclose any personal financial positions related or perceived as related to the performance of the investment portfolio.

IV. INTERNAL CONTROLS.

The Board of Selectmen is responsible for establishing and maintaining internal control procedures designed to insure the protection of Town assets from loss, theft, misuse, fraud, employee error, or misrepresentation by third parties. They shall design internal control procedures to provide reasonable assurance to meet this objective.

The concept of reasonable assurance recognizes that (1) the cost of a control shall not exceed the benefits derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the Board of Selectmen shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. In addition, internal control procedures shall address the following points:

A. Control of Collusion. Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

B. Separation of Transaction Authority from Accounting and Recordkeeping. To achieve a separation of duties, the person who authorizes or performs a transaction can not be the same person who records or otherwise accounts for the transaction.

C. Written Confirmation of Telephone Communications and Wire Transfers For Investment Transactions. Due to the potential for error and improprieties arising from telephone transactions, written communications shall support all telephone confirmations and wire transfer and shall receive transmission approval by the appropriate person. Written communications may be via fax, if on letterhead, providing the safekeeping institution has a list of the authorized signatures.

V. AUTHORIZED DEPOSITORIES.

All depository accounts of the Town of Moultonborough must be in the name of the Town of Moultonborough. The depository (ies) shall forward all income payable to the Town of Moultonborough and all revenue received by the Town of Moultonborough to the Treasurer. The Treasurer shall deposit said funds in accord with RSA 41:29 II with one or more of the following institutions:

A. Public Deposit Investment Pool established pursuant to RSA 383:22;

B. Federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state;

C. Federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank collateral security for such deposits of the following types:

- United States government obligations;
- United States government agency obligations; or
- Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.

VI. AUTHORIZED INVESTMENTS.

All investment accounts and securities of the Town of Moultonborough must be in the name of the Town of Moultonborough. The Treasurer may invest assets of the Town of Moultonborough which are not immediately needed for the purpose of expenditure in one or more of the following securities in accord with RSA 41:29 IV:

A. Public Deposit Investment Pool established pursuant to RSA 383:22;

B. Federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, for such deposits of the following types:

- Money market accounts;

- Certificates of Deposit;
- Repurchase Agreements;
- All other types of interest bearing accounts; or
- Obligations fully guaranteed as to principal and interest by the United States government.

The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations.

The Treasurer, in January of each calendar year, shall obtain a Statement of Condition from each bank where the Treasurer deposits or invests funds.

VII. DIVERSIFICATION.

It is the policy of the Board of Selectmen to diversify its investment portfolio. To the largest extent possible, the Treasurer shall diversify the investment of assets held in a common cash fund and any other investments to eliminate risk resulting from excessive credit risk or over-concentration of assets in a specific maturity. The Treasurer shall determine and periodically revise diversification strategies. These strategies shall receive review and approval by the Board of Selectmen according to Section IX presented below.

Portfolio diversification is desirable in order to control risk. The expectation is that the Treasurer shall display prudence in the selection of investments in order to minimize risk.

VIII. COLLATERALIZATION

The institution receiving Town assets on deposit must agree to collateralize the deposits pursuant to Title XXXV (Banks and Banking, Loan Association, Credit Unions) of the Statutes of the State of New Hampshire or RSA 383:22 (if investments reside in the NHPDIP). Further, the institution must abide by the current New Hampshire Code of Administrative Rules on Collateralization of Public Deposits set forth in Chapter Ban 1400 through Ban 1450.

The Treasurer shall provide a written list of all the investment instruments of the Town. Any institution holding deposits of Town assets must collateralize the total of these deposits with pledged securities that shall be equal to or in excess of the amount of the public funds deposited, less any portion thereof covered by federal deposit insurance.

Collateralization must remain in effect so long as Town assets remain on deposit. Further, the institution must agree to notify the Treasurer ninety (90) days in advance by written notice before electing to cancel collateralization or refusal to accept additional or future Town deposits.

IX. SAFEKEEPING AND CUSTODY.

The Board of Selectmen shall provide security bonds according to law that cover the Treasurer and other officials handling Town assets to protect the public against possible embezzlement and malfeasance. An external auditor shall annually review and report on financial accounting and safekeeping procedures employed by the Treasurer and the Town.

X. REPORTING.

The Treasurer shall submit a monthly report to the Board of Selectmen that reconciles all depository cash accounts and all investment accounts of the Town of Moultonborough. The Treasurer shall submit a semi-annual (June 30 and December 31) investment report to the Board of Selectmen that includes the following information:

A. As of the end of the reporting period, a list of each of the following items:

- Certificates of Deposit that the Treasurer does not intend to hold to maturity, with an explanation as to why the Treasurer chooses to liquidate them prior to maturity, and stating any penalties,
- Investments held by maturity date, and
- Transactions completed during the reporting period.

B. Summary of the investment strategies employed in the most recent quarter.

C. Description of any anticipated changes to the portfolio or anticipated changes in investment strategy.

D. Explanation of the total investment return for the quarter compared to the anticipated return for the quarter.

E. Explanation of any areas of concern.

XI. RECONCILIATION.

Upon the request of the Board of Selectmen, its designee may perform periodic surprise audits of evidence of ownership and of the safekeeping and custodial systems. The Treasurer will receive written notice of the Board of Selectmen's desire to perform an internal audit.

This policy shall be effective immediately upon adoption and shall remain in effect until superseded or replaced. RSA 41:9 requires that this policy receive review and re-enactment annually. It is due to be reviewed one year from the date of adoption.

Date of Adoption:
October 3, 2013

Date of Amendment(s):
August 21, 2014

Date of Amendment(s):
July 14, 2016

Christopher P. Shipp, Chair
Russell C. Wakefield
Josiah H. Bartlett
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BOARD OF SELECTMEN