

TOWN OF DORCHESTER	POLICY NUMBER FIN - 4	ADOPTED BY SELECT BOARD
Subject: INVESTMENT	Adoption Date: 8/30/2012 Revision Date: 4/24/2014 Effective Date: 4/24/2014	Supersedes: Revision Date: 8/30/2012

4.01 Purpose. This policy is to provide compliance with the provisions of RSA 41:9, VII, which states “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” and to provide the treasurer with guidance based upon the governing bodies investment philosophy.

4.02 Departments Affected –Treasurer and board of selectmen.

4.03 Definitions – See FIN Appendix A1

4.04 Scope – This policy’s scope shall be limited to those funds in the custody of the town treasurer, which presently consist of only the various components of the general fund of the town. The town’s trust and capital reserve funds in the custody of the trustees of trust funds are addressed in FIN – 1.

4.05 Objectives – The town’s financial resources are limited to the extent that the cash reserves of the town are seldom sufficient to meet operating requirements without utilizing a line of credit in the form of a tax anticipation note. At such time as the town has excess cash on hand the town’s investment objective are as follows:

- A. **Safety** – The town shall not accept any credit risk – all funds invested by the treasurer shall be invested in compliance with the provisions of RSA 41:29 and additionally shall be fully insured by the Federal Deposit Insurance corporation. If funds on hand exceed the limits of FDIC coverage at an individual financial institution the treasurer shall move sufficient funds to another institution, CEDARS, and ICS accounts, or seek col-lateralization of those funds in excess of the FDIC limit of coverage. Because of the limited monies invested at any time and the requirements for liquidity discussed below, the town’s exposure to interest rate risk is minimal. Should the town’s financial situation change such that there exists a potential to invest funds in

longer term, higher yield products the treasurer shall do so upon approval of the board of selectmen. The security and preservation of principal will take precedent over the derivation of interest.

- B. Liquidity – Liquidity is paramount to the functioning of the town’s general fund. The general fund is the operating fund of the town and as such monies must be available to meet obligations when they become due and payable. The treasurer shall ensure that funds are available from the general fund operating account to meet the town’s budgeted expenditures in a timely manner. Available deposits exceeding the projected 14 day disbursements from the operating account by more than \$20,000.00 should be transferred to the short term investment account (see FIN 1.04, B) until needed. Only when the treasurer and board of selectmen concur that there are excess deposits that will not be needed to meet town obligations for a definite period of time should fixed term investment be considered. No fixed term investment shall be considered that would put the town at risk of violating the Internal Revenue Service arbitrage regulations as they pertain to the town’s tax exempt borrowing.
- C. Maturities - Investments of the Town shall be limited to instruments maturing within one year at the time of purchase.
- D. Yield – The town’s investments shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account safety and liquidity needs first and balancing yield within specific accounts against administrative expense when determining banking and investment options, bearing in mind the proximity of the town’s banking locations to the location where town clerk is required to deposit state motor vehicle receipts.
- E. Policy Review - Annually, at a public meeting of the board of selectmen convened within the first fifteen days in the month of April the selectmen shall review, revise and re-adopt this policy for the investment of public funds in conformance with the provisions of applicable statutes

4.06 Responsibility – The treasurer is designated as investment officer and is responsible for investment decisions and activities, under the direction of the board of selectmen and consistent with the provisions of RSA 41:29. The treasurer shall act in accordance with the written procedures and internal controls prescribed by the adopted policies of the Town of Dorchester. The investment officer shall be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the actions of subordinate officials.

All participants in the investment process will seek to act responsibly as custodians of the public trust. They will avoid any transaction that might impair public confidence.

The standard of prudence to be used by investment officials will be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investments will be made with judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering primarily safety and then liquidity of capital.

4.07 Implementation – To facilitate conduct in accordance with this policy, a copy of this policy shall be made available to officers, employees, volunteers, board and commissions upon hiring, appointment or election to office and at such other times as may be necessary.