

TOWN OF HANOVER, NEW HAMPSHIRE

INVESTMENT POLICY

Adopted by the Board of Selectmen: August 5, 2013

1. PURPOSE:

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

2. SCOPE:

This policy applies to all public funds held in the custody of the Town Treasurer. Except for cash in certain restricted and special funds, the Town of Hanover will consolidate cash balances from all funds for ease of administration and efficiency. Funds held by trustees are excluded from these rules and are covered by a separate policy.

3. OBJECTIVES:

The primary objectives for investment activities for the Town will be safety, liquidity and yield. Focus will also be on mitigating custodial credit risk and interest rate risk. The Town does not invest in foreign instruments, thereby eliminating foreign currency risk. The Treasurer will work closely with financial institutions to ensure that these objectives are met.

i. Custodial Credit Risk will be minimized by:

- Investing in the safest types of securities
- Doing business with qualified institutions
- Diversifying investments

ii. Interest Rate Risk will be minimized by:

- Planning cash flows accordingly to avoid having to sell securities prior to maturity
- Investing in shorter-term securities

4. DELEGATION OF AUTHORITY:

The investment policy delegation of authority is stated below:

- #### i.
- In accordance with RSA 41:29 VI, the responsibility for conducting investment transactions resides with the 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; and

- ii. 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.

5. STANDARD OF CARE:

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

- i. 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.
- ii. 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.
- iii. Depositories shall be selected through a competitive selection process with the Board being timely notified of any changes in significant banking relationships. In selecting depositories, the credit worthiness of institutions shall be considered, and the Treasurer shall conduct a comprehensive review of the prospective depositories’ credit characteristics and financial history.

6. AUTHORIZED INVESTMENT INSTRUMENTS:

Whenever the Treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall invest the same in accordance with the investment policy adopted by the selectmen, in one or more of the following:

- i. New Hampshire Public Deposit Investment Pool established pursuant to RSA 383:22;
- ii. Deposits of federally insured banks chartered under the laws of NH or federally insured banks chartered under the federal government with a branch in NH, including
 - Money market accounts
 - Certificates of deposit
 - Repurchase agreements
 - All other types of interest bearing accounts
- iii. Obligations fully guaranteed as to principal and interest by the US government.
 - US Treasury bills, bonds and notes
 - US government agency securities:
 - Government National Mortgage Association (Ginnie Mae or GNMA)
 - Export-Import Bank (EXIMBANK)
 - Small Business Administration (SBA)
 - Farm Services Agency (FSA)
 - General Services Administration (GSA)
 - Maritime Administration
- iv. Certificates of deposit in out-of-state federally insured financial institutions if certain conditions are met:
 - Initially invested with a custodial bank (a NH chartered bank or federally chartered bank with a branch in NH)
 - Custodial bank then invests in other banks up to the FDIC insurance limit (\$250,000), with a reciprocal amount of investment from those other banks.

7. 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 value at least equal to the amount of such funds. Such collateral shall be held by a third party custodian and 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.

*Securities as outlined in Administrative Rule Ban 1450 Collateralization of Public Deposits

The banking institution shall provide the Treasurer with at least monthly reports of the Town's collateral position. In addition, collateral agreements shall comply with state and federal requirements in order to ensure that the Town's security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution. In order to ensure any collateral agreements are valid against the FDIC, the Town shall require that the collateral agreement be:

- i. In writing,
- ii. Approved by the Board of Directors of the depository institution or its loan committee, with approval reflected in the minutes,
- iii. Continuously, from the time of its execution, an official record of the depository institution.

8. REPORTING:

The Treasurer shall provide an annual report to the Board summarizing cash activity. The Treasurer shall also provide to the Board upon request any additional information requested.

9. PERFORMANCE EVALUATION:

The Town shall require, from any institution in which investing activity is conducted, sufficient routine reports and 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.

10. INTERNAL CONTROLS

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

The Treasurer will be responsible for establishing and maintaining an internal control policy designed to provide reasonable assurances that these objectives are met. The internal control policy shall address the following:

- Control of collusion
- Separation of transaction authority
- Custodial safekeeping of assets
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers

This policy will be reviewed annually by the Town's independent auditors.

11. AMENDMENTS:

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

12. ATTACHMENTS:

RSA 41:6

RSA 41:9

RSA 41:29

RSA 383:22

RSA 386:57

RSA 387:6

RSA 541-A

Administrative Rule Ban 1450