



ROCKINGHAM COUNTY INVESTMENT POLICY

Adopted: June 15, 2015

AUTHORITY

The Chairman and the Board of County Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Rockingham County. The County Manager is responsible for carrying out the policy directives of the Board of Commissioners and managing the day-to-day operations of the county departments.

PURPOSE

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

SCOPE

This policy applies to all financial assets of the County except authorized petty cash, trust funds administered by the Social Services Director, inmate funds administered by the Sheriff Department, and debt proceeds which are accounted for and invested separately from pooled cash. The County pools the cash resources of its various funds into a single pool in order to maximize investment opportunities and returns. Each fund's portion of total cash and investments is tracked by the financial accounting system.

OBJECTIVES

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

- ❖ **Safety** – the 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 the 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.

STANDARDS OF CARE

- ❖ **Prudence** – The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.
- ❖ **Ethics and conflict 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 any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/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 individual with whom business is conducted on behalf of the County.
- ❖ **Delegation of authority** – NC General Statute (NCGS) 159-25(a)6 delegates management responsibility for the investment program to the Finance Director. The Finance Director will establish and maintain procedures for the operation of the investment program which are consistent with this policy. Such procedures may include delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

SAFEKEEPING AND CUSTODY

Authorized Financial Dealers and Financial Institutions

- ❖ The Finance Director will maintain a list of financial institutions that are authorized to provide investment services. Authorized financial institutions will be selected by credit worthiness and must maintain an office in the State of North Carolina. These may include “primary” dealers or regional dealers that qualify under SEC Rule 15C3-1 (uniform net capital rule).
 - Any financial institutions and broker dealers that desire to become qualified to conduct investment transactions with the County must supply the Finance Director with the following:
 - Audited financial statements
 - Proof of National Association of Securities Dealers certification
 - Proof of state registration
 - Certification of having read the County’s investment policy
 - Any previous qualified financial institution that fails to comply or is unable to comply with the above items upon request will be removed from the list of qualified financial institutions.
 - The Finance Director shall have discretion in determining the number of authorized financial institutions and may limit that number based upon the practicality of efficiently conducting the investment program. The Finance Director shall also have the discretion to add or remove authorized financial institutions based upon potential or past performance.

Internal Control

- ❖ The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognized that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires the use of estimates and judgements by management.

Collateralization

- ❖ In accordance with North Carolina General Statute 159-31(b) and the Government Finance Officers Association Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on deposits at interest and savings certificates of deposit. The County shall utilize the pooling method of collateralization and shall use only banking institutions approved by the North Carolina Local Government Commission.

Custodial Safekeeping

- ❖ All investment securities purchased by the County will be held by a third party custodian designated by the Finance Director and each transaction will be evidenced by safekeeping receipts and tickets.

AUTHORIZED INVESTMENTS

The County is empowered by North Carolina General Statute 159-30(c) to invest in certain types of investments. The Board of County Commissioners approves the use of the following investment types, the list of which is more restrictive than the G.S. 159-30(c):

- ❖ Obligations of the United States or obligations fully guaranteed as to both principal and interest by the United States.
- ❖ Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the United States Postal Service.
- ❖ Obligations of the State of North Carolina.
- ❖ 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.
- ❖ 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.
- ❖ Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service, which rates the particular obligation.
- ❖ Banker's 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.
- ❖ Participating shares in a mutual fund for local government investment, provided that the investments of the fund are 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.)

The use of repurchase agreements, collateralized mortgage obligations and any type of securities lending practices is prohibited.

DIVERSIFICATION

- ❖ Investments will be diversified by security type and by institution.
- ❖ With the exception of United States treasury securities and the North Carolina Capital Management Trust, no more than 35% of the County's total investment portfolio will be invested in a single security type.
- ❖ The total investment in commercial paper shall not exceed 30% of the County's total investment portfolio and the investment in commercial paper of a single issuer shall not exceed \$3,500,000.
- ❖ The total investment in banker's acceptances shall not exceed 5% of the County's total investment portfolio and the investment in bankers' acceptances of a single issuer shall not exceed \$2,000,000.
- ❖ The Finance Director is responsible for monitoring compliance with the above restrictions. If a violation occurs, the Finance Director shall report such to the County Manager and to the Board of County Commissioners along with a plan to address the violation.

MAXIMUM MATURITIES

To the extent possible, the County will attempt to match its investments with anticipated cash flow requirements. Beyond identified cash flow needs, investments will be purchased so that maturities are staggered. Unless matched to a specific cash flow, the County will not directly invest in securities maturing more than 3 years from date of purchase.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding 3 years, if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

SELECTION OF SECURITIES

The Finance Director will determine which instruments shall be purchased and sold and the desired maturity date(s) that are in the best interest of the County. The selection of an instrument will involve the evaluation of, but not limited to, the following factors:

- ❖ Cash flow projections and requirements
- ❖ Current market conditions
- ❖ Overall portfolio balance and makeup

REPORTING

The Finance Director shall submit a monthly investment report to the County Manager. The report shall include a general description of the portfolio in terms of investment securities, maturities, yields and other features.

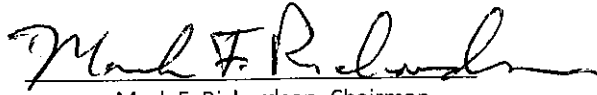
EXEMPTION

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

AMENDMENT

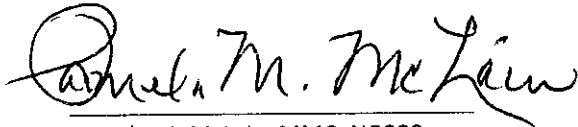
This policy shall be reviewed on an annual basis. Any changes must be approved by the County Manager and the Board of County Commissioners as well as the individual(s) charged with maintaining internal controls.

Adopted this 15 day of June, 2015



Mark F. Richardson, Chairman
Rockingham County Board of Commissioners

Attest:



Pamela M. McLain, MMC, NCCCC
Clerk to the Board

