

## 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 and appointed officials as well as staff in the daily conduct of investing activity, in addition to improving consistency, creating and defining accountability, and ensuring that laws are followed. This policy is implemented in accord with the provisions of RSA197:23-a and is to ensure the investment of public funds in the custody and control of the Londonderry School District officials is in accord with the State of New Hampshire Statutes.

### II. SCOPE

This investment policy applies to all financial assets in the custody of the School District Treasurer of the Londonderry School District, Londonderry, New Hampshire and all transactions involving those assets. These funds are accounted for in the District's annual audited financial reports and include, but are not limited to, the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Any new funds created by the District, unless specifically exempted by the governing body, in accordance with law

### III. OBJECTIVES

The investment policy objectives are stated below:

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 a competitive rate of return on investments taking into account risk and legal constraints and cash flow considerations;
5. To ensure full transparency of investment strategies, transactions and results.
  - a. Safety – Safety of principal is our policy's foremost objective. Safety is achieved through adherence to the list of permitted investments which are backed by the full faith and credit of, or a guarantee of principal and interest by, the U.S. Government.
  - b. Liquidity - All investments must remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. All investments must be capable of being liquidated on a one day notice. Therefore, no investment may be made which imposes a longer notice period for redemption or which are not readily marketable.

- c. Maturity - Investments should be scheduled to mature when funds are needed. Sale of securities prior to maturity should be avoided due to the inherent risk. Investments shall be limited to securities maturing in periods up to one year, or lesser period, that coincides with expected disbursements by the District.
- d. Amount - The best or most appropriate type of investment depends to some degree upon the amount available for investment, as certain investments require a large initial investment amount.
- e. Administrative Cost - In choosing an investment, the District must consider the administrative work involved, particularly with regard to investments of short duration. Substantial amounts can be invested for periods as short as one or two days. However, the administrative costs with small amounts may be greater than the return on investments, thus, would not be justified as cost effective. Administrative costs will be higher with more frequent turnover of investments and must be taken into account together with the yield and term in determining the optimum investment strategy.

**IV. Authority**

Under the general direction of the Treasurer, management responsibility for the Investment Program is hereby delegated to the Business Administrator for the operation of the Investment Program, consistent with this Investment Policy. The Treasurer and the Business Administrator are Investment Officers.

**V. Prudence**

- 1. The standard of prudence to be used by investment officers shall be the “prudent person rule” and shall be applied in the context of managing an overall portfolio. 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.
- 2. Investment officers shall be indemnified under RSA 31:105.

**VI. Ethics and Conflict of Interest**

- 1. Officers and employees 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.
- 2. Employees and investment officials shall disclose to the Superintendent any material financial interests in financial institutions that conduct business within the District and they shall further disclose any personal financial investment positions that could be related to the performance of the District portfolio.
- 3. Employees and officers shall subordinate their personal investment transactions to those of this District, particularly with regard to the timing of purchases and sales.

## **VII. Internal Controls**

1. The Business Administrator shall establish a system of internal controls, which shall be documented in writing.
2. The internal controls shall be reviewed by the Business Administrator, Treasurer, and the independent auditor, and approved School Board.
3. The controls shall be designed to prevent loss through fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the District.

## **VIII. Reporting**

1. The Business Administrator shall include with the quarterly financial report a summary of investment activities.
2. Each quarterly report shall indicate any areas of policy concern [if any] and suggested or planned revision of investment strategies.
3. Any areas of concern shall be communicated to the independent auditor.

## **IX. The following investments will be permitted by this policy and are those defined by state and local law where applicable:**

Notwithstanding anything else to the contrary contained herein all funds of the District must at all times be invested in accordance with RSA 197:23-a. Preferred investment options are:

1. U.S. Treasury securities maturing in less than one (1) year.
2. Fully insured or collateralized Certificates of Deposits with federally insured banks incorporated under the laws of the State of New Hampshire or the federal government with a branch within the State and in obligations fully guaranteed as to the principal and interest of the United States government.
3. Fully insured or collateralized certificates of deposit at commercial banks of the State of New Hampshire, New England and State of New York if such banks pledge and deliver to a third-party custodial bank or the Federal Reserve Bank collateral security for the deposits.
4. Repurchase agreements fully collateralized by U.S. Treasury Securities and/or agencies.
5. U.S. Securities directly backed and guaranteed by the U.S. Government.
6. State of New Hampshire approved municipal investment pool.
7. Any other state approved pool or instrument.

## **X. Depositories and Dealers**

1. Depositories shall be selected under the general guidance of the Districts purchasing policy. Periodic review of cash management services is suggested, however if a significant event occurs or the environment of banking services in the State change significantly, a formal request for proposal may be necessary.
  - a. In selecting depositories, the credit worthiness of institutions shall be considered, including the current capital ratios of the institution.
  - b. RFP's for all investment transactions shall be in writing.

## **XI. Collateralization of Deposits**

1. The District shall require their depositories to continuously and fully (100%) secure all deposits regardless of type (i.e. regular savings, checking, etc.) that are in excess of the \$100,000 insured amount. NOTE: Temporary increase of insurance coverage: Through December 31, 2013, the FDIC will protect all deposits up to \$250,000 limit under its ordinary deposit insurance rules. This may be accomplished by the pledging or setting aside collateral of identifiable U.S. Government securities as prescribed by the District.
2. The District has possession of the securities (or the District will take possession of the securities) or an independent custodian (or an independent third party) holds the securities on behalf of the District as a bailee (evidenced by safe keeping receipt and written bailment for wire contract) and will be maintained for the full term of the deposit.
3. Such securities shall be owned by the depository and the manner of collateralization shall provide the District with continuing perfected security interest for the full term of the deposit in the collateral in accordance with applicable laws and Federal regulations.

## **XII. Maturities**

Investments of the District shall be limited to instruments maturing within one year at the time of purchase.

## **XIII. Diversification**

1. It is the policy of the District to diversify its investment portfolio to eliminate the risk of loss from over concentration in a specific security.
2. Diversification strategies shall be determined and revised periodically by the Business Administrator and reviewed by the District Treasurer.

## **XIV. Risks**

The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary loss of liquidity.

1. Portfolio diversification is to be employed in such a way as to control risk.

2. The Business Administrator is expected to display prudence in the selection of securities in such way as to minimize default risk.
3. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the specific issuer.
4. The Business Administrator shall review and, if appropriate, proceed to liquidate securities having comparable credit risks.

**XV. Safekeeping and Custody**

1. To protect against potential fraud and embezzlement, the assets of the District shall be secured through third-party custody and safekeeping procedures.
2. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping.
3. Safekeeping procedures shall be reviewed annually by the independent auditor. The independent auditor shall conduct periodic surprise audits of safekeeping and custodial systems.

**XVI. Annual Review**

This policy is to be reviewed and adopted annually by the School Board.

**POLICY APPROVAL/AMENDMENTS**

The Londonderry School Board approved adoption of the Londonderry School District Investment Policy at its meeting held on Tuesday, May 25, 2010.

*Statutory References*

*RSA 197:23-a, Treasurer's Duties*

*RSA 31:105, Liability for Damages Limited, Indemnification, Insurance*

**LONDONDERRY SCHOOL BOARD**

Adopted: May 25, 2010