

Town of Bradley

Investment Policy

This policy applies to the investment activities of the Town of Bradley, Maine. The Finance Director is the Town's Treasurer. Title 30-A, Sections 5706 and 5711 of the Maine Revised Statutes provide that the Treasurer shall invest municipal funds upon direction of the municipal officers. Title 30-A, Section 5719 provides that a municipality has no authority to make any investments other than those permitted by statute.

The following Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the Town's funds. The purpose of this Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, and safekeeping and custodial procedures for the investment of the funds of the Town of Bradley.

This Investment Policy has been adopted by the Town Council of the Town of Bradley by motion on June 15, 2006 and it replaces any previously dated investment policies, guidelines or lists of authorized investments.

This policy applies to the Town of Bradley's funds identified in this Policy, except that the Town shall maintain at all times a minimum operating cash balance of not less than \$500,000.

SCOPE

This Policy shall apply to the investment management of the following financial assets under control of the Town: General Funds, Special Revenue Funds, Capital Project Funds, Trust and Agency Funds (Cemetery Funds, Capital Reserve Funds), Endowments, any new funds created, unless specifically exempted by the Town Council.

OBJECTIVES

The Town's principal investment objectives are:

- **Preservation of capital and protection of investment principal.** The primary objective of the investment portfolio is preservation of capital.
- **Attainment of a market value rate of return.** Investments shall be made at a reasonable market rate of return considering the priority to protect principal and preserve capital while ensuring adequate liquidity.
- **Maintenance of sufficient liquidity to meet anticipated cash flows.** Investments shall provide sufficient liquidity to meet the town's anticipated daily and projected cash flow requirements.
- **Diversification to avoid incurring unreasonable market's risks.** In order to protect the Town from the failure of any one financial institution, the Town shall not invest more than 30% of idle funds with any one institution. The 30% limitation does not apply to U.S. Treasury, U.S. Government Agency, or U.S. Government-sponsored corporate obligations held in safekeeping by an institution on behalf of the Town. These AAA-rated obligations do not require collateral.
- **Conformance with applicable Federal and State regulations.** All investments purchased under this policy shall be governed by Title 30-A Section 5706 & Sections 5711 through 5719, M.R.S.A. and all revisions thereto, as may be made by the Maine Legislature.

PRUDENCE

The standard of prudence to be used for managing the Town's assets shall be Title 30-A, Section 5718 of the Maine Revised Statutes which in general states that investments shall be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment, considering safety, income and maintenance of liquidity.

The Town's investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Town recognizes that no investment is totally riskless and that the investment activities of the Town are a matter of public record. Accordingly, the Town recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the Town.

The Finance Director and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Town Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials 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 or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Town Council any material financial interests they have in financial institutions that conduct business with the Town and they shall subordinate their personal investment transactions to those of the Town.

DELEGATION OF AUTHORITY

Under the Maine Revised Statutes and the Bradley Town Code, responsibility for the investment of the Town's funds covered by this Investment Policy resides with the Finance Director who is the Town's Treasurer. The Town Council and Town Treasurer are responsible for developing Town policy regarding the investment and custody of the Town's investable funds, as well as the Town's internal procedures affecting those funds. The Finance Director shall implement this Policy after it is approved by the Town Council.

The Finance Director has the authority to conduct investment transactions and manage the operation of the investment portfolio. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Town may engage the support services of outside professionals in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources.

INTERNAL CONTROLS

The following internal controls shall exist to prevent possible loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the Town:

1. Supervisory control of employee actions: Whenever the Finance Director performs investment activities, supervision by The Town Council shall be exercised at all times. The Town Council shall review all investment decisions and actions.
2. Documentation of transactions: All investment transactions shall be documented utilizing appropriate investment forms and recorded in the investment ledger and cash book ledger of the respective cash funds.
3. Internal Auditing: These internal controls shall be reviewed annually by the external auditor of the Town. The basis, timing and method of audit shall be determined by said external auditor. A report of the audit findings shall be included in the annual post-audit management letter.

SELECTION OF FINANCIAL INSTITUTIONS ACTING AS BROKER/DEALERS AND BROKER/DEALERS

Broker/dealers and other financial institutions will be selected by the Town Council and Finance Director on the basis of their expertise in public cash management and their ability to provide services for the Town's account. Approved broker/dealers and other financial institutions and the firms they represent shall be licensed to do business in the State of Maine.

Each broker/dealer, bank or savings and loan that has been authorized by the Town Council and Finance Director shall attest in writing that they have received and reviewed a copy of this Policy.

To be eligible for designation as the Town's safekeeping and custodian bank, a financial institution shall qualify as a depository of public funds in the State of Maine as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

INVESTMENT FINANCE COMMITTEE

The Town Council shall appoint an investment finance review committee. This Committee shall meet at least quarterly to review the investment reports from the Finance Manager and to review earnings of funds. The Committee shall make a report to the Town Council within fourteen days after each meeting. Any irresponsible or illegal acts shall be reported immediately and confidentially to the Town Council.

LEGAL AUTHORITY AND LIMITATIONS ON INVESTMENT INSTRUMENTS

All investments of the Town shall be made in accordance with Title 30-A, Sections 5706 & Sections 5711 through 5717 of the Maine Revised Statutes. Any revisions or extensions of these sections of the Maine Revised Statutes will be assumed to be part of this Investment Policy immediately upon being enacted. Below is a summary of acceptable investments under the current law:

A. United States Treasury Obligations

1. Treasury Bills – A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.
2. Treasury Note- Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years. Interests on these coupons in securities are generally paid every six months.

B. U.S. Government Agency Securities

The Town may own these interests bearing obligations issued by various federal agencies. The rate of return cannot be based or derived from other factors or indexes. Federally operated agencies included:

1. Export-Import Bank of the United States.
2. Farmers Home Administration (Fm. H.A)
3. Federal Housing Authority (F.H.A.)
4. General Service Administration (G.S.A)
5. Government National Mortgage Association (G.N.M.A)
6. Small Business Administration (S.B.A)

C. U.S. Government sponsored corporations –These securities, issued by various government sponsored corporations, are to fund various lending programs. The rate of the return can not be based or derived from other factors or indexes. The federally sponsored agencies include the following:

1. Federal Land Banks
2. Federal Intermediate Credit Banks
3. Federal Home Loan Banks
4. Federal National Mortgage Association (F.N.M.A.)

D. Certificates of Deposit (CD)

Certificates of Deposit issued by commercial banks are a time deposit with a specific maturity evidenced by a certificate. Insurance coverage is provided for deposits up to \$100,000.00 by the Federal Deposit Insurance. Investment in certificate shall not exceed, in principal, the amount covered by insurance at any single financial institution.

E. Repurchase Agreements (REPO)

A repurchase agreement is a short-term instrument tailored to specific maturities. A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price plus interest on a fixed date. These investments must be collateralized by obligations of the U.S. government in amounts equal to 102% of the Town's investment. Securities must be held in safe keeping, dedicated to the Town of Bradley and held by another financial institution with release of securities provided only by the Town and/or financial institution which owns the securities.

LEGAL AUTHORITY AND LIMITATIONS ON INVESTMENT INSTRUMENTS (continued)

F. Mutual Funds

Investments in the shares of an investment company registered under the United States Investment Company Act 1940, whose shares are registered under the United States Securities Act of 1933 and provided that the investments of the fund are limited to obligations of the federal government or repurchase agreements secured by obligations of the federal government.

- G. Standard Bank Accounts- including but not limited to money market, demand deposit, and cash management account, either insured by FDIC up to \$100,000.00 or collateralized by the institution.

It is the intent of the Town that the foregoing list of authorized securities be strictly interpreted.

In accordance to Title 30-A, Section 5719 of the Maine Revised Statutes, a municipality's authority to invest municipal funds is limited to investments permitted under this subchapter and a municipality has no authority under home rule authority or otherwise to make any investments other than those permitted under this subchapter.

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements.

SAFEKEEPING AND CUSTODY

All securities shall be held for safekeeping by a financial institution recommended by the Finance Committee and approved by the Town Council. Individual accounts shall be maintained for each portfolio. All securities shall be held in a separate account in the name of the Town. The depository shall issue a safekeeping receipt to the Town listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the depository will also provide reports, which will list all securities, held by the Town, the book value of the holdings and the marked value as of month-end.

REPORTING

Accounting and reporting on the Town's investment portfolio shall conform to Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) recommended practices.

On a monthly basis, an investment reconciliation report shall be prepared and submitted by the Finance Director to the Town Council and Investment Finance Committee, listing the investments held by the Town, the current market valuation of the investments and performance results. The report shall include a summary of investment earnings during the period.

As stated above regular meetings and/or reports with the Town council are to be established to provide an independent perspective on the Fund's goals, structure, and performance.

Reports prepared by outside advisors shall be sent to the Town's Finance Director.

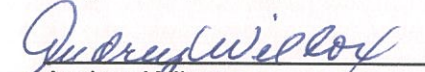
POLICY REVISIONS

The above policies shall remain in full force and effect until revoked by the Town council. If, after adoption of this policy, there is any conflict of this policy with Maine laws and/or statutes current law shall dictate.

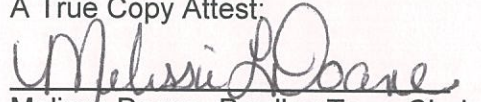
This policy shall be immediately effective upon its adoption at a legally called and publicly held meeting of the Town Council.

Approved by the Bradley Town Council at a duly called meeting on June 15, 2006.

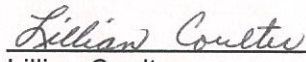

Sally Strout, Chairperson

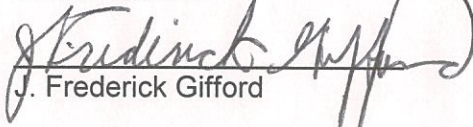

Audrey Wilcox

A True Copy Attest:


Melissa Doane, Bradley Town Clerk

Oscar Emerson


Lillian Coulter


J. Frederick Gifford

Town of Bradley



P.O. Box 502
BRADLEY, MAINE 04411
TELEPHONE (207) 827-7725

TOWN COUNCIL POLICY (INVESTMENT RESERVES)

We, the below signed councilors, acting as representatives of the Town of Bradley, hereby instruct the Treasurer of the Town Of Bradley to deposit any Municipal Capital Improvement, Fire Department Capital, and Highway Reserve funds raised during each fiscal year in their appropriate reserve accounts at Bangor Savings Bank by January 1st of each year, unless otherwise instructed in writing by the Town Council not to do deposit such funds by this date.

Bradley Town Council:

Date: November 8, 2000


Lucille Grant


Bonnie Cote

Oscar Emerson


Sally Strout


Audrey Wilcox