Trustees of Trust Funds, Town of Swanzey, NH
Statement of Internal Controls

REQUIREMENTS:

Swanzey Trust accounts consist of four categories: Capital Reserves and Expendable Trusts for both the Town and Monadnock Regional School District; Common Trust Funds (both Town and MRSD); Town Non-Restricted Funds and MRSD Scholarship Funds; and Town Cemetery Trusts. Capital Reserves and Expendable Trust are publicly raised funds; Common and Cemetery Funds arise from testamentary bequests or gifts; Non-Restricted Funds result from gifts and donations for designated Town and School functions. Common and Cemetery Fund Principal may not be expended unless specifically stipulated in the granting trust.

Trustees of Trust Funds have fiduciary responsibility, summarized by the three duties: 1. Duty of Loyalty: To act in the best interest of the trusts. Unless the trust instrument specifies otherwise, no one can override Trustees' decisions in the administration of these funds. 2. Duty of Care: Trustees shall exercise due diligence in the management and investment of the trust funds. 3. Duty of Obedience: Trustees shall have the duty to administer trusts in accordance with directives of the donor, to establish investment policies, to exercise due diligence, and to act within the scope of authority set out in NH Statutes.

SCOPE of DUTIES:

The Board of Trustees shall maintain internal control policies and procedures reasonably designed to prevent misappropriation of funds in trustee custody. NH Revised Statutes Annotated ("RSAs") shall govern all actions of the Board of Trustees. This policy represents local implementation of applicable NH RSAs and shall be reviewed annually or as circumstances warrant.

By March 1st of each year, the trustees shall formally adopt investment policies for both privately-raised and publicly-raised trust and capital reserve funds in their custody, under RSA 31:25 and RSA 35:9. All investment policies shall be reviewed and confirmed at least annually, and filed with the NH Attorney General.

Trustees shall document their meetings, generally by minutes recorded by the Recording Secretary or a designated trustee. Meetings, and meeting minutes, are open to the public under the NH Right-to-Know law, RSA 91-A:2.

The trustees shall maintain the records for all trustee activities. Checking and brokerage account reconciliations shall be maintained on file for a period of three years. Minutes of meetings; quarterly reports; bank, custodian, and brokerage statements; and policies shall be archived for permanent retention. See RSA 33-A:3-a, CXXXVIII. The trustees' paper records shall be electronically archived for long-term preservation. The electronic records shall be backed up and stored in a separate location from the main electronic archives. The backup shall include the trust documents, books, records and reports to the extent that they are available.

GOVERNANCE:

The three trustees shall be elected to the following positions:

- Chair – Traditionally named to the most senior trustee by election cycle after the annual election, however, the election by co-trustees shall be binding. The Chair shall schedule and organize meetings, promptly review draft minutes for posting and coordinate matters with the Board of Selectmen.
- Treasurer – Named annually, and shall be the designated recipient of transaction correspondence. The Treasurer shall supervise accounting efforts and is authorized to make certain bookkeeping securities and cash transactions (see below).
- Secretary – The preferred trader of securities. The designated Recording Secretary will prepare minutes.
- Alternate(s) – Up to two alternates may be named as circumstances dictate and empowered as nominated by a majority of the elected or acting trustees and confirmed by the Board of Selectmen. Alternate trustees may be designated as traders or check signers for the current term or otherwise as approved by the elected trustees.

All changes, including signatories, transfers and electronic access, to securities and banking accounts shall be approved by a majority of trustees.

The trustees shall meet at least quarterly to review investments and transactions.

The Treasurer shall maintain a list by fund of all cash, investment/cash and custodial accounts together with transfer information and authorized signers, and distribute that list to trustees and accounting personnel as warranted. A quorum majority of trustees shall be required to change the listing.

TRADING SECURITIES:

Investment Securities may only be traded by approval of a quorum majority of trustees with one exception. The Treasurer, or another specifically designated trustee in public meeting, may make "Bookkeeping Trades." Bookkeeping Trades are defined as those trades to properly re-allocate Principal vs. Income Funds or otherwise correct accounting issues within custodian funds.

Bank investment accounts and NHPDIP shall be considered Investment Securities and must be in compliance with RSA requirements.

The trustee designated to execute the trade, whether Market or Bookkeeping, shall report the trade(s) to other trustees promptly.

BANK ACCOUNTS:

All bank account authorizations must be approved by the trustees. It is the policy that all checks of $5,000.00 or greater shall be signed by two trustees.

Physical custody of the checkbooks shall be within a Town Hall secured location.

All disbursements shall have a properly and duly executed requisition, stating and documenting payee, purpose, and date, as per RSA 31:22. The check issued shall list the applicable fund account on its face (memo line). The trustee making the payment shall initial, date and record the check number on the

applicable requisition(s). An entry should be made in the checkbook showing date and applicable fund account to be charged. All source documents including the requisition should be filed in the annual Cash Disbursement folder. Separate checks should be made for each fund and account.

All receipts shall be promptly deposited with notations made on both the deposit form and in the checkbook of the source and specific fund account. Separate deposits should be made for each fund and account. Bank receipts and source material should be filed in the annual Cash Receipts folder.

Trustees of Trust Funds shall not maintain a petty cash fund.

BOOKKEEPING:

The trustees shall keep a record of all trusts, which shall be open to the inspection of all persons in the Town, per RSA 31:34. The records of account shall be kept by a designate person(s) or firm(s), who shall be directed by the Treasurer and supervised by the trustees through the Treasurer.

All bookkeeping assignments and engagements shall be approved by trustees annually. Bank and brokerage account reconciliations shall either be prepared or be reviewed by a party independent of trading and check writing authority.

The records shall be comprised of:

1. A cash journal recording all receipts and disbursements including items of income and expense as well as security trades and transfers of all types.
2. Periodic statements (but at least quarterly) in the MS-9 and MS-10 formats that show all individual investment and account positions.

Upon approval and signatures by the Board, the Treasurer, or his designee, shall file the MS-9 and MS-10 reports with the Attorney General and the Department of Revenue Administration prior to the March 1st reporting date, per RSA 31:38.

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

Adopted by the Board of Trustees, May 4, 2017