

# **TOWN OF AMHERST**

## ***INVESTMENT POLICY***

### **SECTION I. PURPOSE:**

The purpose of this Policy is to comply with RSA 41:9 VII, which requires the Board of Selectmen to annually review and adopt an investment policy for the investment of public funds, and to provide a framework for the Town Treasurer to carry out the policy objectives.

### **SECTION II. AUTHORITY:**

This Policy has been enacted pursuant to the statutory authority granted to the Board of Selectmen by RSA 41:9 VII and to the Town Treasurer by RSA 41:29 IV. These RSA's are incorporated by reference and made part of this Policy as Appendix A.

### **SECTION III. POLICY OBJECTIVES:**

The investment policy establishes the necessary procedures for safe investment of public funds and adhering to the following objectives.

1. To ensure the preservation of capital and the protection of investment principal by investing in instruments authorized by State Law.
2. To maintain sufficient liquidity to meet operating requirements for both the town and school district;
3. To satisfy all legal requirements; and
4. To attain market-average rate of return on investments taking into account risk and legal constraints and cash flow considerations.

### **SECTION IV. SCOPE:**

The investment policy applies to all public funds held in the custody of the Town Treasurer. This does **not** include funds held by the School District, Library Trustees or Trustees of the Trust Funds. The funds held by the Treasurer are accounted for in the Town's annual audited financial reports and include the following:

- General Fund
- Special Revenue Funds – which include funds overseen by the Conservation Commission, Cemetery Trustees and Cable Committee
- Agency Funds – which include impact fee funds
- Capital Projects Funds
- Any new funds created by the Town, unless specifically exempted by the governing body, in accordance with law.

Furthermore, the investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

This policy does not apply to funds held in escrow for performance bonds, which are held in an interest-bearing deposit account at an approved banking institution.

#### **SECTION V. DELEGATION OF AUTHORITY:**

The investment policy delegation of authority is stated below:

1. In accordance with RSA 41:29 VI, the responsibility for conducting investment transactions resides with the Town Treasurer, with the approval of the Board. However, the Treasurer may delegate investment functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the Board, and is agreeable to all parties involved. Any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the Treasurer to comply with all statutory duties required by law.
2. No person may engage in an investment transaction except as provided under the terms of this policy and the internal procedures and controls hereby established.

#### **SECTION VI. PRUDENCE AND ETHICAL STANDARDS:**

The investment policy will be conducted in accordance with the "prudent person" standard which requires that:

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.

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict (or appear to conflict) with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Board any material financial interest in financial institutions that conduct business with the Town, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Town's portfolio.

#### **SECTION VII. INTERNAL CONTROLS:**

The internal controls for the Town of Amherst shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, imprudent actions by elected officials and employees of the Town.

1. Indemnification: In accordance with RSA 41:6 (Surety Bond Required) (Appendix A), "Town Treasurers... Shall be bonded by position under a blanket bond from a surety

company authorized to do business in this state. The bond shall indemnify against losses through:

- a. The failure of officers covered to faithfully perform their duties or to account properly for all moneys or property received by virtue of their positions, or
  - b. Fraudulent or dishonest acts committed by the covered officers."
2. The Treasurer conducts investment transactions via written instructions and reviews the bank statements as needed to ensure that the appropriate transactions were made per the instructions

### **SECTION VIII. INVESTMENT INSTRUMENTS:**

In accordance with RSA 41:29 II and IV, funds of the Town of Amherst may be invested in any of the following:

1. Deposits, including money market accounts or certificates of deposit including CDARS, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state or funds may be deposited in 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:
  - a. United States government obligations;
  - b. United States government agency obligations; or
  - c. Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.
2. New Hampshire Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22.
3. Obligations fully guaranteed as to principle 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.
4. Other instruments as may be specifically authorized by amendments to the State Law.

## **SECTION IX: QUALIFIED INSTITUTIONS**

The Town Treasurer along with the Board of Selectmen shall determine the primary banking institution to be used by the Town.

## **SECTION X: SAFEKEEPING AND COLLATERALIZATION**

In accordance with RSA 41:29 V, the Treasurer shall ensure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall have such funds, at the time of deposit or investment, secured by collateral having a market value at least equal to or in excess of the amount deposited or invested. Such collateral shall be held by a third party custodian and segregated for the exclusive benefit of the town.

Certificates of Deposit including CDARS and Deposit Accounts: Those amounts in excess of Federal Deposit Insurance limits shall be collateralized.

Repurchase Agreements: Securities being purchased (underlying collateral) shall be limited to United States Treasury securities or United States Government Agency securities.

### **GENERAL**

- 1) Safekeeping receipts shall list the specific instrument, rate, maturity and other pertinent information, and shall indicate that securities are being held exclusively for the account of the Town of Amherst, New Hampshire.
- 2) Repurchase agreements shall be subject to a master repurchase agreement between the institution and the Town.
- 3) Specific, identifiable securities must be used as collateral. Collateral shall be placed in third-party safekeeping and documented by a written receipt acknowledging that the securities are being held for the account of the Town of Amherst, New Hampshire. The Trust Department or Safekeeping Division or like designation within a bank, is not to be considered a third party for the purpose of safekeeping securities used as collateral on investment purchases transacted within the same bank.

The banking institution shall provide the Town Treasurer with at least monthly reports of the Town's collateral position. In addition, collateral agreements shall comply with provisions set forth in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which require that the collateral agreement be:

1. in writing;
2. approved by the Board of Directors of the depository or its loan committee;

3. lists no specific pledged securities; and
4. has been, continuously, from the time of its execution, an official record of the depository institution.

Safekeeping procedures shall be reviewed annually by the Town of Amherst's independent auditors.

## **SECTION XII: REPORTING**

At least annually, the Town Treasurer shall include a summary of investment activity in the Treasurer's Report submitted to the Board. The report shall summarize the investment strategies employed, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the transaction detail, expected total investment return and actual results.

## **SECTION XIII: PERFORMANCE EVALUATION**

The Town shall require, from any institution in which investing activity is conducted, sufficient routine reports/documentation to enable an accurate evaluation to be made as to the results of the Town's investment program as it relates to the Town's stated objectives, guidelines and policies, and to assist in revealing areas for potential improvement.

## **SECTION XI. AMENDMENTS:**

This Policy may, from time to time, be amended by a majority vote of the Board, at a regularly scheduled Board meeting. It will, at a minimum, be reviewed and adopted annually by the Board.

## **SECTION XII. EFFECTIVE DATE:**

This policy, and any amendments made thereto shall take effect immediately following a majority vote of the Board at a regularly scheduled Board meeting and being recorded with the Town Clerk.

## **APPENDIX A**

### **CHAPTER 41 CHOICE AND DUTIES OF TOWN OFFICERS**

#### **Selectmen Section 41:9**

##### **41:9 Financial Duties. –**

- I. The selectmen shall pay all sums of money received by them in behalf of the town to the town treasurer immediately after receipt, and state to him from whom and for what received.
- II. They shall draw orders upon the treasurer for the payment of all accounts and claims against the town allowed by them, and take proper vouchers therefor.
- III. They shall keep a fair and correct account of all moneys received, all accounts and claims settled and all orders drawn by them, and of all their other financial transactions in behalf of the town.
- IV. They shall publish in the next annual report, or post at the annual meeting, the general fund balance sheet from the most recently completed audited financial statements or from the financial report filed pursuant to RSA 21-J:34, V.
- V. In the case of an accumulated general fund deficit, the selectmen shall insert an article in the warrant recommending such action as they deem appropriate, which may include, but is not limited to, raising a sum of money for the purpose of reducing that deficit.
- VI. The selectmen shall be responsible for establishing and maintaining appropriate internal control procedures to ensure the safeguarding of all town assets and properties.
- VII. The selectmen shall annually review and adopt an investment policy for the investment of public funds in conformance with applicable statutes and shall advise the treasurer of such policies.
- VIII. The selectmen shall be responsible for establishing procedures to ensure that all funds paid to the town from any department shall be remitted to the treasurer at least on a weekly basis or daily whenever such funds total \$500 or more. Remittances to the treasurer from the tax collector shall be in accordance with RSA 41:35 and remittances from the town clerk shall be in accordance with RSA 261:165.

**Source.** 1869, 26:3. 1874, 85:1. GL 40:9. PS 43:7. PL 47:14. RL 59:13. RSA 41:9. 1993, 181:1. 1994, 147:2, eff. July 22, 1994. 2007, 246:2, eff. Aug. 27, 2007.

#### **Town Treasurer Section 41:29**

##### **41:29 Duties of Elected and Appointed Town Treasurers. –**

- I. The town treasurer shall have custody of all moneys belonging to the town, and shall pay out the same only upon orders of the selectmen, or, in the case of a conservation fund established pursuant to RSA 36-A:5, upon the order of the conservation commission, or in the case of a heritage commission fund established pursuant to RSA 674:44-a upon the order of the heritage commission, or in the case of fees held pursuant to RSA 673:16, II, upon the order of the local

land use board or its designated agent, or in the case of a recreation revolving fund established pursuant to RSA 35-B:2, upon the order of the recreation or park commission, or in the case of fees deposited by the town clerk pursuant to RSA 41:25, upon the invoice of the town clerk, or other board or body designated by the town to expend such a fund.

II. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in 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:

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

III. The town treasurer shall keep in suitable books provided for the purpose a fair and correct account of all sums received into and paid from town treasury, and of all notes given by the town, with the particulars thereof. At the close of each fiscal year, the treasurer shall make a report to the town, giving a particular account of all his or her financial transactions during the year and account balances at year end. The treasurer shall furnish to the selectmen statements from the treasurer's books, and submit the books and vouchers to them and to the town auditors for examination, whenever so requested.

*IV. Whenever the town treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the town treasurer shall invest the same in accordance with the investment policy adopted by the selectmen under RSA 41:9, VII. The treasurer may invest in the public deposit investment pool established pursuant to RSA 383:22, in deposits, including money market accounts or certificates of deposit, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in 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.*

#### **41:29 Duties of Elected and Appointed Town Treasurers, continued -**

V. The treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

VI. The treasurer may delegate deposit, investment, recordkeeping, or reconciliation functions to other town officials or employees provided such delegation is in writing and includes written procedures acceptable to the selectmen, or in the case of a town operating under RSA 37, to the town manager, and is agreeable to all parties involved. However any such delegation shall only be made to a town official or employee bonded in accordance with RSA 41:6 and rules adopted

## APPENDIX A, continued

by the commissioner of revenue administration under RSA 541-A. Such delegation shall not eliminate the responsibility of the treasurer to comply with all statutory duties required by law.

VII. The treasurer shall ensure that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals \$500 or more. Such deposit function may be delegated pursuant to paragraph VI. However, failure to ensure that funds are being deposited on a timely basis as required by this paragraph shall be cause for immediate removal from office pursuant to RSA 41:26-d.

**Source.** 1869, 26:2-4. GL 40:8. 1883, 111:1. PS 43:20. PL 47:24. 1931, 177:3. 1939, 170:2. RL 59:24. RSA 41:29. 1959, 197:3. 1971, 158:1. 1973, 490:1. 1977, 139:1. 1987, 318:3. 1991, 268:8; 377:6; 383:9. 1992, 64:3. 1993, 161:2. 1996, 209:10. 1997, 208:8. 1998, 40:2, eff. July 4, 1998. 2003, 100:2, eff. Aug. 5, 2003. 2007, 35:6, eff. July 13, 2007; 246:3, 4, eff. Aug. 27, 2007.

### Bonds

#### Section 41:6

##### **41:6 Surety Bond Required. –**

I. Town treasurers, trustees as provided in RSA 31:22 and 23, trustees as provided in RSA 53-B:8-a, I, library trustees including alternate library trustees, if any, town clerks, tax collectors and their deputies, agents authorized to collect the boat fee, and persons delegated treasury functions under RSA 41:29, VI shall be bonded by position under a blanket bond from a surety company authorized to do business in this state. The bond shall indemnify against losses through:

(a) The failure of the officers covered to faithfully perform their duties or to account properly for all moneys or property received by virtue of their positions; or

(b) Fraudulent or dishonest acts committed by the covered officers.

II. A blanket bond may exclude the town treasurer if a separate fidelity bond for the faithful performance of his duties is furnished by the surety writing the blanket bond.

III. Premiums shall be paid by the town.

IV. The required bonds shall provide for at least a 2-year discovery period from the date their coverage terminates.

V. The commissioner of revenue administration shall adopt rules under RSA 541-A, concerning the amount and form of the surety bonds required under this section.

**Source.** 1931, 111:1. RL 59:42. 1945, 7:1. RSA 41:6. 1969, 135:1. 1973, 544:8. 1975, 68:1. 1979, 376:7. 1981, 323:8. 1983, 264:6. 1988, 198:9. 1994, 367:16. 2000, 9:1, eff. April 16, 2000. 2007, 246:1, eff. Aug. 27, 2007.



## APPENDIX B

### **E. NEW HAMPSHIRE ADMINISTRATIVE RULES PART BAN 1450 COLLATERALIZATION OF PUBLIC DEPOSITS.**

Statutory Authority: RSA 386:57, II

Ban 1450.01 Purpose. The purpose of this rule is to identify and classify by risk those securities that shall be appropriate for the collateralization of public funds.

Ban 1450.02 Definitions.

- (a) "Public funds" means moneys belonging to any public unit.
- (b) "Public unit" means the state of New Hampshire or any county, city, town, district, school district or other political subdivision of the state of New Hampshire.

Ban 1450.03 Amount of Collateralization.

- (a) The value of securities required to be pledged as collateral shall be equal to or in excess of the amount of public funds, less any portion thereof that is covered by federal deposit insurance.
- (b) For purposes of Ban 1450, securities shall be valued at market value.

Ban 1450.04 Public Obligations.

- (a) All public obligations described in RSA 387:6 shall be appropriate and acceptable for the collateralization of public funds.
- (b) Notwithstanding Ban 1450.04(a), for purposes of RSA 387:6, II, the obligations of the following federal agencies and federal government-sponsored enterprises shall be appropriate and acceptable for the collateralization of public funds:

- (1) Obligations of the following federal agencies shall qualify as acceptable collateral for public funds:

- a. District of Columbia Armory Board;
    - b. Export-Import Bank of the United States;
    - c. Farmers Home Administration;
    - d. General Services Administration;
    - e. Maritime Administration;
    - f. Small Business Administration;
    - g. Tennessee Valley Authority;
    - h. Washington Metropolitan Area Transit Authority; and
    - i. The following obligations of the Department of Housing and Urban Development:
      - 1. Federal Housing Administration obligations;
      - 2. New communities debentures; and
      - 3. Public housing notes and bonds; and

- (2) Obligations of the following federal government-sponsored enterprises shall qualify as acceptable collateral for public funds:

- a. Federal Farm Credit Banks;
      - b. Federal Home Loan Banks;

#### APPENDIX D, continued

- c. Federal Home Loan Mortgage Corporation;
- d. Federal National Mortgage Association;
- e. Student Loan Marketing Association;
- f. United State Postal Service; and
- g. The following obligations of the Farm Credit System:
  - 1. Banks for Cooperatives;
  - 2. Federal Intermediate Credit Banks; and
  - 3. Federal Land Banks.

##### Ban 1450.05 Corporate Securities.

(a) All bonds and notes authorized as legal investments for savings banks under RSA 387:6-a, I shall qualify as appropriate and acceptable collateral for public funds.

(b) Notwithstanding the provisions of RSA 387:6-a, I, convertible bonds not rated among the 3 highest ratings of one or more rating services, as defined in RSA 387:1, XVI, shall not qualify as acceptable collateral for public funds.

Ban 1450.06 Classification by Risk. All collateral enumerated in Ban 1450.04 and Ban 1450.05 shall be identically classified as low risk collateral for public funds on deposit.

*The Board of Selectmen voted unanimously to adopt the Updated Town Investment Policy at their meeting on Tuesday, July 14, 2009.*