

TOWN OF SWANSBORO BOARD OF COMMISSIONERS

RESOLUTION:

ESTABLISHMENT
OF A
CASH MANAGEMENT POLICY

WHEREAS, to fully maximize the use of public monies is in the best interest of the public; and,

WHEREAS, it is the responsibility of the Finance Officer, to supervise the management of public monies of the Town of Swansboro, and,

WHEREAS, it is the desire of the Board of Commissioners to use all of its public funds in the most efficient manner;

NOW THEREFORE, BE IT RESOLVED BY THE TOWN OF SWANSBORO BOARD OF COMMISSIONERS THAT:

Section 1. The Board of Commissioners hereby charges the Finance Officer, with the cooperation of all Town departments and officials, to devise and implement a cash management plan which addresses cash receipts, cash mobilization and management of available resources (deposits/investments), cash disbursements, banking relations, and monitoring and reporting on the plan. This plan shall be consistent with the suggestions issued by the staff of the Department of State Treasurer.

Section 2. The independent auditor of the Town of Swansboro shall monitor the Town's compliance with the established cash management plan and the reports of the Finance Officer thereon. He/she shall report his/her findings and recommendations annually to the Board as part of the Town's audit.

Section 3. Each year the plan will be reviewed by the Finance Officer during budget preparation. The Finance Officer shall amend the plan, as appropriate, to further enhance the Town's cash management program. All plan amendments shall be distributed to the Board of Commissioners after the amendment has been made.

Section 4. All employees of the Town shall follow the cash management plan and provisions of this resolution, and the willful or continued failure to do so is sufficient cause for immediate dismissal from the Town employment. Any deviations from the plan by any official or employee shall be reported to the Town Manager and the Board after the deviation has occurred.

I, Patricia Sue Chandler, Town Clerk for the Town of Swansboro Board of Commissioners of North Carolina, do here by certify that the foregoing Resolution was duly adopted by the governing board of the Town of Swansboro at a regular meeting thereof, a quorum being present. The 18 day of October, 1994.

Patricia Sue Chandler
Town Clerk

Sam W. Edgerly
Mayor

TOWN OF SWANSBORO
CASH MANAGEMENT PLAN

This cash management plan is being established pursuant to the Town of Swansboro's Cash Management Policy as adopted by the Board which requires such a plan to be developed. The objectives of this plan are to increase the amount of idle monies invested, thus generating greater amounts of non-tax revenue through increased investment earnings and simultaneously providing for the adequate safety and liquidity of the Town's monies. This plan will address five areas: cash receipts, cash mobilization and management of available resources (deposits/investment), cash disbursements, banking relations, and monitoring and reporting on the plan. In addition to establishing a cash management plan, the Finance Officer will implement a series of internal controls which are designed to prevent losses of public monies arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Town. The Finance Officer will ensure, whenever possible, separation of duties of the procedures for handling public funds and other assets.

As part of the Fiscal Year Budgets adoption, the Board of Commissioners shall approve three (3) persons, one of which shall be the Finance Officer, to sign checks on behalf of the Town of Swansboro. These names shall be forwarded to the official depository for their records.

CASH RECEIPTS

The Finance Officer shall devise and implement a set of bank accounts for deposits and withdrawals in appropriate funds for correct accountability. These accounts will be at the Official Depository approved by the Board. Deposits are to be made any day when monies on hand amount to \$250.00. In any event deposits are to be made on the last business day of the month. This holds true for every collection location. For checks received and deposited which are returned due to insufficient funds, prompt action will be undertaken to collect good funds. Any adjustments or corrections for either overpayment or underpayment will be made after the monies have 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 monies for errors of this type on regular receipts. All monies received from the State shall be received through the Governmental Monies Transfer System where applicable. The Finance Officer will establish and account with the North Carolina Cash Management Trust and execute a GMTS, an operating agreement with the State Treasurer for participation in this system.

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Tax collections will be done by the County Tax Collector. The tax billings and collections shall be done in accordance with the current contract and all state regulations and statutes. The monies deposited by wire transfer into the applicable accounts at the official depository.

Applications and reports to the State or Federal government for reimbursement or claims are to be filed promptly. All departments heads who administer programs that receive monies from other governments are to meet with the Finance Officer to establish a cash flow schedule for these monies.

For utility billings, the objective shall be to minimize the processing time so payments will be received at an early date. Utility meters will be read on or about the 20th day of each month and bills will be mailed no later than the 3rd working day of the following month. The due date for utility customers shall be the 20th of each month, thus giving them a period of two weeks from receipt of the bill to the due date for payment. A late payment charge of 10% of the overdue amount will be assessed to all delinquent accounts on the 21st day of the month.

Collection Procedures

Service will be discontinued to all customers who become two months delinquent in paying their accounts. Disconnection will be the 1st working day after the 25th day of the current month. To reconnect the service, the customer will be charged reconnection charges.

Water and/or sewer customers will be charged a deposit and an administration charge when service begins. The total deposit will be refunded if the account is paid in full, otherwise, it will be applied toward the last billing statement.

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

Mobilization

The Board of Commissioners shall authorize the Finance Officer to establish at a Official Depository, accounts necessary for correct accountability of the Town's monies. All other financial institutions in which deposits of public funds will be made will be designated as official depositories by the Board. Monies shall be deposited in the cash accounts before the daily cutoff to ensure that the deposit will be credited for that day. The deposit shall be made by the Finance Officer or by a delegation. All monies received by the Town from the State shall be wired through the Governmental Moneys Transfer System (GMTS) (where applicable) in order to ensure immediate investment of those monies on the transfer date. The Finance Officer also shall establish an account with the North Carolina Cash Management Trust in order for GMTS monies to be wired into that account. The Town shall remain 100% invested at all times with the exception of monies held for petty cash and change purposes, 100% invested refers to actual investments as well as the use of interest bearing checking accounts.

Deposits/Investments

Eligible deposits and investments shall be limited to obligations of the U.S. Government, such as Treasury Bill, Bonds, and Notes; time deposits with any financially sound bank or savings institution whose principal office is in North Carolina; A-1, P-1, domestic commercial paper; and the North Carolina Cash Management Trust.

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 fully protected through deposit insurance and eligible collateral securities pursuant to 20 NCAC 7. The Finance Officer shall notify the depository when an account is opened that the monies deposited are public funds subject to collateralization and shall file a "Public Deposit Status Report" with each depository and the State Treasurer promptly after June 30. The Finance Officer shall maintain a file of "Election of Option 2" forms from the depositories and/or the list of financial institutions using

Option 2 from the Department of State Treasurer. There shall be a signed escrow agreement with a third party escrow agent for each Option 1 institution. A file of all pledges of collateral and record of pledged securities per Option 1 depository shall be maintained by the Finance Officer. There shall be no releases or substitutions of collateral securities resulting in a decrease in the market value of securities pledged by Option 1 depositories without prior approval by the Finance Officer.

Custody

The Finance Officer shall request and receive a statement of collateral pledged from each Option 1 institution at least quarterly including the total par and market values of the securities. The finance officer shall be responsible for obtaining custody and providing safekeeping of securities and deposit certificates according to G.S. 159-30(d). All securities purchased by the Town shall be delivered (or Book-entered) to the Town's custodian and placed in the Town's custody account in the Town's name. The custodian agent will promptly provide the Town with a custody receipt. All such custodial agreements shall be between the Town and the custodian, and in the Town's name. Certificate of deposit purchased by the Town shall be delivered to the Finance Officer. The Town's attorney shall review all custodial agreements.

Diversification/Maturity Scheduling

The Finance Officer shall ensure proper diversification of the investment portfolio in order to minimize risks brought on by economic and market changes. To achieve this diversification:

- 1) No more than 25% of the Town's monies shall be invested in any obligation that does not bear the full faith and credit of the United States.
- 2) No less than 30% of the total investment portfolio shall mature within 30 days. No less than 75% of the portfolio shall mature in 90 days and the average maturity of the portfolio shall not exceed one year.
- 3) No more than 75% of the Town's total monies shall be placed with a single financial institution.
- 4) No more than 5% of the overall portfolio shall be invested in the securities of a single issuer, except for the U.S. Treasury.

5) No more than 10% of the portfolio shall be invested in a regular savings account.

6) No more than 10% of the portfolio shall be invested in overnight securities or in highly marketable, short-term securities which can be quickly sold to meet liquidity needs.

The North Carolina Cash Management Trust (NCCMT) maintains this level of diversification for issuers and industries; therefore the investment with NCCMT shall not be subject to these limits.

Monitoring the Portfolio

The Finance Officer shall constantly monitor the investment portfolio and make adjustments as necessary. The Finance Officer shall review the cash position of the Town and decide what monies can be deposited or invested for certain period of time. If any deposits or investments are to be made, the Finance Officer or designee will make this determination by 11:00 a.m. that day and then institute a bidding process for Town's monies as follows:

1) Approved financial institutions shall be contacted by the Finance Officer requesting bids on time deposits. All bids shall be submitted by 12:00 p.m. with interest rates quoted on a 365-day basis. In the event of matching bids, the financial institutions will be contacted, notified of similar bids, and asked if an upset bid will be placed. All deposit certificates shall be delivered to the Finance Officer by 2:00 p.m.

2) For other eligible investment vehicles, the Finance Officer shall solicit offers from an approved list of financial institutions and broker/dealers. No institution of broker/dealer will be on the list that has not submitted a signed trading agreement indicating that they are familiar with G.S. 159-30 and the unit's internal investment policies. The Finance Officer shall review the various offers and determine the appropriate investment vehicle, considering such factors as the safety of the investment, the rate, and the maturity. All interest rates shall be quoted on a discount basis. For securities purchased by the Town, the Finance Officer shall instruct the seller that securities are to be delivered to the Town's escrow agent, who will disburse monies for the purchase once the securities are delivered. Telephone quotes shall be received by 12:00 p.m., recorded, with the names of the financial institution and its representative shall be included in the report. The Finance Officer will be responsible for notifying the financial institution that placed the highest bid. Wire transfers will be processed by the institution's deadline with written confirmation

forwarded the next business day. These confirmations will be documented and delivered to the Finance Officer for review and filing.

CASH DISBURSEMENTS

The Finance Officer shall expend Town's monies pursuant to G.S. 159-28 (b). To create the maximum amount of funds available for investment, the Finance Officer shall pay the obligations of the Town on a weekly basis, using billing due dates and discounts to the benefit of the Town. The Finance Officer shall periodically review the disbursement cycle and changes shall be instituted as needed. The Finance Officer shall instruct the department heads to develop and keep a system of inventory and supplies controls to ensure that the materials on hand are sufficient to keep the Town operating in an efficient manner. Should these levels become excessive, the department heads shall reduce orders for inventories and supplies until an acceptable level is reached and notify the Finance Officer of the inventories. The Finance Officer shall issue payroll checks weekly. In addition, the Finance Officer shall submit payroll taxes on the due date. The Finance Officer shall constantly review supplier contracts and receiving reports to ascertain whether the Town is paying for goods actually received or services actually rendered.

BANKING RELATIONS

Analysis

The Finance Officer shall determine the financial soundness of banks and savings institutions with which the Town desires to do business by performing an analysis on each institution. Each analysis shall examine historical trends, followed by ratio analysis to determine capital adequacy, profitability, loan quality, and liquidity. The Town's independent auditor may be asked to assist with this analysis if necessary.

Request for Proposals for Banking Services (RFP)

Those financial institutions that are deemed to be financially sound shall receive an Request for Proposal (RFP). The RFP will solicit bids from financial institutions that wish to obtain the Town's banking business. The RFP's shall be compared, and the financial institution selected for a period of three years. The Board of Commissioners will designate the selected financial institutions as the official depository for the Town. The Town shall sign a contract with this financial institution establishing the banking services and costs that will be applicable to the Town and the conditions that will necessitate termination of the contract.

MONITORING AND REPORTING ON THE PLAN

The Finance Officer shall report monthly to the Board of Commissioners concerning the actual receipts and disbursements for the month versus the budgeted receipts and disbursements and versus the cash flow projections. Any overages or shortages shall be explained. The Finance Officer shall give a projected cash flow for the remainder of the year during Budget Prep. of each year to the Board of Commissioners for their review.

The Finance Officer shall semiannually 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.

Each year the plan shall be reviewed by the Finance Officer during budget preparation. The Finance Officer shall report to the Board of Commissioners any amendments, and any deviations from the cash management plan and efforts undertaken to ensure that such deviations do not reoccur. The willful or continued failure to follow the provisions of the cash management policy or this cash management plan by any employee of designated official may be grounds for immediate dismissal from Town employment. The Finance Officer shall report to the Board of Commissioner any amendments adopted, on procedural changes made, and any recommendations that the Board should take to enhance the cash management plan.