

Town of Lamoine

Investment Policy

October 9, 1996

Policy

It is the policy of the Town of Lamoine, Maine to invest public funds in a manner which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the town, and conforming to all state and local statutes governing the investment of public funds.

Scope

This investment policy applies to all financial assets of the Town of Lamoine. The funds included in the annual audited report for the Town of Lamoine include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Trust and Agency Funds
- Cemetery Funds
- Endowments (if any)

Prudence

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.

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objective

The primary objectives, in priority order, of the Town of Lamoine’s investment activities shall be:

- *Safety.* Safety of principal is the foremost objective of the investment program. Investments of the Town of Lamoine shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- *Liquidity.* The Town of Lamoine's investment portfolio will remain sufficiently liquid to enable the Town of Lamoine to meet all operating requirements which might be reasonably anticipated.
- *Return on investment.* The Town of Lamoine's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Town of Lamoine's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority

Authority to manage the Town of Lamoine's investment program is derived from 30-A M.R.S.A § 5706 et seq. and is delegated by the Board of Selectmen to the Treasurer. He shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of any other town officials.

Ethics & Conflicts of Interest

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. Employees and investment officials shall disclose to the Board of Selectmen any material financial interests in financial institutions that conduct business with the town, and they shall further disclose any personal financial/investment positions that could be related to the Town of Lamoine's portfolio.

Prohibited Interest

No Town employee shall invest Town funds in any instrument or institution in which he/she has any direct financial interest, nor shall he/she accept any gift, free personal service or payment of any kind for performing their duties under this policy. Employment of an employee or an employee's family members by the financial institution shall not be considered to be a financial interest, unless such employment is contingent upon the investment of Town funds in that institution.

Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of financial institutions authorized to provide investment services. The Treasurer shall obtain evidence of this qualification prior to investing with said firm. No public deposit shall be made except in a qualified public depository as established by state laws.

A review of the financial condition and registrations of qualified institutions shall be made each time the Town bids for financial investment services.

Authorized Investments

The Town of Lamoine is authorized to invest only in the following types of securities:

- Obligations of the U.S. government, its agencies and instrumentalities
- Certificates of deposit and other evidences of deposit at banks and savings and loan associations.
- Prime bankers acceptances
- Prime commercial papers
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

Collateralization

Collateralization of accounts and deposits will be required only when exceeding an amount equal to 25% of capital, surplus, and undivided profits as defined in M.S.R.A. 30-A § 5706.

Safekeeping & Custody

All security transactions, including collateral for repurchase agreements, entered into by the Town of Lamoine shall be conducted on a “delivery vs. payment” basis. Securities will be held by a third party custodian, or Trust Department designated by the Treasurer and evidenced by safekeeping receipts.

Diversification

The Town of Lamoine will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, no more than 50% of the Town of Lamoine’s investment portfolio will be invested in a single security type or with a single financial institution.

Maximum Maturities

To the extent possible, the Town of Lamoine will attempt to match investments with anticipated cash requirements. Unless matched to a specific cash flow, the Town of Lamoine will not directly invest in securities maturing more than four years from date of purchase.

Trust and endowment funds may be invested in securities exceeding four years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Internal Controls

The Selectmen shall establish an annual process of independent review by an external auditor. This review will enhance internal control by assessing compliance with policies and procedures.

Accounting Method

Investments will be carried on the Town’s books at cost. Gain or losses from investment sales will be credited to investment interest income at the time of sale. Premiums or discounts on securities may be amortized over the life of the securities.

External Management

The Treasurer with the approval of the Selectmen, may contract with a qualified external money

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management company in order to benefit from portfolio diversification, credit research, full time portfolio management, and economies of scale that are unavailable to the Town Staff. Any such contract will define and control the risks of the portfolio and establish performance criteria for monitoring and evaluating results.

Upon advice of the contracted, qualified external money management company, the Town may invest in corporate stocks, bonds or other debentures subject to limitations in M.R.S.A. 30-A.

Investment Policy Adoption

The Town of Lamoine's investment policy shall be adopted by the Board of Selectmen and administered by its Treasurer. The policy shall be reviewed every two years by the Board of Selectmen.

Approved this 9th Day of October
by the Lamoine Board of Selectmen

/s/ William Collier, Chairman

/s/ Arthur Alley, Selectman

/s/ Glenn Crawford, Selectman