TOWN OF INDIAN TRAIL

CASH MANAGEMENT POLICY

This Cash Management Policy is being established in order to develop a cash management plan for the Town of Indian Trail. Objectives of this plan are to:

1. Link long-term financial planning with short-term daily operations and decision making.
2. Increase the amount of idle moneys invested.
3. Generate non-tax revenues through increased investment earnings.
4. Ensure safety and liquidity of the Town's moneys.
5. To comply with the North Carolina Budget and Fiscal Control Act and the policies of the North Carolina Local Government Commission (the "LGC").

This plan will address five areas: cash receipts, cash disbursements, banking relations, investments, and monitoring and reporting on the plan.

In addition to establishing this Cash Management Plan, the Finance Director will implement internal controls designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, or imprudent actions by employees and officers of the Town. The Finance Director will ensure, whenever possible, separation of duties for handling public funds and assets.

Plan Administration

The Finance Director, with the advice and assistance of the Town Manager and Town Council is charged with developing and implementing a uniform Town plan to carry out the cash management policy for the entire Town. This Town policy outlines the policies, duties, responsibilities and requirements for cash management within the Town on a broad basis.

Cash Management Over Receipts:

The objectives of cash management over receipts are to use diligence in collecting funds owed to the Town, to provide internal control over cash and cash equivalents and to expedite the movement of moneys collected into interest bearing accounts. The official depositories/banks shall be approved by the Council of the Town of Indian Trail. To accomplish these objectives, all plans adopted will include these rules:

1. Except as otherwise provided by law, all funds belonging to the Town and received by an employee of the Town in the normal course of their employment shall be deposited as follows:

a. Deposits are to be made daily into an official depository pursuant to G.S. 159-32.

b. Maintain sufficient records of trust/escrow requirements for moneys received for specific beneficiaries/developments for which the Town has a duty to deposit to an official depository/bank.

2. Checks received and deposited which are returned for insufficient funds will receive prompt action in collection of good funds.

3. Adjustments or corrections for overpayment will be made after the moneys are deposited. It is seldom necessary to return a check written incorrectly. Employees will not delay in depositing moneys of this type. Refunds necessary from errors shall be made by Town check through cash disbursements.

4. No official or employee shall have the authority to cash a check payable to the Town. This does not include replenishment of Petty Cash or the Cash fund with limits of $250 and $350, respectively.

5. No official or employee shall have the authority to open a bank account in the name of the Town or any of its departments using public funds without prior approval of the Town Council or Town Manager and Finance Director.

6. All public funds shall follow the daily deposit guidelines.

7. The Finance Director, or the Director's appropriate designee, shall conduct at least two random or risk based internal audits of cash receipting location per fiscal year.

Billing

Applications and reports to the state or federal government for reimbursement or claims are to be filed promptly. All department heads who administer programs that receive money from other governments are to meet with the Finance Director to establish a cash flow/Town reimbursement schedule for these moneys.

For tax billing, the objective shall be to reduce the processing time so payments will be received at the earliest date possible. A late payment charge will be assessed to all delinquent accounts as follows:

January – Due to the increased activity of this month and allowing for sufficient time and receipt of properly postmarked mail, the Town Tax Collector will decide on which date to apply interest as taxes must be postmarked by January 5th. Otherwise, delinquent interest will be charged as of the 1st day of each month.

The Town Council directs the Tax Collector to advertise delinquent taxes on real property for failure to pay during March of each year.

Analysis of Receipting Function

The Finance Director will meet with each department head that is responsible for a revenue source of the Town to review the billing, collecting, depositing and reporting procedures.

Collateralization for deposits shall be in accordance with title 20, Chapter 7 of North Carolina Administrative Code. All deposits for the Town shall be fully protected through deposit insurance and eligible collateralization securities. For all deposits held in financial institutions which utilize the Pooling Method for collateralization, the Finance Director shall maintain all necessary documentation to show that the responsibility of monitoring collateral levels in now with the State Treasurer.

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all deposits in excess of FDIC Insurance Coverage are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering these deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Finance Director shall be responsible for obtaining custody and providing safekeeping of securities and deposit certificates according to G. S. 159-30(d).

Certificates of deposit purchased by the Town shall be delivered to the Finance Director. The Finance Director and Town Manager shall ensure proper diversification of the investment portfolio in order to minimize risks brought on by economic and market changes. The Finance Director and Town Manager shall constantly monitor the investment portfolio and make adjustments as necessary by comparing market and book value of securities held by the Town. The Finance Director and Town Manager will examine opportunities to sell securities to realize gain or to liquidate securities to avoid loss.

The Finance Director shall review the cash position of the Town and decide, along with the Town Manager, what moneys can be invested for certain periods of time. If investments are to be made, the Finance Director will start a process whether through bidding or collection of necessary information for the Town as follows:

1. Approved financial institutions shall be contacted requesting bids/information on time deposits. All information shall be with interest rates quoted on 360/365 day basis. All information shall be delivered to the Finance Director along with the certificate.

2. For other eligible investment vehicles, the Finance Director and/or Town Manager shall solicit offers from banks, savings and loans or primary security dealers. Any investments purchased shall be from firms located with offices in North Carolina. The Finance Director and Town Manager shall review the various offers and determine which investment vehicles are appropriate, considering rate, maturity and safety of the investment. For securities purchased by the Town, The Finance Director and/or Town Manager shall instruct the seller that securities purchased by the Town are to be delivered to the Town.

Forecasting Cash Flows

The Finance Director for the Town, or the Director's appropriate designee, shall monitor cash requirements. The objective shall be to ensure that sufficient funds will be available to meet the Town's commitments and that the timing and amount of excess funds are known so as to properly identify the amount of money available for investment.

Cash Disbursements

The objective of this section of the Town's Cash Management Plan is to retain moneys for investment until the agreed upon contractual date of payment unless early payment provides a benefit to the Town.

The Finance Director shall appropriate and expend the Town's moneys pursuant to G.S. 159-28(b) to create the maximum amount of funds available for investments. The Finance Director shall pay the obligations of the Town when due. The Town's purchase order system will be used for payments. All payments to one vendor will be consolidated when paid from a single fund.

Dual signatures are required for all Town checks. Currently electronic and facsimile signatures are not approved by the Town.

The Finance Director, or the Director's appropriate designee, shall make payroll deposits monthly to all employees. Payroll deposits shall be authorized by time sheets kept by employee and signed by supervisor. No payroll deposit will be issued without proper documentation in the Human Resources and Payroll departments and approved budgetary authority. The Finance Director, or the Director's appropriate designee, shall submit all payroll deductions and reports to the proper agencies in a timely manner.

Banking Relations

The objective of this section of the plan is designed to help the Finance Director develop and implement procedures to create mutually beneficial banking relations with local financial institutions.

Analysis

The Finance Director and Town Manager shall determine which financial institutions qualify to be the Town's depository based upon published reports and other procedures deemed appropriate.

Request For Proposal For Banking Services

Those financial institutions which are deemed to qualify to be the Town's depository shall receive an RFP. The RFP shall require information on what services can be provided to the Town and the cost associated with the services. RFP's shall be compared and selection of the official depository recommended to the Town Council. The Town will maintain bank accounts necessary and prudent to conduct Town business. The Town Council will designate the Town's official depository. The Finance Director and Town Manager shall sign for the Town a three to five year contract with the selected depository establishing the banking services, costs, and conditions which might necessitate termination of the contract.

Investments

Town policy is to invest public funds in a manner which will provide the highest investment return with maximum security while meeting daily cash flow requirements of the Town and conforming to all State statutes governing the investment of idle funds.

This investment policy applies to all financial assets of the Town except authorized petty cash, trust/escrow funds and debt proceeds.

The standard of prudence to be used by authorized staff shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under then prevailing circumstances, which person of prudence, discretion, and intelligence would 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.

Authorized staff acting in accordance with procedures in this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes. Staff is relieved of responsibility only if they report any deviations from expectations in a timely manner and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

G.S. 159-25(a)(6) delegates management responsibility for the investment program to the Finance Director. This investment policy requires the Finance Director consult with the Town Manger or other financial related parties, i.e LGC, financial advisors, bankers, etc, for investments under $750,000. Investment over this amount should be approved by Town Council prior to investing.

The Finance Director will establish and maintain procedures for the operation of the investment program which are consistent with this policy. Such procedures will include delegation of authority to persons responsible for investment transactions except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director will be responsible for all transactions undertaken and will establish and maintain a system of controls to regulate the activities of subordinates.

In the absence of the Finance Director and those to which he or she has delegated investment authority, the Town Manager is authorized to execute investment activities.

The Town's objectives in managing the investment portfolio, in order of priority, are safety, liquidity, and yield.

Safety – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To best mitigate against credit risk (the risk of loss due to failure of the security issuer) diversification is required. To best mitigate against interest rate risk (the risk that changes in interest rates will adversely affect the market value of a security and that the security will have to be liquidated and the loss realized) the second objective, adequate liquidity, must be met.

Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating and debt service cash requirements that may be reasonably anticipated. The portfolio will be structured so that securities mature concurrent with cash needs (static liquidity), with securities with an active secondary market (dynamic liquidity), and with deposits and investments in highly liquid money market and mutual fund accounts.

Yield – The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary, economic and interest rate cycles, taking into account investment risk constraints and liquidity needs.

Ethics and Conflicts of Interest – Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Town Manager any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Town.

The Town is empowered by N. C. G. S. 159-30(c) to invest in certain types of investments. The Council approves the use of the following investment types:

1. Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
2. Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Services.
3. Obligations of the State of North Carolina.
4. Bonds and notes of any North Carolina local government or public authority that is rated “AA” or better by at least two of the nationally recognized ratings services or that carries any “AAA” insured rating.
5. Fully collateralized deposits at interest or certificates of deposit with any bank, savings and loan association or trust company that utilizes the Pooling Method of collateralization.
6. Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service, which rates the particular obligation.
7. Bankers’ acceptance of a commercial bank or its holding company provided that the bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held

obligations bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.

8. Participating shares in a mutual fund for local government investment, provided that the investment of the fund is limited to those qualifying for investment under G. S. 150-30(c) and that said fund is certified by the LGC. (The only such certified fund is the North Carolina Capital Management Trust.)
9. Evidence of ownership of, or fractional undivided interest in, future interest and principal payments on either direct obligations of the United States government or obligations the principal of and the interest on which are guaranteed by the United States, which obligations are held by a bank or trust company organized and existing under the laws of the United States or any state in the capacity of custodian (STRIPS or zero coupon securities).
10. Guaranteed investment contracts utilizing repurchase agreements but only for the investment of debt proceeds which are to be collateralized at 105% and marked to market on a daily basis.

Prohibited Forms of Authorized Investments

Any investment not specifically noted in the policy above is prohibited until such investment is approved by the Town Council in a regular or special town council meeting.

Diversification

1. Every effort will be made to diversify Investments by security type and by institution.
2. The total investment in certificates of deposit shall not exceed $1,500,000 with a single financial institution.
3. With the exception of United States treasury securities and the North Carolina Capital Management Trust, no more than 30% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution.
4. The Finance Director is responsible for monitoring compliance with the above restrictions. If a violation occurs, the Finance Director shall report such to the Town Manager and to the Council along with a plan to address the violation.

Selection of Securities

The Finance Director and Town Manager together will determine which investments shall be purchased and sold and the desired maturity date(s) that are in the best interest of the Town. The selection of an investment will involve the evaluation of, but not limited to, the following factors: cash flow projections and requirements; current market conditions; and overall portfolio balance and makeup.

Policy Considerations

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided in this policy.

Monitoring and Reporting

The objective of this section is to devise a systematic reporting schedule to the Town Manager and Council and to provide a schedule for the systematic review of the plan itself to make necessary amendments and changes.

The Finance Director for the Town of Indian Trail shall maintain records of the status of investments. These records will be available to the Town Manager and Council at all times.

The Finance Director, or the Director's appropriate designee, shall submit the LGC-203, Report of Cash Balance, to the Secretary of the Local Government Commission pursuant to G.S. 159-33 and 33.1 on a semi-annual basis. This information shall also be reported to the Town Manager and Council at the next scheduled meeting after each report has been submitted to the LGC.

The Finance Director shall report to the Town Manger and Council any changes in bank services. The Finance Director shall report the issuance of the Request For Proposals for banking services (RFP) and recommendations for selections of an official depository.

Every three years the plan shall be reviewed by the Finance Director. The Finance Director shall report to the Town Manager and Council any amendments necessary to the plan, any procedural changes made and any recommendations to enhance the Cash Management Plan.

ADOPTED THIS 8TH DAY OF SEPTEMBER 2015.

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MICHAEL L. ALVAREZ, MAYOR

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KELLEY SOUTHWARD, Town Clerk