

TOWN OF HOLDERNESS INVESTMENT POLICY

Adopted September 11, 2001 (Board of Selectmen)
Adopted October 30, 2001 (Trustees of Trust Funds)

1. POLICY

It is the policy of the Town of Holderness, from hereon referred to as the “Town,” to invest all funds in a manner which will provide safety of principal with a market rate of return while maintaining a sufficient level of liquidity to meet the daily cash flow demands of the Town. State statutes governing the investment of Town funds have been used as a basis for this policy (RSA 31.25 and RSA 41.29).

The Town has also taken the position that State statutes governing the investment of municipal funds be included in these policies. This position is a result of limited guidance on laws published in NH Revised Statutes Annotated regarding investment of Town funds.

2. SCOPE

This investment policy applies to all financial assets of the Town. These financial assets are accounted for in various funds which are within the annual financial statements for the Town and may include the following:

- General Fund**
- Special Revenue Fund**
- Capital Project Fund**
- Conservation Fund**
- Debt Service Fund**
- Fiduciary/Trust Fund**

3. PRUDENCE

Investment decisions should be made by applying the Standard of Prudence. Investments shall be made with judgment and care that persons of prudence, discretion, and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation, but for investment, considering:

- 1. Safety**
- 2. Maintenance of liquidity**
- 3. Income**

The Standard of Prudence shall be applied in the context of managing an overall portfolio of the Town. Investment officials, acting in accordance with internal control procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price fluctuations, provided deviations are reported in a timely manner and appropriate action is taken to control adverse developments.

4. OBJECTIVES

The primary objectives, in order of priority, of the Town's investment activities shall be:

a. Safety- The foremost objective is the preservation of capital and the protection of investment principal. Investments of the Town shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent potential losses on individual securities from exceeding the income generated by the remainder of the portfolio.

b. Liquidity- The Town's investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably projected. The maturity dates of investments shall not be beyond the time the Town anticipates it will need the funds. Limitations on investments, diversification and maturity scheduling shall depend upon whether the funds being invested are considered short-term except those reserved for capital projects and special assessment prepayments being held out for debt retirement. In order to maintain liquidity, investments in operating funds shall have maturities of one year or less.

c. Return on Investment- In investing public funds, the Town will strive to maximize the return on the portfolio, but will avoid assuming unreasonable investment risk. The Town's investment portfolio shall be designed with the objective of attaining a competitive return throughout budgetary and economic cycles, taking into account the Town's investment risk constraints and the cash flow characteristics of the portfolio. A competitive return shall be determined by comparing a potential return to a benchmark return. For the Town's purposes, the benchmark return will be a yield from a 90-day Treasury bill.

5. DIVERSIFICATION

The Town will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. With the exception of U.S. Treasury Securities and New Hampshire Public Deposit Investment Pool, no more than 75% of the Town total investment portfolio will be invested in a single security type or with a single financial institution. Moreover, the Town's investment portfolio should also be diversified with respect to maturity dates. A maturity horizon should be established whereas investments will mature at different times in order to meet projected cash flow needs. Not more than 5% of the Town's total investment portfolio will be invested in securities with maturities greater than one year.

6. MAXIMUM MATURITIES

To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Town will not directly invest in securities maturing more than one year from the date of purchase.

Certain long-term reserve funds such as capital project or trust funds may be invested in securities exceeding two years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

7. COLLATERALIZATION

To the extent possible, investments shall be collateralized by the banking or investment institution. The collateral shall only consist of securities in which Towns may invest, as provided in NH RSA.

8. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Town shall be conducted on a “delivery payment” basis. Securities will be held by a third party custodian, or trust department designated by the Treasurer and evidenced by safekeeping receipts. The Town may enter into an agreement with any financial institution with trust powers authorized to do business in the State for the safekeeping and investment of the reserve funds or trust funds of the Town. Services shall consist of the safekeeping and investment management of the funds, collection of interest and dividends, periodic review of the portfolio investments and any other fiscal service which is normally covered in a safekeeping and investment agreement.

9. AUTHORIZED INVESTMENTS

The Treasurer may invest Town Funds in accordance with RSA 41.29.

10. DELEGATION OF AUTHORITY

Authority to manage the Town’s investment program is derived from the RSA 41.29 and is approved by the Board of Selectmen and Trustees of the Trust Funds.

11. ETHICS AND CONFLICTS OF INTEREST

Officers and employees of the Town involved in the investment process shall refrain from personal business activity that could 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 Treasurer and the Board of Selectmen any material financial interest in financial institutions that conduct business with the Town, and they shall further disclose any personal financial/investment positions that could be related to the performance of the Town portfolio.

12. PROHIBITED INTEREST

No Town employee shall invest Town funds in any instrument or institution in which he/she has any direct or indirect financial interest, nor shall he/she accept any gift, free service or payment of any kind for performing their duties under this policy.

13. INTERNAL CONTROL

The Board of Selectmen shall establish a system of internal controls to prevent possible loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the Town.

14. ACCOUNTING METHOD

Investments will be carried on the Town books in accordance with Generally Accepted Accounting Principals (GAAP).

15. REPORTING

The Bookkeeper shall submit monthly and annual investment reports to the Board of Selectmen and the Trustees of the Trust Funds based upon information received from the Treasurer. The reports shall summarize the investment strategies employed; describe the portfolio in terms of types of investment securities, maturities, risk, and a comparison of carrying values and market values. A summary of the investment purchases and sales during the period and the return on the investments should also be reported.

16. EXTERNAL MANAGEMENT

The Trustee of the Trust Funds, with the approval of the Board of Selectmen, may contract with a qualified external money management company in order to benefit from portfolio diversification, credit research, full-time portfolio management and economies of scale that are unavailable from Town staff. Any such contract will define and control the risks of the portfolio and establish performance criteria for monitoring and evaluating results.

Upon advice of the contracted, qualified money management company, the Town may invest in corporate stocks, bonds or other debentures subject to limitations in RSA's.

17. EXTERNAL PROFESSIONAL AUDIT

All of the financial activity contemplated under this policy shall be reviewed and audited annually by an independent professional certified public accountant firm licensed to do business in the State of New Hampshire.

18. INVESTMENT POLICY ADOPTION

The Town's investment policy shall be adopted by the Board of Selectmen and the Trustees of the Trust Funds. This policy shall be reviewed on an annual basis by the Board of Selectmen, the Trustees of the Trust Funds, and the Treasurer, and any modifications made thereto must be approved by the Board of Selectmen and the Trustee of the Trust Funds.

Approved this ____ day of _____, 2001

HOLDERNESS

Steve L. Huss

BOARD OF SELECTMEN

Sam L. Laverack

SELECTMEN

Barbara C. Currier

Susan C. Webster

D. Arthur Bartholomew

HOLDERNESS

Maurice LaFreniere

TRUSTEES OF

Anthony J. Raymond

THE TRUST FUNDS

Robert R. Sargeant