**Sample Investment Policy (General)**

**I. Scope**

**Applicability:**
This policy governs the investment of all operating funds of the [LOCAL GOVERNMENT OR PUBLIC AUTHORITY NAME HERE], as authorized by **NCGS 159-30**.

**Pooling:**
In accordance with **NCGS 159-30(e)**, the local government may consolidate cash balances from various funds, except for certain restricted or specialized funds, in order to maximize investment returns. Investment income will be allocated quarterly across funds based on each fund's average quarterly balance.

**II. Objectives**

The primary objectives of this investment program are:

1. **Safety:**
The principal goal is to protect the principal of public funds through the management of credit and interest rate risks.
	* **Credit Risk:**
	[LOCAL UNIT NAME HERE] will minimize credit risk by:
		+ Investing only in securities authorized under **NCGS 159-30(c)**.
		+ Transacting with only pre-qualified financial institutions, brokers, and dealers.
		+ Diversifying its portfolio to reduce the impact of a single investment’s failure on the overall portfolio.
	* **Interest Rate Risk:**
	[LOCAL UNIT NAME HERE] will mitigate interest rate risk by:
		+ Investing primarily in short-term securities, with a maximum maturity of five (5) years from the date of purchase, unless otherwise approved by the governing board.
		+ Using a laddering strategy to stagger investment maturities, ensuring cash flow needs are met without the need for market sales.
		+ Ensuring at least 50% of the portfolio’s maturities occur within 12 months of the fiscal year-end.
2. **Liquidity:**
Ensuring that funds are available when needed for operations is a critical objective.
	* Investments will be made with the intent to hold to maturity; however, liquidity will be maintained by placing a portion of the portfolio in investments such as the North Carolina Capital Management Trust (NCCMT), or a custodial sweep account, offering same-day or next-day liquidity.
3. **Yield:**
[LOCAL UNIT NAME HERE] will seek the highest possible yield on its investments after meeting the primary objectives of safety and liquidity.

**III. Standards of Care**

1. **Delegation of Authority:**
As authorized by **NCGS 159-30(a)**, the governing board of [LOCAL UNIT NAME HERE] delegates the authority to manage the investment program to the Finance Officer. This officers is responsible for ensuring the program complies with this policy and applicable law. Only the Finance Officer may engage in investment transactions on behalf of [LOCAL UNIT NAME HERE].
2. **Due Diligence:**
The Finance Officer will not be personally liable for investment losses if due diligence is exercised in accordance with this policy. Due diligence is demonstrated by:
	* Purchasing and managing investments as per **NCGS 159-30**.
	* Maintaining appropriate documentation and records for all investment transactions.
3. **Conflicts of Interest:**
The Finance Officer is prohibited from engaging in personal investments with brokers or dealers with whom [LOCAL UNIT NAME HERE] transacts business.
	* Investment officers must disclose any material interests in financial institutions with which [LOCAL UNIT NAME HERE] invests, as required by **NCGS 159-30(d)**.
	* Officers must avoid actions that could impair their ability to make unbiased investment decisions.

**IV. Safekeeping and Custody**

1. **Third-Party Safekeeping:**
All investments will be held by a third-party custodian in a secure manner.
	* Investment transactions will be executed on a delivery vs. payment (DVP) basis, ensuring the securities are delivered to the custodian before any funds are released.
	* The custodian will provide [LOCAL UNIT NAME HERE] with monthly safekeeping statements and allow online access to monitor the portfolio.
2. **Authorized Dealers and Financial Institutions:**
The Finance Officer will maintain a list of approved financial institutions, brokers, and dealers.

	* Due diligence will be conducted annually for all approved entities, including:
		+ Review of audited financial statements.
		+ Review of FINRA BrokerCheck or equivalent regulatory review.
		+ Review of credit ratings from at least two major credit rating agencies.
	* Each approved entity must provide a completed Financial Institution, Dealer, and Broker Questionnaire, including:
		+ Audited financial statements.
		+ NASD certification.
		+ State of North Carolina registration.

**V. Authorized Investments**

Under **NCGS 159-30(c)**, the [LOCAL UNIT NAME HERE] may only invest in securities and financial instruments that are authorized by state law. Authorized investments include, but are not limited to:

1. **U.S. Government Securities:**
Obligations of the U.S. government, or obligations fully guaranteed as to both principal and interest by the U.S. government.
2. **Federal Agency Securities:**
Obligations of the Federal Farm Credit Bank, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (Fannie Mae), and Government National Mortgage Association (GNMA).
3. **State and Local Government Securities:**
Bonds and notes of the State of North Carolina or any local government or public authority within North Carolina.
4. **Prime Quality Commercial Paper:**
Commercial paper rated at the highest quality by at least one nationally recognized rating agency, and not rated below the highest quality by any other recognized agency.
5. **Mutual Funds for Local Government Investment:**
Participating shares in mutual funds or investment trusts approved by the Local Government Commission (LGC), such as the North Carolina Capital Management Trust (NCCMT).

**All investments must be authorized by NCGS 159-30(c).**

**VI. Internal Controls and Reporting**

1. **Internal Controls:**
Proper segregation of duties will be maintained within the investment program to ensure sound internal controls. The duties are as follows:
	* Investment officers will execute transactions with authorized financial institutions and brokers.
	* The Finance Officer (or Assistant Finance Director) will review and approve all investment transactions, including pre-auditing documentation.
	* The Finance Officer will maintain detailed records of all investment transactions, including purchases, maturities, and sales.
	* Monthly reconciliations will be performed between the investment portfolio and the general ledger, using custodial safekeeping statements.

**No individual may perform both the duties of transacting and approving investments.**

1. **Reporting:**
	* **Schedule of Investments:** A schedule of all investments will be maintained, including the security name, purchase date, cost, maturity date, and yield.
	* **Mark-to-Market Valuation:**
	At fiscal year-end, investments will be marked to market value as required by the Governmental Accounting Standards Board (GASB). If any significant variance between market value and cost exists, the Finance Director will review the portfolio and take corrective action if necessary.
	* **Semi-Annual Report (LGC-203):**
	As required by NCGS 159-33, a semi-annual report will be prepared and submitted to the Local Government Commission (LGC), providing an accounting of all cash and investments as of June 30 and December 31. This report is currently submitted through LOGOS.

**VII. Conclusion**

This Investment Policy outlines the framework for managing the investment of public funds in compliance with **NCGS 159-30** and other applicable North Carolina laws. The policy ensures investments are made with a focus on safety, liquidity, and yield, while maintaining transparency, accountability, and compliance with all regulatory requirements.