

# **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 so as 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 trusts 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 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 established for public purpose. These include, but are not limited to:

Funds established by the legislative body through approval of warrant articles for the maintenance and operation the town.

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

**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 checking books. The Bookkeeper shall not be authorized to sign checks issued by the Trustees, except 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 and, non-capital reserve funds, as well as, stocks and mutual fund in a record book, which shall be open to 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 and concentration account reconciliations 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.

The Trustee's paper records shall be electronically archived for long-term preservation.

**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 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 their 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.

### **Concentration Account**

The Trustees of the Trust Fund shall maintain a bank/credit union savings account (concentration account) in the name of the Trustees which will act as a central depository for all cash associated with each trust , capital reserve or non-capital reserve fund in their possession.

Any such trust, capital reserve and non-capital reserve funds may only be invested in a federal or state-chartered bank or credit union authorized to engage in banking this state,

This concentration account shall be interest bearing, list each trust, capital reserve and non-capital reserve fund separately and assign a specific sub-account identifier to every account.

All funds held in this concentration account shall be subject to the requirements of RSA 31:25 and be secured by collateral having value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town for which the Trustees are depositing the funds.

Only securities defined by the banking commissioner, as provided by rules adopted pursuant to RSA:386-57, shall be eligible to be pledged as collateral.

### **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 authorized funds from the Concentration Account and is not expected to maintain a significant balance.

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

Physical custody of the checkbook will reside with the assigned bookkeeper who does not exercise signatory authority on the checking account except 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.

### **Concentration and Checking Account Registers and Reconciliations**

The bookkeeper shall be responsible for establishing concentration and 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 concentration and checking account monthly bank statements. The bookkeeper shall promptly reconcile the concentration and checking account monthly bank statements. The bookkeeper shall provide copies of the previous month's account activity register and each reconciliation summary to the trustees at the next trustee meeting.

### **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 concentration account using a banking institution provided deposit slip. The original copy of the deposit receipt shall be filed in the concentration account file as an audit trail.

The Bookkeeper shall then prepare and fax to the banking institution holding the concentration account a Transaction Worksheet which identifies the account or sub-account to which each deposit or element thereof must be applied. The Transaction Worksheet is to be retained for record as part of the concentration 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. Provision of this data will enable the Trustees to meet their fiduciary responsibility to verify the appropriateness of all such requests.

Upon verification of the request for payment, the Bookkeeper shall draft a check payable to the receiving entity. The two authorized trustee signatories shall sign the check. The Bookkeeper shall then deliver or mail the check to the entity entitled to the money.

#### **Transfers of Funds**

When it is necessary to transfer funds between the concentration and checking accounts or between sub-accounts within the concentration account, the following procedure shall be used:

The Bookkeeper shall prepare and fax to the banking institution holding the concentration account and the checking account a Transaction Worksheet which

defines the transfer amount and the accounts from which and to which monies are to be transferred.

In requesting transfers between sub-accounts within the concentration account, the Bookkeeper shall prepare and fax to the banking institution holding the accounts, a transaction worksheet which defines the transfer amount and the sub-accounts from which and to which monies are to be transferred.

All such Transaction Worksheets are to be retained for record as part of the concentration account file.

### **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 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 IRS Form 1099 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 144 hours (6 days) of the public meeting.

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 account and may not be intermingled with other funds. See RSA 35:9. A sub-account within the concentration 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.

### **Account 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 to the Trustees 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 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 transaction report detailing concentration account activities, as well as, a list of funds on deposit within the concentration account and their current balances.

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 Bookkeeper shall be responsible for preparing the annual MS-9 and MS-10 reports for the Trustees. The Trustees shall approve and sign the MS-9 and MS-10 reports in time to meet the annual filing deadline of March 1.

A copy of reports required of the Town and of the auditor shall be filed annually with the NH Attorney General, per RSA 31:38.

## **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**

Failure to follow these internal control policies will result in an oral warning. 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.

**Adoption**

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

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