

GUILFORD COUNTY, NORTH CAROLINA
CASH MANAGEMENT AND INVESTMENT POLICY

Scope

This policy applies to all financial assets of Guilford County except authorized client trust funds administered by Social Services, LEOSSA trust funds invested in accordance with a separate policy approved as part of the LEOSSA Trust Agreement and OPEB trust funds invested in the State Treasurer's Local Government Other Post-Employment Benefits Fund pursuant to General Statute 147-69.4. The County pools the cash resources of its various funds into a single treasurer's fund in order to maximize investment opportunities. These funds are accounted for in the County's Comprehensive Annual Financial Report. Each fund's portion of total cash and investments is summarized by fund type in the balance sheet as equity or deficit in pooled cash and investments. This policy applies to all transactions involving the financial assets and related activity of all the various funds accounted for in the County's Comprehensive Annual Financial Report except for the OPEB and LEOSSA trust funds.

Objectives

Funds of the County will be invested in accordance with North Carolina General Statutes, this Cash Management and Investment Policy, and written administrative procedures as approved by Finance Officer. The County's investments shall be undertaken in a manner that (1) seeks to ensure the preservation of capital in the overall portfolio, (2) provides for sufficient liquidity to meet the cash needs of the County's various operations and (3) attains a fair market rate of return. Cash management functions will be conducted in such a manner as to insure that adequate funds will always be available to meet the County's financial obligations and to provide the maximum amount of funds available for investment at all times.

Responsibility

In accordance with N.C. General Statutes, the Finance Officer is charged with the responsibility of cash management and investment and is designated as Investment Officer of Guilford County. The Finance Officer is responsible for investment decisions and activities and shall develop and maintain written administrative procedures for the operation of the cash management and investment program, consistent with N.C. Statutes and these policies. To enable the Finance Officer to efficiently discharge the investment responsibilities, as well as the various other duties and responsibilities of the position, he/she may delegate one or more members of his/her staff to perform the functions of Cash Management and Investment Officer. Such delegation will not relieve the Finance Officer of responsibility for all transactions undertaken.

The standard of prudence to be used by the Investment Officer and his/her delegates shall be the "Prudent Investor" Rule, which states, "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." This standard of prudence shall be applied in the

context of managing an overall portfolio. The Investment Officer and his/her delegates acting in accordance with North Carolina General Statutes, this policy, and written administrative procedures and exercising due diligence shall be relieved of personal responsibility for an investment 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.

Ethics and Conflicts of Interest

To avoid any appearance of potential conflict of interest or favoritism to a particular bank or broker, the Investment Officer or any delegated employee who has investment responsibilities shall make full disclosure to the Finance Officer and the County Manager of any relationship or dealings with any financial institution that has business dealings with the County. This disclosure need not include normal banking or brokerage relationships that are at normal market rates and conditions available to the general public. Investment officials shall be familiar with N.C. General Statutes and County policy regarding gifts and favors and shall act accordingly.

Authorized Investments and Limitations

Statutory authority for local government investments in North Carolina is contained in N.C. General Statutes, Chapter 159-30 which serves as the basis for the County's allowable investments as well.

In addition to the requirements of NCGS 159-30, the following investment restrictions and portfolio limitations shall apply to the cash management and investment practices of Guilford County:

1. No investment in Repurchase Agreements shall be made unless the underlying collateral shall be placed in safekeeping in the trust department of a third-party bank.
2. The combined total investment in commercial paper and banker's acceptances shall not exceed 35% of the total portfolio and the investment in commercial paper or banker's acceptance of a single issuer shall not exceed 15% of the total portfolio at the time of the investment.
3. No investment shall be made in any security with a maturity greater than five years from the date of purchase. Total investment in securities with a maturity date in excess of one year shall not exceed 50% of the total portfolio.
4. All government securities and other negotiable instruments shall be held in safekeeping by the trust department of a bank.

Competitive Selection of Investment Instruments

When investments are to be made, the Investment Officer shall determine which instrument shall be purchased and the desired maturity date. This determination will be based on known and projected cash flow requirements of the County, current money market conditions, and the relative percentage composition of various types of

investments within the portfolio. After determining the type of investment(s) and the desired maturity date(s), he/she shall then obtain competitive bids of offered interest rates, or prices of desired securities, by telephone calls or e-mails to as many banks and dealers as is feasible under the circumstances. The number of bids solicited will be based on several factors, such as time restraints, amount of funds being invested and the number of institutions who offer the desired security. The County will accept the bid which provided the highest rate of return within the maturity required and within the parameters of this policy. Under unusual or volatile money market conditions, the Investment Officer with the concurrence of the Finance Officer or County Manager may exercise his/her prudent judgment and accept a firm bid without completing the normal solicitation process if the offered bid appears to be sufficiently attractive and may not remain available at the same rate if normal procedures are followed. If the investment is offered by only one or two banks/brokers but the rate and structure are attractive and fulfil a need in the portfolio, the bid process may be waived with appropriate documentation. The solicitation and receipt of bids shall be documented and retained for a period of two years by the Finance Department. In order to maintain portfolio balance and to increase yields, the trading of investment securities is often beneficial to the County. Since these "swaps" are not normally susceptible to the bidding process, primarily due to simultaneous buy and sell executions and constant price changes due to market volatility, the normal bidding process may be waived by the Investment Officer in these transactions.

In the interest of community development, the County may invest up to 1% of its pooled investments, excluding bond proceeds, with a qualifying minority, historically underutilized or community financial institution, provided the interest rate offered is at least as high as the yield on the 90-day Treasury bill at the time of deposit. Under this provision no one entity shall receive County investments greater than one million dollars. In such situations a waiver to the bid requirements of this section may be granted by the Finance Director. Such placement of funds will otherwise be compliant with other provisions of this policy and will be consistent with State or local law. All terms and relationships will be fully disclosed prior to placement of the funds and will be reported on a consistent basis in a manner to be determined by the Finance Director.

Portfolio Management and Balance

The County's investment portfolio shall consist of three general categories:

1. Staggered Maturities: Investments scheduled to mature to meet known and anticipated cash needs on a particular date. These investments are generally certificates of deposit, commercial paper and banker's acceptances and typically range from 60 to 270 days to maturity.
2. Liquidity Reserve Investments: Demand investments and short-to-intermediate term U.S. Treasury securities which are held to provide liquidity in case of unanticipated cash needs. These cash needs may be caused by unanticipated expenditures, revenue shortfalls, or bank wire transmission or other temporary problems in receiving expected funds. Prudent cash

management dictates that reasonable reserves of cash or investments that can readily be converted to cash be maintained at all times.

3. Extended Maturities: Investments in government securities with maturities of one to five years. These investments are made to secure higher yields generally available for longer-term investments.

The Investment Officer shall be governed by North Carolina Statutes and this investment policy in exercising prudent judgment in the management of the investment portfolio. The Investment Officer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio accordingly.

Qualified Institutions and Official Depositories

The Finance Officer shall maintain a listing of financial institutions which are approved for investment purposes. Banks and brokerage firms shall provide Consolidated Reports of Condition, or other appropriate reports, at the request of the County. Securities dealers not affiliated with a North Carolina bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank as primary dealers. Any dealer with whom the County has a relationship that no longer elects to be classified as a primary dealer but which retains adequate capital and otherwise meets the criteria shall be an eligible provider. Any dealer offering the e-ConnectDirect® program ~~or service~~ endorsed by the N.C. Association of County Commissioners shall be an eligible provider. Depositories shall be selected to provide general banking services required by the County. Selection of a depository bank shall be through a competitive process of request for proposals of banking services. The Finance Officer shall invite proposals from local banks meeting certain criteria. He/She shall analyze and compare all proposals and shall recommend a depository bank to the Board of County Commissioners. The Board shall designate the selected bank as official depository for the County. The designated bank shall remain the official depository in accordance with the banking agreement. The normal duration for such designations shall be five years with provision for one-year extensions.

Internal Control, Safekeeping and Custody

The Finance Officer shall establish a system of internal controls, which shall be documented in writing and reviewed by the County's independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by County employees. To protect against potential fraud and embezzlement, the negotiable securities of the County shall be held in safekeeping by the trust department of a bank that is independent of the County's investment providers or counterparties. Any bank certificate of deposit other than a "book entry" CD (i.e., evidenced by a physical certificate) shall be maintained in a locked compartment in the safe in the Treasurer's office.

Reporting

The Finance Officer shall submit quarterly an investment report to the Board of County

Commissioners. The report shall summarize the investment activities in the most recent quarter and comment on anticipated investments in the next quarter. The report shall include a general description of the portfolio in terms of investment securities, maturities, yield and other features. The report will show investment earnings for the quarter and fiscal year-to-date, including the weighted average yield to maturity. The report will compare actual investment earnings with budgetary expectations and will comment on actual and anticipated variances with the budget. Any areas of policy concern and suggested or planned revisions of investment strategies shall be addressed in the report.

Approved by Board of County Commissioners, DD/MM/YY