TOWN OF AUBURN INVESTMENT POLICY

I. PREFACE

The investment policy establishes a framework for the safe and prudent investment of public funds for the Town of Auburn and satisfies the requirements of the Revised Statutes Annotated, of the State of New Hampshire (RSA) 41:29. The Selectmen shall adopt this investment policy annually in accordance with RSA 41:9, VII.

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 Treasurer of the Town of Auburn, New Hampshire. These funds are accounted for in the Town's annual audited financial reports and include the following:

a) General Fund
b) Special Revenue Funds
c) Capital Project Funds
g) Any new funds created by the Town 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

The investment policy objectives are stated below:

- To ensure the preservation of capital and the protection of investment principal;
- To maintain sufficient liquidity to meet operating requirements;
- To satisfy all legal requirements;
- To seek market-average rate of return on investments taking into account risk and legal constraints and cash flow considerations.

IV. DELEGATION OF AUTHORITY

In accordance with chapter RSA 41:29, the responsibility for conducting investment transactions resides with the Town Treasurer, with the approval of the Board of Selectman. No person may engage in investment transactions except as provided under the terms of this policy and the internal procedures and controls hereby established.

V. DEPOSITS

All depository accounts of the Town must be held in the name of the Town. All income payable to the Town and all revenue received by the Town shall be forwarded to the Town Treasurer.

Funds required for weekly operating expenses will be kept in a General Fund checking account. Excess funds can be invested, keeping in mind that the excess funds must be accessible within a reasonable amount of time to meet operating expenses and be invested in accordance with RSA 41:29 subparagraph II which states:

> "The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that 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: (a) United States government obligations; (b) United States government agency obligations; or (c) Obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case."

VI. INVESTMENT INSTRUMENTS

Whenever the Town Treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the Town Treasurer may invest the same in the public deposit investment pool established pursuant to RSA 383:22, or in deposits, including money market accounts, or certificates of deposit, or repurchase agreements, and all other types of interest bearing accounts, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in 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 and repurchase agreements fully collateralized by such obligations.

VII. PRUDENCE

The investment policy shall be managed in accordance with the Prudent Man or Prudent Person rule established by the State of New Hampshire. The definition of prudence is based on RSA 31:25-b as follows:

"A 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."

This standard requires, among other things, the following:

a) The Town Treasurer or any other person 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.

b) The Treasurer or any other person involved in the investment process shall disclose to the Selectmen 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.

c) 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.

VIII. INTERNAL CONTROLS

The internal controls for the Town of Auburn 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 employees and officers of the Town.

IX. INDEMNIFICATION

The Town Treasurer shall be indemnified by the Town of Auburn in accordance with RSA 41:6 "Such indemnification shall be bonded under a blanket bond from a surety company authorized to do business in this state. The bond shall indemnify against losses through 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 fraudulent or dishonest acts committed by the covered officers."

X. SAFEKEEPING AND COLLATERALIZATION

In accordance with RSA 41:29 V, the Town 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 over the FDIC limits. 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.

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. has been, continuously, from the time of its execution, an official record of the depository institution.

XI. ACCOUNTING

All cash bank balances will be reconciled monthly by the Treasurer and reported to the Finance Director on a monthly basis.

XII. REPORTING

A yearend report, including the balances for each account, shall be provided to the Selectmen within 30 days of the yearend.

XIII. PERFORMANCE EVALUATION

The Treasurer 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.

XIV. OTHER

This policy shall be reviewed annually by the Selectmen, or its designee, with changes made as warranted, followed by re-adoption by the governing body. The Treasurer reserves the right, to implement changes to this policy if it is deemed in the Town's best interest. Any such modifications to the policy shall be provided to the Selectmen for approval at the next available public session. This policy is available for public review and inspection.

XV. POLICY APPROVAL/ADMENDMENTS

The Selectmen approved adoption of the Town of Auburn Investment Policy at their meeting on October 12, 2015.

Effective Date:

This policy shall take effect upon adoption.

James F. Headd

Richard W. Eaton

Dale W. Phillips

AUBURN BOARD OF SELECTMEN

Received and recorded this 14 day of October, 2015

Joanne T. Linxweiler, Town Clerk