

INVESTMENT POLICY FOR THE TOWN OF HOPKINTON



POLICY NUMBER: 22

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Town of Hopkinton - Investment Policy

I. PREFACE

The investment policy establishes a framework for the safe and prudent investment of public funds. It also provides guidance and direction for elected officials and staff in the daily conduct of investing activity in addition to improving consistency, creating and defining accountability and in ensuring that laws are followed.

II. SCOPE

The investment policy applies to all financial assets in the custody of the Town of Hopkinton, New Hampshire. These funds are accounted for in the Town's annual audited financial reports and include the following:

- *General Fund*
- *Special Revenue Funds*
- *Capital Project Funds*
- *Enterprise Funds*
- *Agency Funds*
- *Any new funds created by the Town, unless specifically exempted by the governing body, in accordance with law, or by-law.*

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

III. OBJECTIVES

1. To ensure the preservation of capital and the protection of investment principal;
2. To maintain sufficient liquidity to meet operating requirements;
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.
5. Assets will only be invested in obligations of the United States Government, public deposit investment pool established pursuant to RSA 383:22, deposits in solvent banks incorporated under the laws of the State of New Hampshire or in certificates of deposits of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State Treasurer.

IV. DELEGATION OF AUTHORITY

1. In accordance with chapter 41:29 of the Revised Statutes Annotated (RSA) of the State of New Hampshire, the responsibility for conducting investment transactions resides with the Town Treasurer, with the approval of the Select Board, *except in the instance of capital reserve funds, when the responsibility for conducting investment transactions reside with the Trustees of the Trust Funds, with the approval of the Select Board, in accordance with RSA 35:9.*

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.

V. PRUDENCE

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.

Officers 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.

Employees and investment officials shall disclose to the Select Board any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of this jurisdiction's portfolio.

Employees and officers shall subordinate their personal investment transactions to those of this jurisdiction, particularly with regard to the timing of purchases and sales.

VI. INTERNAL CONTROLS

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. A system of written internal controls, with regard to investments, shall be established and maintained by the Select Board, or its designee, and shall be reviewed annually by Town's independent auditors.

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

VII. INVESTMENT INSTRUMENTS

In accordance with RSA 41:29, funds of the Town of Hopkinton may be invested in:

- a) United States Treasury securities maturing in less than one year; or
- b) Savings bank deposits of banks incorporated under the laws of the State of New Hampshire; or
- c) Fully insured or collateralized certificates of deposits of banks incorporated under the laws of the State of New Hampshire; or
- d) Fully insured or collateralized certificates of deposits of national banks located within the State of New Hampshire, or in banks recognized by the State Treasurer; or
- e) New Hampshire Public Deposit Investment Pool established pursuant to RSA 383:22; or
- f) Short-term obligations of United States Government agencies; or
- g) Secure public obligations as described in NH RSA 383-B:3-301 e as appropriate and acceptable for the the collateralization of public funds, and such other instruments as may be specifically authorized by the Revised Statutes of the State of New Hampshire.
- h) The town will not invest in foreign securities

Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll and accounts payable) as well as anticipated revenue inflows.

VIII. SAFEKEEPING AND COLLATERALIZATION

Securities, except securities held as collateral, shall be purchased using the Delivery versus Payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership of collateralized securities shall be protected through third-party custodial safekeeping.

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

IX. REPORTING

The Treasurer shall submit semi-annually to the Town Administrator an investment report that summarizes recent market conditions, economic

development and anticipated investment conditions. 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 highlight the prior six-month's activity and return make comparisons to the budget expectations.

The annual report shall include 12-months of cash and investment activities and shall suggest policies and improvements that might be made in the investment program.

X. 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 relative to the stated objectives, guidelines and policies, and to assist in revealing areas for potential improvement.

XI. ACCOUNTING

All cash bank balances will be reconciled monthly by the Treasurer and reported to the Finance Director on a monthly basis. General ledger entries will be posted to the general ledger system at said time in order to accurately reflect the town's cash position.

XII. DIVERSIFICATION

It is the policy of the Town to diversify its investment portfolio. Investment of assets held in the common fund and any other investments shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Treasurer and reviewed by the Select Board. Deposits placed in the NH Public Deposit Investment Pool (NHPDIP) shall by definition meet this requirement.

XIII. OTHER

The Town recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary loss of liquidity. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the specific user.

This policy shall be reviewed at least annually by the Select Board, or its designee, with changes made as warranted, followed by re-adoption by the governing body.

The Select Board reserves the right to implement changes to this policy without prior notice if it is deemed in the Town's best interest.