

# TRUSTEES OF TRUST FUNDS HAMPTON, NEW HAMPSHIRE

## INTERNAL CONTROLS POLICY

### **Requirements**

The Board of Trustees shall maintain internal control policies and procedures reasonably designed to prevent embezzlement or other misappropriation of trust funds or capital reserve funds.

The NH Revised Statutes Annotated ("RSAs") shall govern all actions of the Board of Trustees. This Policy is the local implementation of the RSAs.

### **Fiduciary Responsibility**

#### Duty of Loyalty:

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

#### Duty of Care:

Trustees of Trust Funds shall provide 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 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 Hampton are classified as follows:

Hampton Real Estate Trust Fund (HRETF): Principal is derived from the sale of leased lots at Hampton Beach. Because of its size and permanence, this trust fund requires special handling.

Non-HRETF funds: All other trusts and capital reserve funds.

### **Investment Policies**

The Board of Trustees shall formally adopt investment policies for all trust funds and capital reserve funds in its custody. See RSA 31:25 (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 Board of Trustees shall be responsible for preparing the investment policies and submitting them to the Board of Trustees for approval. The Chairman shall coordinate the execution of the investment policies by the organizations for which the trust fund or capital reserve fund is being managed, or appoint another Trustee in his or her stead for this purpose.

### **Checking Account**

The Board of Trustees shall not maintain a checking account.

### **Delegation**

The Board of Trustees may delegate the ministerial duties of the Bookkeeper to the investment advisor.

### **Cash Receipts Journals**

The Bookkeeper shall provide the Combined Transactions Listing and Fund Snapshot reports from the TrustTrak database upon request of any trustee.

### **Transfers of Non-HRETF Monies**

Receipts and disbursements of monies for Non-HRETF trust funds and capital reserve funds shall be transacted as follows:

#### Receipts:

Checks received by the Trustees shall be deposited directly into the trust fund common account or the capital reserve fund common accounts at Fidelity Investments.

Checks for cemetery plots shall be processed as follows:

- Checks shall be made payable to the "Hampton, NH, Cemetery Maintenance Trust Fund" by the purchasers at the time of purchase.
- The Cemetery Sexton shall deliver checks to the Town Finance Department.
- The Town Manager's Administrative Assistant shall coordinate the signing of the cemetery deeds with the Board of Selectmen while the checks are locked in the safe.

- Once approved by the Board of Selectmen, the Finance Department sends the check to Three Bearings Fiduciary Advisors, Inc. (TBFA).
- TBFA shall make copies of the deeds and checks, which shall be uploaded to the Trustees of Trust Funds' Chairperson's portal.
- TBFA shall transmit the checks to Fidelity Investments.

Disbursements:

The Trustees shall ensure that the statutory requirements are met before releasing funds. Upon authorization from the Board of Trustees, the Bookkeeper shall transfer funds from the specific trust fund common account or the common capital reserve fund account to the Town's or the school's checking account via ACH. In place of an ACH transfer, Fidelity Investments may issue a check directly to the Town or the school.

The Bookkeeper shall ensure receipt of a signed voucher, as required by RSA 31:22.

**Transfers of Hampton Real Estate Trust Fund Monies**

Receipts and disbursements of monies for the HRETF shall be transacted as follows:

Receipts:

Monies received by the Trustees from the sale of leased lots or other Town real estate transactions shall be deposited into the Real Estate Trust Fund account at Fidelity Investments.

Disbursements:

The Trustees grant the Bookkeeper standing authorization to ACH the monthly income from the Real Estate Trust Fund to the Town's checking account. The Bookkeeper shall provide a receipt to the Town Finance Director for signature each month.

**Custodial Accounts**

The Trustees may maintain a brokerage or custodial account with a qualified custodian (as defined by the US Securities and Exchange Commission) in the name of a specific trust fund.

The Board of 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 statement for each custodial account shall be provided directly by the custodian to each Trustee's home address. The statements may be mailed or distributed through email notification that the statements are available online.

Spreadsheets are not an acceptable substitute for the portfolio statement (custodial statement) produced directly by the brokerage or custodial firm.

### **Performance Reports**

The Trustees shall review performance reports provided by the investment advisor. The Trustees shall cross-check the beginning and ending balance figures on the performance reports against the custodial account statements provided directly by the custodians.

### **Minutes of Trustee Meetings**

The Board of Trustees shall document their meetings, including, but not limited to, the names of the Trustees, other persons appearing before the Board, and a brief description of the subject matter discussed and the final decisions. The names of Trustees who make or second motions shall be recorded in the minutes. Voting outcomes shall be noted as "passed" or "failed." Meeting minutes shall be open to public inspection within five business days after the meeting.

Meeting minutes are permanent records of the Town. See RSA 91-A:2, II.

### **Commingling of Accounts**

Common funds may be used to facilitate investments, provide diversification, and generate reasonable income. There are five custodial accounts at Fidelity Investments:

- Real Estate Trust Fund Account
- Trust Funds Common Account
- Capital Reserve Fund Common Account (Town and SAU 90)
- Winnacunnet School District Common Capital Reserve Fund Account (SAU 21)
- Cemetery Maintenance Expendable Trust Fund Account

Capital reserve funds may not be intermingled with other Town funds. See RSA 35:9.

Sub-accounting shall be maintained for each common trust fund and common capital reserve fund when common funds are used. See RSA 31:27.

### **Accounts Receivable**

The Board of Trustees should monitor Town activities and news articles relative to potential incoming trust funds or capital reserve funds. The Board of Trustees should ensure that these funds are turned over to the Trustees in a timely fashion.

The Chairman of the Board of Trustees shall work closely with the Board of Selectmen to recommend the acceptance or rejection of prospective trust funds so that unacceptable trust funds do not encumber the Trustees.

### **Petty Cash**

The Trustees shall not maintain a petty cash fund.

### **Expenses of Trustees**

Trustees incurring incidental expenses shall provide documentation of the expenses to the Board of Trustees for approval. Upon Board approval, the Trustee shall be reimbursed by the Town as incidental town charges, per RSA 31:24.

### **Investment Advisor Fees**

The Board of Trustees shall approve the fees of an investment advisor under RSA 31:38-a who manages account(s) under contract with the Board of Trustees.

When the Board of Trustees authorizes direct debiting of fees from portfolio income, the investment advisor may submit a fee voucher to the Bookkeeper after the fact.

### **Compensation**

The Board of Trustees shall determine the proposed compensation of a Bookkeeper, an administrative assistant, or an administrative coordinator.

The Chairman shall submit the compensation amount to the Selectmen and/or the Budget Committee for annual budgetary purposes, for approval at town meeting, per RSA 31:35.

### **Recordkeeping**

The Trustees shall keep a record of all trusts in a record book or in electronic format, which shall be open to the inspection of all persons in the Town, per RSA 31:34.

The Bookkeeper is responsible for maintaining the books and records for the Trustees, and the execution of this responsibility may be delegated to an administrative assistant, an administrative coordinator, or the investment advisor.

The account reconciliations shall be maintained on file by the Bookkeeper for a period of three years.

The Trustees' meeting minutes, quarterly reports, and investment statements 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 an off-site location from the main electronic archives. The backup shall include the trust documents, books, records, and reports, to the extent available.

The Trustees' records shall be provided electronically (PDF format) to the Town Clerk each year for storage in the Town vault.

## **Reports**

At each meeting of the Board of Trustees, the Bookkeeper shall:

- Apprise the Board of trust fund or capital reserve fund accounts opened or closed since the last Trustees' meeting.
- Apprise the Board of all transactions in trust funds and capital reserve funds since the last Trustees' meeting.
- Provide a current MS-9 report listing all the funds and their current balances.
- Verify the fee computations are in accordance with contractual documents.

The Bookkeeper shall be responsible for preparing the annual MS-9 and MS-10 reports for the Board of Trustees. The Board of Trustees shall approve and sign the MS-9 and MS-10 reports in time to meet the annual filing deadline of February 28.

A copy of the reports required of the Town and the auditor shall be filed annually with the NH Attorney General, the Department of Revenue Administration, and the governing body (Board of Selectmen), per RSA 31:38.

## **Responsibilities**

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

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

**Sanctions**

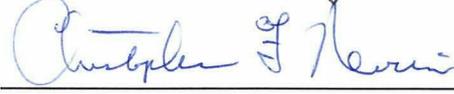
Failure to follow these internal control policies will result in an oral warning. Further violations of these written internal control policies are cause for removal as a trustee, administrative assistant, coordinator, or investment advisor.

**Amendments**

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

**ADOPTION:**

Adopted by the Board of Trustees:

James R. Dearden	 _____
Warren J. Mackensen	 _____
Christopher F. Nevins	 _____
Corey S. O'Neil	 _____
Joyce M. Skaperdas	 _____

Adopted January 13, 2026