

MEMORANDUM

TO: Mayor Jones and Members of the Board

FROM: Karen Proctor, Town Administrator

DATE: August 16, 2018

RE: Resolution 5; Series 2018 – Adopting an Investment Policy

HISTORY:

On August 5, 2010 the Town of Foxfield Board approved Financial Management Policies and Procedures (Exhibit A). These policies and procedures did not include an Investment Policy.

DISCUSSION:

Maintaining an Investment Policy is prudent fiscal management. Staff believes that the State requirements for investment of public funds, as outlined in the Colorado Revised Statutes 24-75-601.1, is succinct and acceptable. Adoption of this policy will allow staff to invest Town funds to increase the amount of interest currently being earned.

RECOMMENDED MOTION:

“I move to approve Resolution 5, Series 2018, adopting an Investment Policy for the Town of Foxfield and revising the Town of Foxfield Financial Management Policies and Procedures”.

ATTACHMENTS:

Resolution 5, Series 2018- A Resolution Adopting an Investment Policy
Exhibit A – Revised Town of Foxfield Financial Management Policies and Procedures

**A RESOLUTION OF THE BOARD OF TRUSTEES
OF THE TOWN OF FOXFIELD
ADOPTING AN INVESTMENT POLICY**

WHEREAS, The Board of Trustees of the Town of Foxfield, Colorado, has determined that a uniform manner of investing is necessary; and

WHEREAS, the Town of Foxfield is a statutory municipality within the State of Colorado; and

WHEREAS, maintaining an investment policy is prudent fiscal management; and

WHEREAS, the Board of Trustees of the Town of Foxfield, Colorado has determined the State requirement for investment of public funds is succinct and acceptable.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE TOWN OF FOXFIELD, COLORADO:

That the State requirement as outlined in C.R.S . 24-75-601.1 (ATTACHMENT A) as periodically amended, is adopted and established to maintain a uniform investment policy for the Town of Foxfield, Colorado.

PASSED ON FIRST AND FINAL READING THIS _____ day of _____, 2018.

Lisa Jones, Mayor

ATTEST:

Randi Gallivan, Town Clerk

APPROVED AS TO FORM:

Corey Y. Hoffmann, Town Attorney

24-75-601.1. Legal investments of public funds

(1) It is lawful to invest public funds in any of the following securities:

(a) Any security issued by, fully guaranteed by, or for which the full credit of the United States treasury is pledged for payment and, notwithstanding paragraph (a) of subsection (1.3) of this section, inflation indexed securities issued by the United States treasury. The period from the date of settlement of this type of security to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(b)

(I) Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee valley authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this paragraph (b) but that is created by, or the creation of which is authorized by, legislation enacted by the United States congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph (b). The period from the date of settlement of this type of security to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(II) No subordinated security may be purchased pursuant to this paragraph (b).

(c) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(d)

(I) Any security that is a general obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.

(II) No security may be purchased pursuant to this paragraph (d) unless:

(A) At the time of purchase, the security carries at least two credit ratings at or above "A" or its equivalent from nationally recognized statistical rating organizations if it is a general obligation of this state or of any political subdivision, institution, department, agency, instrumentality, or authority of this state or carries at least two credit ratings at or above "AA" or its equivalent from such organizations if it is a general obligation of any other governmental entity listed in subparagraph (I) of this paragraph (d);

(B) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(C) The period from the date of settlement of this type of security to its maturity date or date of optional redemption that has been exercised as of the date the security is purchased is no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(e)

(I) Any security that is a revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.

(II) No security may be purchased pursuant to this paragraph (e) unless, at the time of purchase, the security carries at least two credit ratings at or above "A" or its equivalent from nationally recognized statistical rating organizations if it is a revenue obligation of this state or of any political subdivision, institution, department, agency, instrumentality, or authority of this state or carries at least two credit

ratings at or above "AA" or its equivalent from such organizations if it is a revenue obligation of any other governmental entity listed in subparagraph (I) of this paragraph (e).

(III) The period from the date of settlement of this type of security to its maturity date or date of optional redemption that has been exercised as of the date the security is purchased shall be no more than five years.

(f) and (g) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(h) Any security of the investing public entity or any certificate of participation or other security evidencing rights in payments to be made by the investing public entity under a lease, lease-purchase agreement, or similar arrangement;

(h.5) Any certificate of participation or other security evidencing rights in payments to be made by a school district under a lease, lease-purchase agreement, or similar arrangement if the security, at the time of purchase, carries at least two credit ratings from nationally recognized statistical rating organizations and is rated at or above "A" or its equivalent by all such organizations that have provided a rating;

(i) Any interest in any local government investment pool organized pursuant to part 7 of this article;

(j) The purchase of any repurchase agreement concerning any securities referred to in paragraph (a) or (b) of this subsection (1) that can otherwise be purchased under this section if all of the conditions of subparagraphs (I) to (VI) of this paragraph (j) are met:

(I) The securities subject to the repurchase agreement must be marketable.

(II) The title to or a perfected security interest in such securities along with any necessary transfer documents must be transferred to the investing public entity or to a custodian acting on behalf of the investing public entity.

(III) Such securities must be actually delivered versus payment to the public entity's custodian or to a third-party custodian or third-party trustee for safekeeping on behalf of the public entity.

(IV) The collateral securities of the repurchase agreement must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly.

(V) The securities subject to the repurchase agreement may have a maturity in excess of five years.

(VI) The period from the date of settlement of a repurchase agreement to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(j.5) Any reverse repurchase agreement concerning any securities referred to in paragraph (a) or (b) of this subsection (1) that can otherwise be purchased under this section if all of the conditions of subparagraphs (I) to (VII) of this paragraph (j.5) are met:

(I) Any necessary transfer documents must be transferred to the investing public entity.

(II) Cash must be received by the investing public entity or a custodian acting on behalf of the investing public entity in a deliver versus payment settlement.

(III) The cash received from a reverse repurchase agreement must be collateralized at no more than one hundred and five percent and marked to market no less frequently than weekly.

(IV) The repurchase agreement is not greater than ninety days in maturity from the date of settlement unless the governing body of the public entity authorizes investment for a period in excess of ninety days.

(V) The counter-party meets the credit conditions of an issuer that would qualify under paragraph (m) of this subsection (1).

(VI) The value of all securities reversed under this paragraph (j.5) does not exceed eighty percent of the total deposits and investments of the public entity.

(VII) No securities are purchased with the proceeds of the reverse repurchase agreement that are greater in maturity than the term of the reverse repurchase agreement.

(j.7) A securities lending agreement in which the public entity lends securities in exchange for securities authorized for investment in this section, if all of the following conditions are met:

(I) Any necessary transfer documents must be transferred to the investing public entity.

(II) Securities must be received by the investing public entity or a custodian acting on behalf of the investing public entity in a simultaneous settlement.

(III) The securities received in the securities lending agreement must be no less than one hundred two percent of the value of the securities lent and marked to market no less frequently than weekly.

(IV) The counter-party meets the conditions of an issuer specified in paragraph (m) of this subsection (1).

(V) In the case of a local government, the securities lending agreement shall be approved and designated by written resolution adopted by a majority vote of the governing body of the local government, which resolutions shall be recorded in its minutes.

(k) Any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended, if, at the time the investing public entity invests in such fund:

(I) The investment policies of the fund include seeking to maintain a constant share price;

(II) No sales or load fee is added to the purchase price or deducted from the redemption price of the investments in the fund and no fee may be charged unless the governing body of the public entity authorizes such a fee at the time of the initial purchase;

(III) The investments of the fund consist only of securities with a maximum remaining maturity as specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to, or such successor regulation does not, increase the maximum remaining maturity of such securities to a period that is greater than three years, and if the fund has assets of one billion dollars or more, or has the highest current credit rating from one or more nationally recognized statistical rating organizations.

(IV) The dollar-weighted average portfolio maturity of the fund meets the requirements specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to increase the dollar-weighted average portfolio maturity of a fund to a period greater than one hundred eighty days.

(l)

(I) Any guaranteed investment contract, guaranteed interest contract, annuity contract, or funding agreement if, at the time the contract or agreement is entered into, the long-term credit rating, financial obligations rating, claims paying ability rating, or financial strength rating of the party, or of the guarantor of the party, with whom the public entity enters the contract or agreement is, at the time of issuance, rated in one of the two highest rating categories by two or more nationally recognized statistical rating organizations.

(II) (Deleted by amendment, L. 2004, p. 950, 7, effective May 21, 2004.)

(III) (A) Except as provided in sub-subparagraph (B) of this subparagraph (III), the contracts or agreements purchased under this paragraph (I) shall not have a maturity period greater than three years.

(B) Contracts or agreements with a maturity period greater than three years shall only be purchased with proceeds of the sale of securities of a public entity and proceeds of certificates of participation or other securities evidencing rights in payments to be made by a public entity under a lease, lease-purchase agreement, or other similar arrangement or if purchased by revenues pledged to the payment of such securities or certificates; except that no contract or agreement may be purchased pursuant to this paragraph (I) with the proceeds of any of the foregoing that are held in an escrow or otherwise for the purpose of refunding bonds or other obligations of a public entity.

(m) (I) Any corporate or bank security that is denominated in United States dollars, that matures within three years from the date of settlement, that at the time of purchase carries at least two credit ratings from any of the nationally recognized statistical ratings organizations, and that is not rated below:

(A) "A1, P1, or F1" or their equivalents by either rating used to fulfill the requirements of this subparagraph (I) if the security is a money market instrument such as commercial paper or bankers' acceptance; or

(B) "AA- or Aa3" or their equivalents by either rating used to fulfill the requirements of this subparagraph (I) if the security is any other kind of security.

(II) At no time shall the book value of a public entity's investment in notes evidencing a debt pursuant to this paragraph (m) exceed the following:

(A) Fifty percent of the book value of the public entity's investment portfolio unless the governing body of the public entity authorizes a greater percent of such book value; or

(B) Five percent of the book value of the public entity's investment portfolio if the notes are issued by a single corporation or bank unless the governing body of the public entity authorizes a greater percent of such book value.

(III) No subordinated security may be purchased pursuant to this paragraph (m). No security issued by a corporation or bank that is not organized and operated within the United States may be purchased pursuant to this paragraph (m) unless the governing body of the public entity authorizes investment in such securities.

(n) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(1.3) (a) Except as provided in paragraph (a) of subsection (1) of this section and except as provided in paragraph (b) of this subsection (1.3), public funds shall not be invested in any security on which the coupon rate is not fixed, or a schedule of specific fixed coupon rates is not established, from the time the security is settled until its maturity date, other than shares in qualified money market mutual funds, unless the coupon rate is:

(I) Established by reference to the rate on a United States treasury security with a maturity of one year or less or to the United States dollar London interbank offer rate of one year or less maturity, or to the cost of funds index or the prime rate as published by the federal reserve; and

(II) Expressed as a positive value of the referenced index plus or minus a fixed number of basis points.

(b) A municipal index may be used for the investment of bond or note accounts from issues with coupons linked to the same index.

(c) For purposes of this section, "maturity date" means the last possible date, barring default, that principal can be repaid to the purchaser.

(1.5) Any firm that sells any financial instrument that fails to comply with the provisions of this section to any public entity in the state of Colorado shall, upon demand of the public entity through the state treasurer, repurchase such instruments for the greater of the original purchase principal amount or the original face value, plus any and all accrued interest, within one business day of the demand.

(2) Investments made pursuant to this section shall be made in conformance with the standard set forth in [section 15-1-304, C.R.S.](#)

(2.3) Public entities shall adopt criteria designating eligible broker-dealers for the purchase of term securities, except for bond proceed investments, under this section.

(2.5) (a) If a public entity invests public moneys through an investment firm offering for sale corporate stocks, bonds, notes, debentures, or a mutual fund that contains corporate securities, the investment firm shall disclose, in any research or other disclosure documents provided in support of the securities being offered, to the public entity whether the investment firm has an agreement with a for-profit corporation that is not a government-sponsored enterprise, whose securities are being offered for sale to the public entity and because of such agreement the investment firm:

(I) Had received compensation for investment banking services within the most recent twelve months; or

(II) May receive compensation for investment banking services within the next three consecutive months.

(b) For the purposes of this subsection (2.5), "investment firm" means a bank, brokerage firm, or other financial services firm conducting business within this state, or any agent thereof.

(3) Nothing in this section is intended to limit:

(a) The power of any public entity to invest any public funds in any security or other investment permitted to such public entities under any other valid law of the state; or

(b) The power of any home rule city, city and county, town, or county to invest any public funds in any security or other investment permitted under the charter or ordinance of such home rule city, city and county, town, or county; or

(c) The authority of the state board of regents to invest any funds available to the board in any security or other investment otherwise provided by law.

(3.5) (Deleted by amendment, L. 2006, p. 552, § 3, effective August 7, 2006.)

(4) Nothing in this section is intended to apply to public funds held or invested as part of any pension plan, full or supplemental retirement plan, or deferred compensation plan.

Town of Foxfield
Financial Management Policies and Procedures
November 5, 2009
Revised August 16, 2018

Proper controls over revenue are important to ensure strong financial management practices. This policy applies to all revenue collected, except where state or federal laws supersede.

Internal Controls - All aspects of cash receipts and accounts receivable shall be subject to proper internal controls.

Internal controls shall include:

- Segregation of duties for authorization, recording, and custodian functions. In circumstances where this is not feasible, other mitigating procedures shall be established.
- Bi-weekly processing of cash receipts and accounts receivable transactions.
- Timely deposit of funds. If the total deposit exceeds \$1,000.00 the deposit shall be made on the same business day. If the total deposit is less than \$1,000.00 the deposit shall be made within three business days. Prior to the deposit, funds shall be kept in a locked drawer in the office of the Town Clerk.
- Timely reconciliation to the general ledger and other supporting accounting ledgers. This reconciliation applies to bank statements as well as internal adjusting journal entries. The reconciliation shall be completed by the Town Administrator or a member of the Board, as determined by the Board.
- Utilization of automated system resources for enhanced processing and reconciliation.
- Establishment of physical security procedures. These shall be reviewed periodically.
- Notification of Board upon any suspicion of fraud. The Board shall then notify the appropriate authorities (e.g., law enforcement, state agencies) in a timely manner for further investigation.
- Periodic review by a designee of the Board. If the Board member has a suspicion regarding non-compliance with internal control directives, the entire Board shall be notified.

Accounting Practices – All receipts and receivables shall be recorded in keeping with current authoritative standards and practices.

- Revenue shall be recorded in the proper general ledger account.
- Revenues shall be recorded in the proper fiscal accounting period.

Billing Practices - Accounts receivables shall be established for services provided in advance of payment. Currently, the Town creates escrow accounts for services

provided. The only receivables the Town has is when the escrow account becomes deficient.

- All initiated bills shall have a due date of 20 calendar days from the bill date, unless otherwise stated per ordinance or resolution.
- When services are provided by the Town prior to the receipt of funds for such services, an on-going accounts receivable record shall be maintained.

Depositing of Received Funds – The Town Clerk shall serve as primary recipient for all revenue collection sites. Controls shall include, at a minimum, the following:

- Numerically controlled (accounting system generated or paper) official receipts with the printed name of the Town for all revenue. The use of generic non-numbered receipts is strictly prohibited;
- The method of payment (e.g. cash, check or credit card) shall be indicated on the receipt;
- Identification of the individual receiving payment on receipt;
- Wherever possible, the receipt shall allow for immediate revenue account classification in conformance with the established chart of accounts. If not possible, the fund shall be indicated;
- Restrictive endorsement (stamped for deposit only) of checks at the point and time of collection;
- Reconciliation of collections by an individual, as determined by the Board, not involved in the receipting or posting process or establishment of mitigating controls;
- Recording of receipts in the financial accounting system on a timely basis;
- Timely posting of adjustments with the approval of an individual appointed by the Board is required;
- Timely reconciliation and deposit of funds received;
- Securing of un-deposited funds in a locked place, such as a safe or secure drawer;

Escrowed Funds - Funds received by the Town in advance of revenue recognition or funds anticipated to be remitted back to the payee shall be deposited into an interest earning escrow liability account.

- Escrowed funds shall only accrue interest back to the payee if explicitly stated in the escrow agreement; otherwise interest accrues to the associated fund.
- Upon the Town meeting the criteria for revenue recognition, such escrowed funds shall be transferred in a timely manner and recognized as revenue in the applicable fund.
- For performance guarantee escrows, funds shall be returned to the payee upon

compliance or transferred to the applicable fund for non-compliance.

Collection – The Town has established an adequate system of internal controls to ensure that receivables are collected in a timely manner.

- All accounts receivable shall be recorded by the Clerk to permit an analysis of the aging of such receivables (e.g., <30 days, 30-60 days, etc.).
 - For those accounts that become past due, proper delinquent notice shall be provided to the payee and continued service restricted, unless continuation of service is required by law or policy, until such accounts are current.
 - For those accounts that are greater than 60 days past due and over \$500.00, notice and supporting detail shall be provided to the appropriate party, as determined by the Board, for further collection efforts.
 - To facilitate collection efforts, the Town shall establish information criteria as part of the initial credit application process with the customer (e.g., bank account number, social security number or driver's license number, federal ID number, etc.).
 - Assignment to a collection agency shall be considered. When cost effective, the collection agency selected by the Town Board shall be utilized to assure maximum collections.

Returned Checks –

- Unless otherwise stated per ordinance or resolution, all checks returned due to insufficient funds shall be processed by the Clerk.
- Fees shall be charged for the returned check in accordance with applicable statutes or established practices. Returned checks shall be processed at least twice through the Town's financial institution.

Bad Debt –

- The amount of the allowance for doubtful accounts shall be based upon the percentage of receivable method.
- The computation of the allowance for doubtful accounts shall be performed annually based upon the aging of the receivables and recent history of write-offs at fiscal year end, subject to concurrence by the external auditors.
- Write-offs:
 - Non-tax balances:
 - For any balance more than 120 days delinquent, all such amounts shall be eligible for write-off with approval of the Town Board.

- For any account written-off, such customer information shall be retained for as long as practical in an automated system to have continued enforcement of service denied on credit until previously written-off balances have been satisfied.
- Write-offs to taxpayer's account for general property tax balances shall be performed in accordance with state regulations.

Budgetary Review Responsibility – revenue collections and accounts receivable shall be monitored in a timely manner.

- Revenue budget estimates shall be supported with documented variable assumptions (base, rate, etc.).
- Monitoring of revenue budget shall be performed in a timely manner throughout the fiscal year and shall include an analysis of actual vs. budgeted variances. Revised forecast shall be communicated to the budget division timely.
- Continued compliance of revenue with all laws and/or regulations shall be the responsibility of the Clerk.

Account Payable – invoices shall be coded to the appropriate account and paid in a timely manner.

- Invoices to the Town shall be approved by the Board.
- Town checks shall be prepared by the Clerk and signed by two authorized signatories for amounts in excess of \$250.00. The total amount of charges requiring one signature (e.g. less than \$250.00) shall not exceed \$1000.00 per month.

Investments - The State requirement as outlined in C.R.S. §24-75-601.1 as periodically amended, was adopted and established by the Board to maintain a uniform investment policy for the Town.