

SUBJECT: Cash Management and Investments Policy

PURPOSE: To establish a policy to effectively manage all funds available to the Town of Laurel Park for conducting Town operations.

STATEMENT OF POLICY: The cash management and investments policy objectives are to increase the amount of idle money invested, thus generating greater amounts of non-tax revenue through increased investment earnings and simultaneously providing adequate safety and liquidity of the Town's money. This plan addresses five areas: cash receipts, cash mobilization and management of available resources (deposits/investments), cash disbursements, banking relations, and monitoring/reporting on the policy.

In addition to establishing a cash management and investments policy, the Finance Officer and Town Manager will implement a series of internal controls which are designed to prevent the loss of public money arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the Town. The Finance Officer and Town Manager will ensure, whenever possible, separation of duties of the procedures for handling public funds and other assets.

A. CASH RECEIPTS

Deposits. The Finance Officer and Town Manager shall devise and implement a central depository system for the Town. This system shall include the creation of two types of fund accounts: a cash reserve account and a payables account. The cash reserve account shall be invested in the North Carolina Cash Management Trust in one of their interest bearing portfolios or in collateralized CDs. The payables account shall be a checking account at an official depository approved by both the State of North Carolina and the Town Council.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Town relies on the State Treasurer to monitor those financial institutions. The Town analyzes the financial soundness of any financial institution used by the Town. The Town complies with the provisions of G. S. 159-21 when designating official depositories and verifying that deposits are properly secured.

In accordance with G. S. 159-32, deposits are to be made daily when money on hand exceeds \$500.00. In any event, a deposit is to be made on the last business day of the month.

For checks received and deposited, which are returned to the Finance Officer due to insufficient funds, prompt action will be undertaken to collect good funds. Any fees incurred by the Town in the collection of bad checks will be added to the bill as an additional service fee.

Any adjustments or corrections for either overpayment or underpayment will be made after the money has been deposited. For routine deposits, checks will rarely be returned because they were made out in the wrong amount. There should be no delay in depositing money for errors of this type on a regular basis.

All money received from the State shall be received through the State Treasurer’s Electronic Payment System (STEPS). The Finance Officer will establish an account with the North Carolina Cash Management Trust and execute a STEPS agreement with the State Treasurer to implement the Town's participation in this system.

Billings. Applications and reports to the State or Federal Government for reimbursement or claims are to be filed promptly. Examples of claims for reimbursement are listed below.

| <u>Revenue Source</u> | <u>Due Date for Claim</u> |
|-----------------------------------|---------------------------------|
| Powell Bill | Between July 1 and 21 |
| Refund of State Sales and Use Tax | Within six months after June 30 |
| Refund of Local Sales and Use Tax | Within six months after June 30 |

B. CASH MOBILIZATION AND MANAGEMENT OF AVAILABLE RESOURCES (DEPOSITS/INVESTMENTS)

Money will be deposited into the cash reserve account by either electronic transmission using remote deposit capture or by taking the deposit to the authorized local bank before the end of the banking day. The deposit shall be made by employees duly authorized to do so, and supervised by the Finance Officer and/or Town Manager. The Town Manager shall decide which funds shall be transferred to and from the NCCMT as required.

All money received by the Town from the State shall be wired through the State Treasurer’s Electronic Payment System (STEPS) in order to ensure immediate investment on the transfer date.

Deposits/Investments: Eligible deposits and investments shall be limited to obligations of the U. S. Government, such as Treasury Bills, Bonds, and Notes; time deposits with any financially sound bank or savings institution whose principal office is in North Carolina; and the North Carolina Cash Management Trust.

The Town limits investments to the provisions of G. S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

Collateralization: Collateralization for deposits shall be in accordance with Title 20, Chapter 7 of the North Carolina Administrative Code (NCAC). All deposits for the Town shall be secured by deposit insurance, surety bonds, eligible collateral securities, or investment securities. The Finance

Officer shall notify the depository when an account is opened that the money deposited is public funds subject to collateralization and shall file a "Public Deposit Status Report" with each depository and the State Treasurer promptly after June 30.

Custody: The Finance Officer shall be responsible for custody, safekeeping, and accuracy of records of securities and deposit certificates according to G. S. 159-30 (d).

The Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town's name. The custodial agent shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. Certificated securities shall be in the custody of the Finance Officer.

Diversification/Maturity Scheduling: The Finance Officer shall ensure proper diversification of the investment portfolio in order to minimize the risks brought on by economic and market changes.

Projecting Cash Flows: The Finance Officer and Town Manager shall prepare a cash flow forecast and update it monthly. The objectives of this forecast shall be to ensure 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 maximize the amount of money available for investment.

C. CASH DISBURSEMENTS

The Finance Officer shall ensure Town money is expended pursuant to G. S. 159-28 (b).

The Town shall pay obligations by the due date after first determining whether early payment to obtain a discount is more beneficial than payment on the billing's due date. The Finance Officer shall periodically review the disbursement cycle and changes shall be instituted if necessary.

The Finance Officer shall require that all departments consolidate payments to one vendor. The Finance Officer shall ensure that all departments using the same vendor(s) receive the same due date and discount date. All checks shall be mailed in the afternoon provided this afternoon mailing will not result in missing the discount date or payment due date.

Payroll direct deposits for all employees shall be issued bi-weekly to employees to credit on the Friday pay date. In addition, payroll taxes shall be submitted on the due date.

D. BANKING RELATIONS

The Finance Officer and Town Manager shall maintain an average daily balance in the checking account equal to either one week's expenditures or an amount sufficient to offset the costs associated with the account, whichever is greater. The Finance Officer shall periodically review the activity of the account to determine target balances to accomplish the objective of bank compensation and expenditure coverage.

E. MONITORING AND REPORTING ON THE POLICY

The Finance Officer shall provide reports monthly to the Town Council concerning the status of investments. The report shall include that amount of Town money invested and maturities. A loss or potential loss on the liquidation of investments shall be disclosed at the next Council meeting after the loss becomes known.

The Finance Officer shall provide reports monthly to the Town Council concerning the actual receipts and disbursements for the month versus the budgeted receipts and disbursements. Any overages or shortages shall be explained.

The Finance Officer shall semiannually report to the secretary of the Local Government Commission on January 1 and July 1, the amounts of funds in custody, the amounts of deposits of such funds in depositories, and a list of all investment securities and time deposits held, pursuant to G. S. 159-33 and 33.1.

EFFECTIVE: Immediately

DATE: 06/16/22

APPROVAL: _____
MAYOR

TOWN MANAGER

LAST REVISED: 06/16/2022