

Trustees of the Trust Funds Pelham, New Hampshire

Internal Control Policy

Requirements

The purpose of this policy is to document the requirements for the Board of Trustees in maintaining internal control to prevent embezzlement or other misappropriations of any trust, capital reserve or other non-capital reserve funds entrusted to their control.

Fiduciary Responsibility

Duty of Loyalty

Trustees of the Trust Funds shall always act in the best interest of the trusts held in their custody. Unless the trust instrument specifies otherwise, no one shall override the Trustees' decision-making power in the administration of these funds.

Duty of Care

Trustees of the Trust Funds shall take the due diligence necessary to monitor the management and investment of the trust funds. They shall ensure that decisions made are in the trust's best interests.

Duty to Manage

Trustees of the Trust Funds shall have the duty to manage and administer the trusts in accordance with the directives of the donor, to establish investment policies, to exercise due diligence, and to act within the scope of authority as stated in the NH Revised Statutes Annotated.

Classification of Trust Funds

For ease of discussion, trust funds in the Town of Pelham are classified as follows:

Capital Reserve Funds:

Funds established by the legislative body through approval of warrant articles for the purpose of setting aside monies for the maintenance and operation of the town and future projects.

Trust Funds:

All other funds were established for public purposes. These include, but are not limited to:

- Public Trusts - Funds established by the legislative body through approval of warrant articles for the maintenance and operation the town.
- Private Trusts - Funds established by wills, letters, or cash gifts and using private funds for any public purpose that is not foreign to the town's institution or incompatible with the objects of its organization.

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Non-Capital Reserves:

Funds established by the legislative body through approval of warrant articles for the maintenance and operation, and any other distinctly stated specific public purposes.

Organizational Assignments

In April of each year, the Trustees of the Trust Funds shall meet for an organizational meeting to elect its officers and assign responsibility for the ensuing year.

Officers to be elected shall be a Chairman and a Secretary, whose duties it shall be to keep formal and accurate minutes of all meetings.

The Trustees shall also appoint one of its members as Bookkeeper. The Bookkeeper shall be responsible for maintaining all trust and capital reserve fund records, keeping accurate accounts of all transactions, reconciling accounts on a monthly basis, making deposits and retaining the deposit slip and checkbooks. The Bookkeeper shall be authorized to sign checks issued by the Trustees in those cases where one of the two required signatories are not available, and time is of the essence.

Trustee Records

The Trustees shall maintain a record of all trust, capital reserve, non-capital reserve funds, and other investments in a record book, which shall be open for the inspection of all persons in the town. (RSA 31:34)

The Trustees shall also maintain a record which documents the trust's fund origin and specific provisions applicable to the trust, capital reserve and non-capital reserve funds so they can be administered in accordance the original intent.

The Bookkeeper is responsible for maintaining the books and records for the Trustees.

The checking account reconciliation shall be maintained on file by the trustee bookkeeper for a period of 3 years.

The Trustee minutes of meetings, brokerage reports and bank statements shall be archived for permanent retention. See RSA 33-A: 3-a, CXXXVII.

Investment Policies

The Trustees of the Trust Funds shall formally adopt investment policies for all trust funds, capital reserve, and non-capital reserve funds in their custody. See RSA 32:25 (trust funds) and RSA 35:9 (capital reserve funds). The investment policies shall be reviewed

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and confirmed at least annually. Copies of the investment policies shall be filed with the attorney general.

The Trustees of the Trust Funds shall be responsible for the preparation of the investment policies and conduct a formal vote on their approval.

The Chairman shall coordinate the execution of the investment policies with the organizations for which the trust fund or capital reserve is being managed.

Checking Account

The Trustees shall maintain a checking account in the name of the Trustees of the Trust Funds, which may be a non-interest-bearing checking account. The checking account is to be used principally to disperse and/or deposit authorized funds from and into the Investment Portfolio and specifically the intended Trust or Capital Reserve Fund therein. The Checking account is not expected to maintain a balance.

The checking account shall allow three trustee signatories. Two trustee signatures are required on all checks issued.

Physical custody of the checkbook will reside with the assigned bookkeeper who does exercise signatory authority on the checking account in those cases where one of the two required signatories are not available, and time is of the essence.

The bookkeeper shall bring the checkbook to each Trustee of the Trust Funds meeting.

Checking Account Registers and Reconciliations

The bookkeeper shall be responsible for establishing checking account electronic or manual registers which will accurately record all cash receipts, cash and check deposits, and all withdrawals, transfers and accrued interest. The established registers shall be in sufficient detail to enable an independent auditor to ascertain the source, payee, purpose and amount of each transaction within those accounts.

The bookkeeper shall receive the checking account monthly bank statements. The bookkeeper shall promptly reconcile the checking account monthly bank statements.

Investment Account

The Trustees may elect to manage and invest privately donated funds in accordance with the prudent investor rule under RSA 564-B:9-901-RSA 564-B:9-906 without regard to the investment limitations of RSA 31:25 and RSA 31-25-a. If the prudent investor rule is chosen the Trustees are then required to notify the NH attorney general in writing,

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and to hire the trust department of a bank or brokerage firm to provide investment advice and assistance under RSA 31:38-a, III.

Transfer of Funds

Receipts, disbursements and transfers of monies for all trust and capital reserve funds shall be transacted as follows:

Receipts

All monies received shall be deposited in the checking account using a banking institution provided deposit slip. The original copy of the deposit receipt shall be filed in the checking account file as an audit trail.

The Bookkeeper shall then prepare and transmit electronically to the banking institution holding the checking account a directive which identifies the account or sub-account to which each deposit or element thereof must be applied. The electronic directive is to be retained for record as part of the checking account file.

Disbursements

The Trustees shall ensure that statutory requirements are met prior to releasing any funds. In accordance with RSA 31:22, each request for disbursement of funds shall be formalized with a signed written voucher which identifies the trust, capital reserve or non-capital reserve from which the funds are requested, the purpose for the request, the name and authority of the individual(s) making the request and the date the funds will be required. The provision of this data will enable the Trustees to meet their fiduciary responsibility to verify the appropriateness of all such requests.

Upon verification the request for payment complies with the disbursement requirements of the Trust or Capital Reserve Fund, the Bookkeeper shall draft a check payable to the requesting party. Two authorized trustee signatories shall sign the check. When expedience necessitates timely issuance of the Check(s) and a Trustee Meeting is not imminent, a data package will be included with the check(s) for the signing trustees' review and verification. The Bookkeeper shall then deliver or mail the check to the entity entitled to the disbursement.

A register of any such action shall be maintained by the bookkeeper and provided at the next Trustee Meeting for full Board ratification.

Stock Accounts

The Trustees shall require that all stock and mutual fund accounts be held the name of the Trustees of the Trust Funds, Town of Pelham, NH as well as, the name of the trust

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fund from which monies have been used to purchase the stock or mutual fund. These stocks and mutual funds are to be managed in accordance with the provisions of the investment policy filed yearly with the State Attorney General per RSA 32:25 (trust funds). The Trustees may engage a bank, trust company, brokerage firm, portfolio management department or investment advisor to assist in the management of such trust funds (RSA 31:38-a).

A monthly portfolio or brokerage statement for each such trust account shall be mailed to the Trustees and the Bookkeeper shall be responsible for maintaining, updating and reconciling a master file for all such investments.

The year end MS-9 & 10 summaries for each stock and mutual fund shall be included in this trust stock and mutual fund master file.

The Trustees shall review this file, at least yearly, to measure stock and mutual fund performance and determine the best investment strategy for the next fiscal year.

The Trustees shall request that all stock and mutual fund certificates be retained electronically by the brokerage firm or financial services company responsible for the stock or mutual fund to ensure the certificate's protection, minimize administrative tasks and ensure their immediate availability for sale or redemption.

In the event the Trustees have in their possession original stock or mutual fund certificates, every effort should be made to transfer their custody to the brokerage or financial services firm responsible for the stock or mutual fund. Pending completion of any such action, all certificates in the possession of the Trustees shall be placed under the protection of a safe deposit box, with the Bookkeeper assuming responsibility for oversight.

Minutes of Trustee Meetings

All Trustees meetings shall be conducted in accordance with the provisions of RSA 91-A Right to Know Law. Trustees shall document their meetings, including, but not limited to, names of the Trustees, other persons appearing, and a brief description of the subject matter discussed and final decisions.

Meetings are to be posted 24 hours in advance and will be open to the general public unless declared as a non-public meeting. Non-public meetings are discouraged, but, if required, will be subject to the requirements of RSA 91-A.

Meeting minutes shall be open to public inspection within 120 hours (5 days) of the public meeting.

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Once approved, meeting minutes are to be posted for public record on the Trustee of the Trust Funds web site, which is part of the Town of Pelham Home Page.

Commingling of Accounts

Capital Reserve and Non-Capital Reserve funds shall be kept in a separate master account and may not be intermingled with other funds. See RSA 35:9. A sub-account within the master account is an acceptable separation for capital reserve and non-capital reserve funds.

Common trust funds may be used for the purpose of facilitating investments, providing diversification and obtaining reasonable income.

Accounts Receivable

The Trustees should monitor Town activities, and news articles relative to potential incoming trust, capital reserve or non-capital reserve funds, as well as legislative body approved expenditures or increases to existing funds. Trustees should ensure that these funds are turned over as follows.

For Trust, capital reserve and non-capital reserve funds established or increased using surplus town or school funds, payments are due to the trustees within 10 days of the establishment or approval to increase.

For Trust, capital reserve and non-capital reserve funds established or increased through the raising of taxes, payments are due to the trustees by the end of the fiscal year in which they were approved.

The Chairman of the Trustees shall work closely with the Board of Selectmen and School Board to recommend the acceptance or rejection of prospective trust funds so that the Trustees are not encumbered by unacceptable trust funds.

Petty Cash

The Trustees shall not maintain a petty cash log.

Trustee Expenses

The yearly operating expenses of the Trustees shall be charged as incidental town charges (See RSA 31:24).

The Chairman will be responsible for the preparation of the yearly budget and supporting the Trustee's budget at any public budget review.

Trustees incurring incidental expenses specifically related to their duties as trustees

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shall provide documentation of the expenses to the Trustees of the Trust Funds for approval at the next scheduled meeting. Upon approval of the expenses by a majority vote, the trustee shall be reimbursed by the Town as incidental charges, per RSA 31:24.

Reports

At each meeting of the Trustees, the Bookkeeper shall:

Apprise the Trustees of any trust, capital reserve and non-capital reserve funds which have been opened or closed since the last Trustee's meeting.

Apprise the Trustees of all transactions in the trust, capital and non-capital reserve funds since the last meeting.

Provide a listing of all existing brokerage accounts showing number of stocks and mutual funds on record for each individual trust and the current market value of the stocks and mutual funds, as well as the portfolio value.

The Trustee selected Financial Advisor shall be responsible for preparing the annual MS-9 and MS-10 reports for the Trustees' Review. Upon acceptance, the MS-9 shall then be converted to an Excel CSV file and uploaded to the NH DOJ, Charitable Division website as the required yearly submittal. The Trustees shall sign off on the uploaded CSV submittal at the NH DOJ Website as required thereat.

Responsibilities

The Chairman of the Trustees is responsible for monitoring and enforcing this Internal Control Policy.

Trustees shall report any violation or suspected violation of this Internal Control Policy to the Chairman of the Trustees.

Sanctions

Further violations of these written internal control policies are cause for removal as a trustee, administrative assistant, or coordinator.

Amendment

This policy may be amended at any time by a majority vote of the Trustees.

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Adoption

Adopted by the Trustees of the Trust Funds, Town of Pelham, NH.

Dated: Revision 1 – July 26, 2024

Edmund Gleason, Chairperson

Demetra Bergeron, Secretary

Cindy Ronning, Trustee

Verbally approved at Trustees of the
Trust Fund Meeting held 7/26/24. An
executed document will be provided
after the next scheduled meeting.