Investment Policy

NHMA
NEW HAMPSHIRE MUNICIPAL ASSOCIATION
EST. 1941

FINANCIAL POLICIES CERTIFICATE SERIES

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1

Governing Statutes

NH State Statutes Online:
https://gencourt.state.nh.us/rsa/html/indexes/default.aspx

- RSA 41:29 Town Treasurer
- RSA 48:16 City Treasurer
- RSA 52:8 Village District Treasurer
- RSA 197:23-a School District Treasurer
- RSA 31:22. Trustees
- RSA 41:9 for Select Board
- RSA 47:6 for City Council or Board of Aldermen
- RSA 197:23-a, IV for School Board

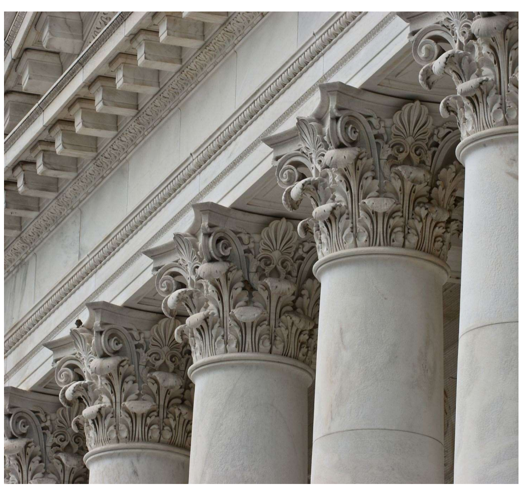
RSA 31:19. Trust Funds
RSA 31:19-a. Trust Funds Created by Town Vote
RSA 31:24. Trustee Expenses
RSA 31:25. Custody; Investment (of Trust Funds)
RSA 31:25-b Prudent Investment Defined
RSA 31:25-d Application of Prudent Investor Rule
RSA 31:27. Collective Investments & the 10% Rule
RSA 31:34. Trust Fund Records
RSA 31:38-a Professional Banking and Brokerage Assistance
RSA 31:39-a Conflict of Interest Ordinances
RSA 32 Municipal Budget Law
RSA 33:8 Municipal Finance Act
RSA 34:1-15 City Capital Reserve Funds
RSA 35:1-18 Town Capital Reserve Funds
RSA 35:9. Investment (of Capital Reserve Funds)
RSA 91-A. Access to Public Records and Meetings
RSA 198:20-c Trust Funds Created for Specific Purposes (School Money)
RSA 564-B:9-901 - 9-906. Uniform Prudent Investor Act
2015 Trustee Handbook NH DOJ, Charitable Trusts Unit

2

Governing Statute

- RSA 41:6 Surety Bond Required to indemnify against losses:
  - Blanket bond or separate fidelity bond
  - Premiums paid by the town
  - DRA administrative rules regarding the amount and form of surety bond.
- RSA 197:22 Treasurer's Bond

"The treasurer shall, before entering upon the duties of such office, give a bond to the district with sufficient sureties, to the acceptance of the school board, for the faithful performance of the treasurer's official duties."



Governing Statute

DRA Administrative Rule

Rev 1903 Surety Bonding of Municipal Officials

- Requirement for bond instruments
- Effective dates
- Cost of the bond
- Table of minimum bond requirements

Treasurers Duties

Overview

- I. Shall have custody
- II. Shall deposit
- III. Shall keep record and report
- IV. **Shall invest**
- V. **Shall request "option" of collateral**
- VI. May delegate
- VII. Shall ensure timely deposits

5

Governing Statute

"…treasurer shall have custody of all moneys…"

- **General Fund**
- Revolving Funds
- Conservation Fund
- Water/Sewer Fund
- Recreation Fund
- Land Use Boards:
- Planning
  - Zoning
  - Historic

- Capital Projects Fund
- Special Revenue Funds
- Heritage Commission
- Performance Escrow
- Forfeiture/Seizure Funds

6

Governing Statute

…**except** those held by the Trustees of Trust Funds, Library Trustees or Cemetery Trustees.

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7

Governing Statute
"The treasurer shall deposit …"

N.H. REV. STAT. § 6:8 I-a, allows a bank chartered under the laws of another state to be eligible to accept deposits of public funds-there are conditions that need to be satisfied with the State of NH.

Federally insured banks chartered under the laws of NH.

Federally insured banks chartered under the federal government, with a branch in NH RSA 384:60, II, or

Federally insured banks **outside** the state **only** if pledged collateral is delivered to a 3rd party custodial bank or to the Federal Reserve Bank:

- US government obligations
- US government agency obligations
- Obligations of the State of NH.

Participation units of the NH Public Deposit Investment Pool (NHPDIP)

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8

To confirm that a particular financial institution meets the statutory requirements of being both federally insured **and** either state or federally chartered with a branch in NH:

Go to **banks.data.fdic.gov/bankfind-suite**. Click on Find Institutions by Name & Location. Enter the name of the bank and "New Hampshire". When the bank comes up, View Details. The Bank Charter Class shows if it is national or state? If state, then…

Go to banking.nh.gov/banks-credit-unions. Click on "List of State Chartered banks and credit unions". It will download a list of banks and credit unions with a NH charter.

9

Governing Statute

RSA 41:9 for Select Board

RSA 47:6 for City Council or Board of Aldermen

RSA 197:23-a, IV for School Board

"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/mayor and aldermen/city council…"

"…shall, with the approval of the school board invest the same…"

"…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."

10

Key Considerations

- How does your investment policy define "excess funds not immediately needed for expenditure"?

Implied - Duty of Cooperation

- The Treasurer shall use the annually adopted investment policy as a guide for investments.
- While the Trustees develop their own policy, it is important that they understand the timing of use of funds to ensure they are liquid and available.

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11

11

Authorized Investments

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
- NH Public Deposit Investment Pool (NHPDIP)

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12

Governing Statute

Obligations carrying the full faith and credit of 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
  - *Source: EOG Investing*

13

Authorized Investments

Interest-bearing deposit in federally insured financial institutions if certain conditions are met:

N.H. REV. STAT. § 48:16.VI permits city treasurers to invest public funds in interest-bearing deposits that meet certain requirements :

"The funds are initially invested through a federally insured bank authorized to accept deposits under RSA 6:8, I and I-a, selected by the treasurer."

14

Security of Public Funds

RSA for Town/City Treasurers "*… shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an* ***option*** *to have such funds secured by collateral having a value at least equal to the amount of such funds."*

RSA School Treasurer "*…Any person who directly or indirectly* ***receives*** *any such funds for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds."*

Such collateral shall be ***segregated*** *for the exclusive benefit of the town/city/school district.*

Securities appropriate for collateralization of public funds: *"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."*

15

Security of Public Funds

Deposit Insurance for Accounts Held by Government Depositors

FDIC insurance coverage for government accounts is currently $250,000 per *official custodian* **not** per account.

All time and saving deposits held by the same official custodian (i.e. Treasurer) are added together and insured up to $250,000.

All demand deposits held by the same official custodian are also added together and insured up to $250,000.

https://www.fdic.gov/deposit/deposits/factsheet.html

16

Security of Public Funds

"Custodial credit risk" is the risk that the government will not be able to recover deposits or investments in the event of the failure of the depository institution.

ANY portion of a deposit not covered by depository insurance (i.e., FDIC limit of $250,000) is exposed to custodial credit risk and must be disclosed in the notes to the audited financial statements.

Deposit Insurance -Electronic Deposit Insurance Estimator (EDIE)

- All the accounts at a given bank
- Official custodian of each account
- Type of account
- Account balance

FDIC Calculator www.fdic.gov

EDIE can be used to calculate the insurance coverage of all types of deposit accounts offered by an FDIC-insured bank, including:

- Checking Accounts
- Savings Accounts (both statement and passbook)
- Money Market Deposit Accounts (MMDAs), and
- Certificates of Deposit (CDs)

EDIE should NOT be used for investments, including:

- Mutual Funds
- Stocks
- Bonds
- Annuities
- Crypto Assets
- ANY investment that is not a deposit

Even if the above investments were purchased from an insured bank.

Ready to go?

USE EDIE NOW!

https://edie.fdic.gov/index.html

19

Note: This bank name will be set for the duration of your session or until you click 'Create a new report.'

https://edie.fdic.gov/calculator.html?

Bank Name: TD Bank

Add first account:
- Personal Account What's This?
- Business Account What's This?
- Government Account What's This?

Government Account

Account Holder What's This?

Official Custodian What's This? — Meets requirements? What's This? Yes / No

Name of Public Unit What's This? — Meets requirements? What's This? Yes / No

Is the bank located in the same state as the Public Unit? What's This? Yes / No

EIN/TIN XX-XXXXXXX What's This?

Account Nickname What's This?

Account Balance What's This?

Deposit Type: Type... What's This?

ADD TO REPORT

Read Your Report

20

Collateralization

Collateralization of public deposits through the pledging of appropriate securities or other instruments (i.e. surety bonds or letters of credit) by depositories is an important safeguard for such deposits.

The amount of pledged collateral is determined by a governmental entity's deposit level and the policy or legally required collateral margin. Some states have established programs for the pooling of collateral for deposit of public funds.

All collateralization agreements between financial institutions and public entities must adhere to state and federal laws, including FDIC regulations.

21

Collateralization

GFOA recommends the use of a written agreement with pledging requirements as protection for state or local government's deposits. https://www.gfoa.org/materials/collateralizing-public-deposits

Exposure to custodial credit risk is minimized by collateralizing deposits, whereby banks pledge assets to secure the deposit amounts in excess of the FDIC insurance coverage.

Some municipalities collateralize more than 100% of the deposit amount regardless of any FDIC insurance provided.

Collateral held in the name of the municipality with a third-party custodial bank or with the banks trust department.

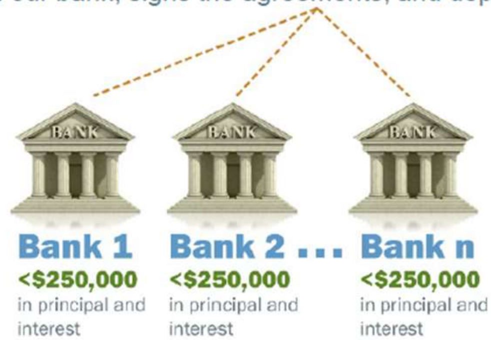
Surety bonds or Irrevocable letter of credit.

22

ICS®, the Insured Cash Sweep® service

An alternative to 3rd party collateralization- IntraFi

Your organization has or sets up a transaction account with our bank, signs the agreements, and deposits funds.



Deposits are sent to demand deposit accounts at other member institutions in amounts under the standard FDIC insurance maximum of $250,000.

23

Security of Public Funds

Perfecting Collateral Agreements

FDIC recognition of assets pledged to a particular municipality or school district is contingent upon the collateral agreement meeting certain requirements:

- In writing,
- Approved by the board of directors of the depository institution or its loan committee, with approval reflected in the minutes,
- Continuously, from the time of its execution, an official record of the depository institution.

If the collateral agreement does not meet the above three criteria, the FDIC may void the security interest, leaving the municipality or school district with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

Board of directors does not need to approve every collateral agreement, but may delegate this responsibility.

Delegated to a particular officer with parameters regarding the type and dollar amount of collateral agreements to which said officer may bind the institution.

The delegation should be in the form of a corporate resolution and be an official record.

24

Security of Public Funds

Recommended Steps to Secure Public Funds

- Municipalities and School Districts, **not the banks**, are responsible for insuring the safety of all public funds under their control.
- Determine the FDIC insurance amount on deposits, and secure collateral agreements for funds exceeding that coverage.
- Secure collateral agreements on depository investments.
- Obtain a copy of the minutes of the board or loan committee meeting, or the delegation resolution (stating the specific person, type of agreement and dollar amount).

Security of Public Funds

Financial Institution

Deposits:

- If accounts are in
  - federally insured state chartered bank or
  - federally insured federal chartered bank in NH
- Then FDIC insurance $250,000
- Should have collateral agreement for deposit balances > FDIC insurance limit.
- Steps to perfect the agreement.

Investments:

- If investments are in deposits of federally insured state chartered bank or federally insured federal chartered bank in NH
  - Money market accounts
  - Certificates of deposits
  - Repurchase agreements
  - Other interest-bearing accounts
- FDIC Insurance?
- Should your consider having collateral agreement for full amount of investment not insured.
- Steps to perfect the agreement.

Internal Controls

Segregation of Duties

Security Issues

Documented Procedures

27

Implementing Control Activities

Policies (what should be done) and procedures (how it should be done) designed to ensure that the objectives (protect assets, effectiveness/efficiency, accurate records, and compliance) are achieved.

Authorizations – in writing, in advance, by specific individual(s), documentation (audit trail).

Properly designed records – sequential numbering, automatic duplicates, info for multiple purposes, avoid unnecessary info.

Security of assets and records – controlled access, physical security, keep confidential records separate from non-confidential records, computer backup, disaster recovery.

28

Internal Controls

Security

- Treasurer's records
- Cash and checks held overnight
- Signature stamp
- Check stock

Document Procedures

- Investment policy
- Deposit/Investment procedures
- Expenditure authorization and process
- Reconciliation procedures

Internal Controls

Town Treasurer - RSA 41:29, VI

- ❑May delegate deposit, investment, recordkeeping or reconciliation functions to other town officials or employees provided the delegation is:
  - ❑In writing
  - ❑Includes written procedures acceptable to the Board of Selectmen and others involved
  - ❑Bonded employee
- ❑A delegation **does not** eliminate the Treasurer's responsibility to comply with all statutory duties!
- ❑Not applicable to School Treasurers

Investment and Cash Management Policy & Procedures

- Investment guidelines
- Purchasing Policy & Competitive bidding process
- Cash Receipts & Cash Handling
- Cash flow projections

31

- Objectives
- Funds Involved
- Prudence and Ethical Standards
- Authorized Financial Institutions
- Authorized Investments
- Diversification Requirements
- Collateral Requirements
- Written Procedures
- Reporting Requirements
- Annual Review and Adoption

Investment Policy Guidelines

32

Policy Example- Objectives

The primary objectives, in priority order, of investment activities shall be safety (ie. risk rating), liquidity, and income and maturity. It is recognized that income is a product of yield to maturity, therefore; fixed income securities may be purchased either at a discount to minimize initial cash outlay and take advantage of capital appreciation, or at a premium to optimize cash flow when conditions warrant.

OBJECTIVES:

Safety of principal is the foremost objective of the Trustees in managing the trust funds. They shall seek to minimize capital loss, whether from defaults or market value erosion. A secondary objective shall be to maximize the income from investments for the benefit of the recipients of the trust fund income. Funds in the care of the Trustees shall be invested in accordance with the definition of the Prudent Man rule as delineated in R.S.A. 31:25-b whereby "a prudent investment is one which a prudent man would purchase for his own portfolio having primarily in view the preservation of the principal and the amount and regularity of income to be derived therefrom".

Policy Example- Objectives

This policy applies to the investment of short-term operating funds under the supervision of the Treasurer. Longer-term funds, including investments of employees' investment retirement funds and proceeds from certain bond issues, as well as funds belonging to the Bedford Public Library and Trust Funds (as required by RSA 31:25) are covered by a separate investment policy.

1. **Pooling of Funds** Except for cash in certain restricted and special funds, the Town will consolidate cash balances from all funds, when it is advantageous, to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Investment Objectives

✓**Safety**: Preservation of principle should be the foremost objective. Mitigate custodial credit risk, which is the risk of loss due to the failure of the security issuer.

✓**Liquidity**: Sufficient to meet all operating requirements that may be reasonably anticipated.

✓**Yield**: Return on investment is of tertiary importance compared to safety and liquidity objectives.

Policy Sample Language

1. **Safety**: Safety of the principal is the foremost objective of the Town's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. **Credit Risk** The Town will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Town will do business
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Policy Sample Language

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2. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools (NHPDIP), which offer same-day liquidity for short-term funds.

37

37

Policy Sample Language

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3. Income/Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

38

38

Investment Policy- Scope

- 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.

Identify funds covered by the policy, which should be all the funds in the custody of the Treasurer.

Trustees of Trust Funds have different statutory provisions.

- Trustees of Trust Funds should adopt their own investment policy separate from the policy adopted for the Treasurer.
  - Special statutory provisions for Trustees of Trust Funds

This is a general investment policy statement that applies to those transactions and related activities of the trust fund financial assets of the town supervised by the Trustees of the Trust Funds. Assets in Trust Funds included are:

1) General Trust Funds – Nonexpendable funds
2) Capital Reserves – Expendable funds

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39

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Investment Policy

Prudence and Ethical Standards: *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.*

The Treasurer, acting in accordance with written policies and procedures, shall exercise due diligence in managing the investment portfolio. The standard of prudence to be used shall be the **"prudent person"** standard.

Sample:

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.

40

Investment Policy

Conflict of Interest

Investment officials shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair the ability to make impartial decisions. They shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

RSA 95:1: No person holding a public office, as such, in state or any political subdivision governmental service shall, by contract or otherwise, except by open competitive bidding, buy real estate, sell or buy goods, commodities, or other personal property of a value in excess of **$200** at any one sale to or from the state or political subdivision under which he holds his public office.

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41

Key Considerations

- How does your investment policy define "excess funds not immediately needed for expenditure"?

Implied - Duty of Cooperation

- The Treasurer shall use the annually adopted investment policy as a guide for investments.

- While the Trustees develop their own policy, it is important that they understand the timing of use of funds to ensure they are liquid and available.

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42

42

Investment Policy

Authorized Financial Institutions:

State in the policy which institutions are authorized depositories, or

Identify the criteria and procedures for depository selection for both banking services and investment

- Periodic bids for bank services
- Prequalification for investments
- Specifically state in the investment

Which investments are authorized.

43

Investment Policy

Diversification Requirements:

Avoid an over-concentration of assets in a specific maturity, issuer or class of securities.

Maturity Examples:	Amount of Portfolio:
Under 1 year	100% Minimum
Under 180 Days	50% Minimum
Under 90 Days	30% Minimum
Under 30 days	10% Minimum

44

Investment Policy

Diversification by Instrument:	Amount of Portfolio:
Overnight Investments………..	100% Maximum
US Treasury Obligations……….	50% Maximum
NHPDIP……..………………....	30% Maximum
Certificates of Deposit………....	10% Maximum

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45

Investment Policy-Diversification

Limit the amount that may be invested with any one institution. For example:

"No more than 75% of the total investment portfolio shall be invested with any one institution."

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46

Investment Policy-Collateral Requirements (Example):

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:

1. be in writing;
2. be approved by the Board of Directors of the depository or its loan committee; and
3. be, continuously from the time of its execution, an official record of the depository institution.

Investment Policy

Written Procures:

- Include within the policy
- Include as an appendix to the policy or
- Reference a separate "Treasurer's Procedures Manual" or "Financial Procedures Manual"

Investment Policy

Reporting Requirements:

Frequency – Monthly, Quarterly, Yearly

Information to be included

Annual Review and Adoption by Governing Body- Required by Law!

Investment Policy

Trustees of Trust Funds – RSA 31:25 Investments

- Deposits in any federally or state chartered bank or association authorized to engage in a banking business in this state;
- Deposits in any credit union in this state;
- State, county, town, city, school district, water or sewer district bonds and the notes of towns or cities in this state;
- Stocks and bonds as are legal for investment by any bank or association chartered by this state to engage in a banking business;
- New Hampshire Public Deposit Investment Pool (NHPDIP);
- Obligations with principal and interest fully guaranteed by the U.S. government; and
- Shares of mutual funds if registered with the Securities and Exchange Commission, qualified for sale in the State of New Hampshire in accordance with the uniform securities act of the New Hampshire Secretary of State's office, and which have in their prospectus a stated investment policy that is consistent with the investment policy adopted by the trustees of trust funds.

Investment Policy

Trustees of Trust Funds – Ethical Standard

Prudent person rule RSA 31:25-b: " *prudent investment is one which a prudent man would purchase for his own investment having primarily in view the preservation of the principal and the amount and regularity of the income to be derived therefrom."*

Prudent investor rule RSA 31:25-d if

- *"Notify the attorney general in writing of their decision to invest according to the prudent investor rule; and*
- *Hire or employ the trust department of a bank or a brokerage firm to provide advice and assistance as authorized under RSA 31:38-a, III."*

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51

Investment Policy- Diversification Trustees of Trust Funds

RSA 31:27 – diversification requirement: ***"…not more than $10,000, or more than 10% of the fund whichever is greater, …of the common trust funds shall be invested under RSA 31:25 in the obligations of any one corporation or organization…",*** with several exceptions listed.

Investment policy and audit filed with the NH Department of Justice

DRA Rev 1707.05 & .06 Forms MS-9 and MS-10 - reporting requirements

To report to the municipality, NH Department of Justice and the NH Department of Revenue Administration

Due March 1 if December 31 year-end or September 1 if June 30 year-end.

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52

DON'T FORGET- REVENUE POLICY- CAN'T INVEST CASH YOU DON'T HAVE!

CASH RECEIPTS POLICY

•The GFOA recommends that municipalities include cash receipts controls as part of its revenue policy statement. The purpose of this policy is to establish internal controls and sufficient management practices for the collections of cash, checks, electronic payments and other receipts.

- A lack of proper controls over revenues may negatively affect the determination of budgeting, forecasting, reconciliations, and general oversight over the various revenues collected.

A cash receipts policy should address:

- *"Segregation of duties"*
- *"Regular deposit procedures"*
- *"Petty cash procedures"*
- *"Returned check procedures"*

•Cited source: https://www.nhmunicipal.org/financial-services/financial-policies

Cashflow Analysis

Estimate available cash deposits, expected inflows, and required disbursements during a given period so they can ensure sufficient liquidity.

Common inflows include tax receipts, bond proceeds, utility payments, grants, other revenue from fees and penalties, and maturities of all securities held in investments that will mature during the forecast time frame.

Outflows represent anticipated payments such as debt service, employee payroll or benefits, and payments to vendors for goods and services anticipated during the forecast time frame.

Identify — Identify periods when there may be excess funds available for investment,

Maximize — Help structure the investment portfolio so that securities mature concurrently with cash needs to meet anticipated demands, and

Anticipate — Anticipate periods when short-term borrowing may be needed.

Cashflow Analysis

Weekly, Biweekly or Monthly

Major Revenues and Expenditures:

- Property taxes
- State revenues
- Motor vehicle registrations
- School/County payments
- Bond premiums and payments
- Payroll
- Accounts Payable
- Other significant expenditures

55

Cashflow Analysis

RSA 198:5 - "***The selectmen…shall assess…a sum sufficient to meet the obligations…as may be voted by the district, and shall pay the same over to the district treasurer as the school board shall require for the maintenance of schools.***"

RSA 29:11 – The County Treasurer *"shall issue a warrant to the selectmen…requiring them to assess, collect and pay…their just portion of all taxes granted by the county convention…with interest at 10% a year from December 17 upon all taxes not then paid…"*

56

Cashflow Analysis

RSA 52:16 Payments to Village Districts

Annual budget < $200,000, then payment due by 12/31

Annual budget > $200,000, then payment due monthly by the end of the following month, including interest earned on the funds

Exception: *“…**unless otherwise agreed to in writing by the town and the district treasurers.**”*

57

Cashflow Analysis - TANs

- Must be authorized by the Legislative Body (i.e. Town Meeting)
- Authorized indefinitely until rescinded – have documentation of the vote!
- TAN borrowing must be no longer than one year.
- DRA 1707.07 Form MS-50, Treasurer’s Report
  - List of information reported to DRA regarding issuances of tax anticipation notes or bond anticipation note.
  - To be filed with DRA “… upon borrowing by the municipalities treasurer…”

RSA 33:7 Tax Anticipation Notes

58

Fraud: Internal and External Threats

Prevent and protect against Fraud

The single most important step that can be taken to prevent fraud is for management to establish and maintain an effective internal control structure!

- Authorization controls
- Record controls
- Security controls
- Segregate duties
- Personnel policies
- Reconciliation
- Verification
- Analytic review

Removal From Office

RSA 41:29, VII Timely Deposit of Funds

"All money remitted shall be deposited at least on a weekly basis, or daily when funds remitted from all departments collectively totals $1,500 or more."

Deposit function may be delegated

If there is no bank within the municipality, then deposits shall be made on a weekly basis, or more frequently as directed by the Board of Selectmen in the investment policy.

Removal from Office

- Why does one elected body (Board of Selectmen)
- have authority to remove another elected officer
- (Treasurer) from office?
- **Because the buck stops with them!**
- **RSA 41:9 *"The selectmen shall be responsible for***
- ***establishing and maintaining appropriate internal***
- ***control procedures to ensure the safeguarding of***
- ***all town assets and properties."***

Governing Statutes

NH State Statutes Online:
https://gencourt.state.nh.us/rsa/html/indexes/default.aspx

- **RSA 41:29 Town Treasurer**
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- RSA 197:23-a, IV for School Board

RSA 31:19. Trust Funds
RSA 31:19-a. Trust Funds Created by Town Vote
RSA 31:24. Trustee Expenses
RSA 31:25. Custody; Investment (of Trust Funds)
RSA 31:25-b Prudent Investment Defined
RSA 31:25-d Application of Prudent Investor Rule
RSA 31:27. Collective Investments & the 10% Rule
RSA 31:34. Trust Fund Records
RSA 31:38-a Professional Banking and Brokerage Assistance
RSA 31:39-a Conflict of Interest Ordinances
RSA 32 Municipal Budget Law
RSA 33:8 Municipal Finance Act
RSA 34:1-15 City Capital Reserve Funds
RSA 35:1-18 Town Capital Reserve Funds
RSA 35:9. Investment (of Capital Reserve Funds)
RSA 91-A. Access to Public Records and Meetings
RSA 198:20-c Trust Funds Created for Specific Purposes (School Money)
RSA 564-B:9-901 - 9-906. Uniform Prudent Investor Act
2015 Trustee Handbook NH DOJ, Charitable Trusts Unit

Governing Statutes

NH State Statutes Online:

https://gencourt.state.nh.us/rsa/html/indexes/default.aspx

- **RSA 31:5 Trustee of Trust Funds Custody; Investment.**
- **RSA 31:25-d Application of Prudent Investor Rule.**
- **RSA 31:27 Collective Investments.**
- **RSA 31:3-8-a Professional Banking and Brokerage Assistance**
- **RSA 33:7 Tax Anticipation Notes.**
- **RSA 33:12 Register of Bonds and Notes.**
- **RSA41:6 Surety Bond.**
- **RSA 41:9 Selectmen Financial Duties.**
- **RSA 41:12 Removal of Collector, Clerk, or Treasurer.**
- **RSA 41:26-d Removal of Elected Treasurer.**
- **RSA41-29 Towns.**
- **RSA 386:57 Security for Certain Deposits of Public Funds.**
- **RSA 41:29-a Deputy Town Treasurer.**
- **RSA 47:6 City Council Financial Duties.**
- **RSA 48:16 City Treasurer.**
- **RSA 52:8 Village District Treasurer.**
- **RSA 52:16 Village district Taxation Procedure.**
- **RSA 80:56 Uncollectible Checks.**
- **RSA 197:22 School Treasurer Bond.**
- **RSA 197:23-a School Treasurer.**
- **RSA 197:24 Acting School Treasurer.**
- **RSA 197:24-a Deputy School Treasurer.**
- **RSA 669:7 Incompatibility of Offices.**
- **RSA 29:11 Payment to Counties.**

63

Resources

- **NH Revised Statutes Annotated (RSA)**
- **Administrative Rules**
- **Article from *Town & City* magazine**
- **GFOA Recommended Practices**
- **FDIC Regulations**
- **NCUA Regulations**
- **Websites:**
  - Government Finance Officers Association (GFOA)
  - NH Government Finance Officers Association (NHGFOA)
  - NH Department of Revenue Administration (DRA)
  - NH Bank Commission
  - Federal Deposit Insurance Corporation (FDIC)
  - New Hampshire Municipal Association (NHMA)
  - NH Public Deposit Investment Pool (NHPDIP)

64