

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 a policy for the investment of public funds, and to provide a framework for the Town Treasurer to carry out those policy objectives.

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.

POLICY STATEMENT

The primary objective of the Town of Litchfield's investment policy is to set forth appropriate investment activities that provide for, first and foremost, the safety of principal, as well as sufficient liquidity to support operations while generating a reasonable investment yield.

The specific investment policy objectives are stated below:

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

DEFINITIONS

A) "Board": Means the Board of Selectmen for the Town of Litchfield

B) "Collateral": Underlying securities that are pledged to secure deposits of public funds.

C) "Market-average Rate of Return": The amount of income received from an investment, expressed as a percentage (also referred to as investment yield), that an investor can expect to receive in the current interest-rate environment.

D) "Repurchase Agreement": A transaction in which a holder of securities sells those securities to an investor with an agreement to repurchase those securities for a fixed price at an agreed-upon date.

E) "Safekeeping": A procedure where securities are held by a third party acting as custodian.

F) "School District": Litchfield School District, SAU #27

G) "State Law": Refers to various Revised Statutes Annotated (RSA's) of the State of

New Hampshire, as amended, as referenced throughout the policy.

H) "Town": Town of Litchfield, New Hampshire

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 and Cemetery Trustees
- Agency Funds – which include impact fee funds
- Revolving Funds - which include Recreation, Ambulance and Cable Operating
- 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.

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 and this policy.
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.
3. The delegation of deposit authority by the Treasurer to the Tax Collector/Deputy Tax Collector shall authorize that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals \$1,500 or more. Limits for the Tax Collector/Deputy Tax Collector shall remain as fixed per RSA.

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4. All delegations shall be made utilizing the Treasurer Delegation form contained in Appendix A.

PRUDENCE AND ETHICAL STANDARDS:

The investment policy will be conducted in accordance with the “prudent man” or “prudent person” standard based upon RSA 31:25-b which requires that:

“...a prudent investment is one which a prudent man would purchase for his own investment having in view the preservation of the principal and the amount and regularity of the income to be derived therefrom.”

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.

INVESTMENT ACTIVITIES

INTERNAL CONTROLS

The internal controls for the Town of Litchfield 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. The Town shall reviewing bonding levels annually with it's property-liability insurance carrier.

1. Indemnification: In accordance with RSA 41:6 (Surety Bond Required) "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 regularly to ensure that the appropriate transactions were made per the instructions. The Finance Director, on a monthly basis, reviews and reconciles all bank account activity and records the investment transactions in the general ledger.

INVESTMENT OBJECTIVES

The investment objective for these accounts is “Income only” and “capital preservation.” This objective is consistent with our emphasis on current income and our desire for modest growth of the principal from appreciation while maintaining the working capital of the citizens. The objective dictates an asset allocation utilizing a combination of cash equivalents and fixed income securities.

INVESTMENT INSTRUMENTS

All depository accounts of the Town of Litchfield must be in the name of the Town of Litchfield and bear an address of the Town Hall. The depository (ies) shall forward all income payable to the Town of Litchfield and all revenue received by the Town of Litchfield to the Treasurer at the address of the Town Hall. In accordance with RSA 41:29 II and IV, funds of the Town of Litchfield may be invested in any of the following:

- a) 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 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:
 - (i) United States government obligations;
 - (ii) United States government agency obligations; or
 - (iii) Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.
- b) New Hampshire Public Deposit Investment Pool (NHPDIP) established pursuant to RSA 383:22.
- c) 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.
- d) Other instruments as may be specifically authorized by amendments to the State Law.

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. 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

Whenever possible, maturities of investments purchased shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (school district remittances, payroll and accounts payable) as well as anticipated revenue inflows.

At all times, the liquidity of investments should not impair the normal, routine and prudent operations of the Town. The term of any investment should not exceed 18 months.

QUALIFIED INSTITUTIONS

The Town Treasurer shall determine the primary banking institution to be used by the Town, in conjunction with the Board, who is responsible for establishing the budgetary parameters under which the Town Treasurer may operate.

Any entity utilized by the Town must be chartered by the State of NH or the federal government, be federally insured and from which the town purchases investment instruments, must have an investment grade rating issued by Moody's and S&P at a minimum of Aa2 and AA, respectively. Refer to Appendix B for the Moody's and S&P ratings definitions.

The Board or it's designee, in conjunction with the Town Treasurer, shall periodically review the banking relationship and determine if there is a need to undertake a competitive bidding process for the selection of banking, investment and/or cash management provider(s). Such a review should, at a minimum, occur at least once every four years. If a competitive bid is sought, the investment of Town funds, in accordance with this policy, will be a key consideration in assessing and awarding such bid. Once awarded, it is the responsibility of the provider, with oversight of the Treasurer, to maintain investments within the parameters of this policy, with the understanding that each individual investment will not necessarily be competitively bid by the provider, but will meet the investment criteria as proposed and agreed.

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 102% of the amount deposited or invested, less any portion thereof covered by federal deposit insurance. 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. Refer to BAN 1450 (adopted 10-02-2009) for the relevant section of the New Hampshire Administrative Rules.

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.

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.

REPORTING

At least annually, and in periods of significant investment activity, on a monthly basis, 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.

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.

RECONCILIATION

Upon the request of the Board of Selectmen, the Board of Selectmen or its designee may perform periodic surprise audits of evidence of ownership and of the safekeeping and custodial systems.

AMENDMENTS

This Policy may, from time to time, be amended by a majority vote of the Board, at a

**TOWN OF LITCHFIELD
INVESTMENT POLICY**

Reviewed by BOS on April 22, 2019

regularly scheduled Board meeting. It will, at a minimum, be reviewed and adopted annually by the Board.

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.

Adopted by Board of Selectmen – April 30, 2012
Reviewed by Board of Selectmen - April 11, 2016
Reviewed by Board of Selectmen - May 8, 2017
Reviewed by Board of Selectmen - April 8, 2019

Effective Date: April 22, 2019 **Expiration Date:** April 22, 2020

Accepted by:

Debra Hogencamp, Treasurer

**TOWN OF LITCHFIELD
INVESTMENT POLICY**

Reviewed by BOS on April 22, 2019

**APPENDIX A
Treasurer's Delegation Form**

I, _____ as Treasurer of the Town of Litchfield, New Hampshire and in accordance with my duties as Treasurer as granted under the laws of the State of New Hampshire do hereby delegate the below indicated duties to _____, who is a qualified and bonded individual. I, as Treasurer delegate to the above named individual the authority commencing on _____(date) to:
(the Treasurer should initial each delegation)

_____ deposit funds of the Town Of Litchfield into Town Accounts;
Initial here

_____ investment of funds of the Town Of Litchfield;
Initial here

_____ recordkeeping of funds of the Town Of Litchfield;
Initial here

_____ reconciliation of funds of the Town Of Litchfield;
Initial here

This delegation will cease to be effective on _____ or upon the completion of my term whichever shall occur first.

Delegate's Signature: _____

Treasurer's Signature: _____

Signature of the Board of Selectmen:

Signature: _____ Print Name: _____

Copies of this form to be filed with the Treasurer, Delegee, BOS office and original to the Town Clerk's Office