



MEMORANDUM

To: Mayor and Members of the City Council

From: Reginald Goodson, City Manager
Brian Lewis, Interim Finance Director

Date: March 4, 2026

Re: Consideration - Adoption of Investment Policy

BACKGROUND:

North Carolina municipalities are authorized and governed in their investment activities by North Carolina General Statutes (NCGS) 159-30. While the City has historically invested public funds in accordance with statutory requirements and sound financial practices, formal adoption of a comprehensive written Investment Policy strengthens governance, enhances internal controls, and ensures continued compliance with State law and Governmental Accounting Standards Board (GASB) pronouncements.

The City invests funds as permitted by NCGS 159-30, using only authorized investments. The proposed policy formally documents these practices and establishes clear guidelines regarding legality, safety, liquidity, diversification, internal controls, reporting, and oversight.

Given the City's annual operating budget, a formal policy framework is considered a best practice for municipalities of comparable size and complexity.

ANALYSIS:

The proposed Investment Policy:

- Prioritizes legality, safety of principal, liquidity, and yield in that order.
- Defines authorized investment instruments adhering to NCGS 159-30.
- Establishes diversification and maturity guidelines to manage risk.
- Requires collateralization and third-party safekeeping of securities.
- Establishes internal controls designed to prevent losses due to fraud, employee error, misrepresentation and/or market misjudgment.
- Requires quarterly reports to City Council.

- Aligns with GASB disclosure requirements for inclusion in the Annual Comprehensive Financial Report (ACFR), annual financial audit report.
- Designates the Finance Director as Investment Officer.

Adoption of the Investment Policy does not create a direct budgetary impact. This investment policy provides guidance and oversight while strengthening governance and internal controls and ensuring adherence to State law and GASB for the management and reporting of existing City public funds.

STAFF RECOMMENDATION:

By motion adopt the attached resolution approving the Investment Policy for the City of Elizabeth City.



**RESOLUTION #2026-02-03
ADOPTING AN INVESTMENT POLICY
FOR THE CITY OF ELIZABETH CITY**

WHEREAS, the Council of the City of Elizabeth City is charged with the fiduciary responsibility of safeguarding public funds and ensuring their prudent investment; and

WHEREAS, North Carolina municipalities are authorized and governed in their investment activities by North Carolina General Statutes (NCGS) 159-30; and

WHEREAS, the City Council recognizes the importance of establishing a formal Investment Policy to provide guidance for the prudent management of public funds, to ensure compliance with applicable State law, and to align with Governmental Accounting Standards Board (GASB) reporting requirements; and

WHEREAS, the proposed Investment Policy establishes objectives prioritizing legality, safety of principal, liquidity, and yield, and sets forth standards of care, authorized investments, reporting requirements, and internal controls consistent with statutory requirements and sound public finance best practices; and

WHEREAS, the City currently invests funds as permitted by NCGS 159-30, using only authorized investments, and desires to formally incorporate such practices within an adopted policy framework;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Elizabeth City as follows:

- **Section 1. Adoption of Investment Policy**

The Investment Policy attached hereto and incorporated herein by reference is hereby adopted as the official Investment Policy of the City of Elizabeth City.

- **Section 2. Delegation of Authority**

The Finance Director is hereby designated as the Investment Officer for the City and is authorized to implement and administer the Investment Policy in accordance with applicable North Carolina General Statutes (NCGS), Governmental Accounting Standards Board (GASB), and this Resolution.

- **Section 3. Compliance**

All investment activities of the City shall be conducted in strict compliance with:

- North Carolina General Statutes
- Applicable GASB standards
- The adopted Investment Policy

- **Section 4. Reporting**

The Finance Director shall provide periodic investment reports to the City Council in accordance with the Investment Policy and shall ensure required disclosures are included in the City's Annual Comprehensive Financial Report (ACFR), annual financial audit report.

- **Section 5. Effective Date**

This Resolution shall become effective April 1, 2026.

Adopted this 9th day of March 2026.

E. Kirk Rivers,
Mayor

ATTEST:

April Onley, NCCMC
City Clerk

CITY OF ELIZABETH CITY, NORTH CAROLINA

INVESTMENT POLICY

I. PURPOSE

This Investment Policy establishes guidelines for the prudent management and investment of public funds for the City of Elizabeth City (the "City"). The objectives of this policy are to:

- Safeguard public funds.
- Ensure compliance with applicable North Carolina laws.
- Provide sufficient liquidity to meet operational requirements (e.g., daily cash flow demands).
- Achieve a reasonable rate of return consistent with safety and liquidity.
- Promote transparency and public trust in the stewardship of public resources.

This policy is adopted in accordance with the requirements of North Carolina General Statutes (NCGS) 159-30 and applicable Governmental Accounting Standards Board (GASB) pronouncements.

II. SCOPE

This investment policy applies to all the following City of Elizabeth City's financial assets:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- All other funds under the control of the City

Excluded from this policy are pension trust funds, Other Post Employment Benefits (OPEB) trust funds, and private trust funds.

III. AUTHORITY

This policy is adopted pursuant to:

- NCGS 159-30
- Applicable GASB standards
- The City Charter and ordinances
- Resolution of the City Council

The Finance Director is designated as the Investment Officer and is responsible for the administration and implementation of this policy. As such, the Finance Director has the authority to invest unused City funds in any authorized instrument and has the responsibility for the day-to-day management of City funds.

IV. INVESTMENT OBJECTIVES

All the City funds covered by the investment policy, regardless of term, are invested with the following objectives, in priority order:

1. Legality

The City's funds will be invested in accordance with State statutes and the City's Investment Policy.

2. Safety of Principal

The investments will be undertaken in a manner that the principal amounts of the City's portfolio are preserved.

3. Liquidity

The City's funds will be invested in a manner that they are available when needed to meet operational requirements (e.g., daily cash flow demands) without undue exposure to market risk or maturity in accordance with the stated maximum maturity.

4. Yield

The investment will be made in instruments that provide a fair market rate of return throughout budgetary and economic cycles, consistent with the constraints imposed by legality, safety of principal, and liquidity objectives.

V. STANDARDS OF CARE

A. Prudence

Investments shall be made with judgment and care under circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs.

B. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the City's investment policy.

VI. AUTHORIZED INVESTMENTS

The City may invest only in instruments permitted by NCGS 159-30. Authorized investments include:

- U.S. Treasury obligations
- Federal Agency securities
- Repurchase agreements
- Certificates of deposit with qualified financial institutions
- Bankers' acceptances (as permitted by statute)
- Commercial paper meeting statutory rating requirements
- Mutual funds certified by the Local Government Commission (LGC)
- Other legally authorized local government investment pools
- Any other investment instruments permitted by NCGS 159-30

The City shall not invest in derivatives, inverse floaters, or any investment vehicle not specifically authorized by NCGS 159-30.

A copy of the investment statute (NCGS 159-30) is attached (Attachment 1).

VII. INVESTMENT POOL PARTICIPATION

The City currently utilizes the North Carolina Capital Management Trust (NCCMT) for short-term liquidity management.

The Investment Officer shall:

- Monitor credit quality and performance of NCCMT.
- Ensure continued compliance with statutory requirements.
- Maintain appropriate diversification between pooled funds and other allowable instruments.

VIII. DIVERSIFICATION AND MATURITY LIMITATIONS

This policy requires the City's investments to be diversified, minimizing the risk of loss caused by investing too heavily in one issuer or type of security.

To reduce exposure to risk:

- No more than seventy-five percent (75%) of the portfolio, excluding investment pools, shall be invested with a single financial institution.
- No short-term individual security shall have a final maturity of more than one (1) year from the date of purchase.
- No intermediate or long-term individual security shall have a maturity exceeding five (5) years from the date of purchase unless specifically approved by the City Council and permitted by NCGS 159-30.

Investments shall be structured to ensure adequate and sufficient liquidity to meet the City's operational requirements (e.g., daily cash flow demands).

IX. COLLATERALIZATION

Collateral shall:

- Be held by an independent third-party with whom the City has a custodial agreement. A safekeeping receipt, a document issued by a financial institution or custodian that confirms the safekeeping of assets and serves as proof of ownership, must be provided to the City.
- Be maintained at a market value sufficient to meet statutory requirements.

X. SAFEKEEPING AND CUSTODY

All securities shall be:

- Held in safekeeping by third-party and evidenced by safekeeping receipts.

XI. INTERNAL CONTROLS

The Finance Director shall establish and maintain a system of internal controls designed to prevent losses due to:

- Fraud
- Employee error
- Misrepresentation
- Market misjudgment

Internal controls shall include:

- Separation of duties
- Dual authorization of transactions
- Monthly reconciliation of all investments by the Finance Director with review by the Chief of Staff and/or City Manager
- Periodic independent review
- Annual review by external auditors

XII. REPORTING REQUIREMENTS

A. Quarterly Investment Report

The Finance Director shall submit a quarterly investment report to the City Council that includes:

- Listing of all investments
- Book value and market value
- Maturity schedule
- Portfolio allocation by investment type
- Earnings for the reporting period
- Statement of compliance with this policy, NCGS 159-30 and GASB

B. Annual Financial Reporting

Investment disclosures shall be included in the City's Annual Comprehensive Financial Report (ACFR) in compliance with GASB standards, including:

- Interest rate risk
- Credit risk
- Custodial credit risk
- Concentration of credit risk
- Fair value measurement disclosures

Adopted by the City Council of Elizabeth City, North Carolina, this ____ day of _____,
2026.

E. Kirk Rivers,
Mayor

April Onley, NCCMC
City Clerk

§ 159-30. Investment of idle funds.

(a) A local government or public authority may deposit at interest or invest all or part of the cash balance of any fund. The finance officer shall manage investments subject to whatever restrictions and directions the governing board may impose. The finance officer shall have the power to purchase, sell, and exchange securities on behalf of the governing board. The investment program shall be so managed that investments and deposits can be converted into cash when needed.

(b) Moneys may be deposited at interest in any bank, savings and loan association, or trust company in this State in the form of certificates of deposit or such other forms of time deposit as the Commission may approve. Investment deposits, including investment deposits of a mutual fund for local government investment established under subdivision (c)(8) of this section, shall be secured as provided in G.S. 159-31(b).

(b1) In addition to deposits authorized by subsection (b) of this section, the finance officer may deposit any portion of idle funds in accordance with all of the following conditions:

- (1) The funds are initially deposited through a bank or savings and loan association that is an official depository and that is selected by the finance officer.
- (2) The selected bank or savings and loan association arranges for the redeposit of funds in deposit accounts of the local government or public authority in one or more federally insured banks or savings and loan associations wherever located, provided that no funds shall be deposited in a bank or savings and loan association that at the time holds other deposits from the local government or public authority.
- (3) The full amount of principal and any accrued interest of each deposit account are covered by federal deposit insurance.
- (4) The selected bank or savings and loan association acts as custodian for the local government or public authority with respect to the deposit in the local government's or public authority's account.
- (5) On the same date that the local government or public authority funds are redeposited, the selected bank or savings and loan association receives an amount of federally insured deposits from customers of other financial institutions wherever located equal to or greater than the amount of the funds invested by the local government or public authority through the selected bank or savings and loan association.

(c) Moneys may be invested in the following classes of securities, and no others:

- (1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- (2) Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service.
- (3) Obligations of the State of North Carolina.
- (4) Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the secretary may impose.
- (5) Savings certificates issued by any savings and loan association organized under the laws of the State of North Carolina or by any federal savings and loan association having its principal office in North Carolina; provided that any principal amount of such certificate in excess of the amount insured by the

- federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Commissioner of Banks of the Department of Commerce of the State of North Carolina, be fully collateralized.
- (6) Prime quality commercial paper 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 obligation.
 - (7) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that the accepting 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.
 - (8) 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 this subsection (c) and that said fund is certified by the Local Government Commission. The Local Government Commission shall have the authority to issue rules and regulations concerning the establishment and qualifications of any mutual fund for local government investment.
 - (9) A commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3.
 - (10) A commingled investment pool established by interlocal agreement by two or more units of local government pursuant to G.S. 160A-460 through G.S. 160A-464, if the investments of the pool are limited to those qualifying for investment under this subsection (c).
 - (11) Evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of the United States government or obligations the principal of and the interest on which are guaranteed by the United States, which obligations are held by a bank or trust company organized and existing under the laws of the United States or any state in the capacity of custodian.
 - (12) Repurchase agreements with respect to either direct obligations of the United States or obligations the principal of and the interest on which are guaranteed by the United States if entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, which is a dealer recognized as a primary dealer by a Federal Reserve Bank, or any commercial bank, trust company or national banking association, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof if:
 - a. Such obligations that are subject to such repurchase agreement are delivered (in physical or in book entry form) to the local government or public authority, or any financial institution serving either as trustee for the local government or public authority or as fiscal agent for the local government or public authority or are supported by a safekeeping receipt issued by a depository satisfactory to the local government or public authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee

or as fiscal agent for the local government or public authority holding the obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;

- b. A valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the local government or public authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the local government or public authority have been established for the benefit of the local government or public authority or its assignee;
- c. Such securities are free and clear of any adverse third party claims; and
- d. Such repurchase agreement is in a form satisfactory to the local government or public authority.

- (13) In connection with funds held by or on behalf of a local government or public authority, which funds are subject to the arbitrage and rebate provisions of the Internal Revenue Code of 1986, as amended, participating shares in tax-exempt mutual funds, to the extent such participation, in whole or in part, is not subject to such rebate provisions, and taxable mutual funds, to the extent such fund provides services in connection with the calculation of arbitrage rebate requirements under federal income tax law; provided, the investments of any such fund are limited to those bearing one of the two highest ratings of at least one nationally recognized rating service and not bearing a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund.

(d) Investment securities may be bought, sold, and traded by private negotiation, and local governments and public authorities may pay all incidental costs thereof and all reasonable costs of administering the investment and deposit program. Securities and deposit certificates shall be in the custody of the finance officer who shall be responsible for their safekeeping and for keeping accurate investment accounts and records.

(e) Interest earned on deposits and investments shall be credited to the fund whose cash is deposited or invested. Cash of several funds may be combined for deposit or investment if not otherwise prohibited by law; and when such joint deposits or investments are made, interest earned shall be prorated and credited to the various funds on the basis of the amounts thereof invested, figured according to an average periodic balance or some other sound accounting principle. Interest earned on the deposit or investment of bond funds shall be deemed a part of the bond proceeds.

(f) Registered securities acquired for investment may be released from registration and transferred by signature of the finance officer.

(g) A local government, public authority, an entity eligible to participate in the Local Government Employee's Retirement System, a local school administrative unit, or a charter school may make contributions to a Local Government Other Post-Employment Benefits Trust established pursuant to G.S. 159-30.1.

(h) A unit of local government employing local law enforcement officers may make contributions to the Local Government Law Enforcement Special Separation Allowance Fund established in G.S. 147-69.5. (1957, c. 864, s. 1; 1967, c. 798, ss. 1, 2; 1969, c. 862; 1971, c. 780, s. 1; 1973, c. 474, ss. 24, 25; 1975, c. 481; 1977, c. 575; 1979, c. 717, s. 2; 1981, c. 445, ss. 1-3; 1983, c. 158, ss. 1, 2; 1987, c. 672, s. 1; 1989, c. 76, s. 31; c. 751, s. 7(46); 1991 (Reg. Sess., 1992), c. 959, s. 77; c. 1007, s. 40; 1993, c. 553, s. 55; 2001-193, s. 16; 2001-487, s. 14(o); 2005-394, s. 2; 2007-384, ss. 4, 9; 2010-175, s. 1; 2013-305, s. 1; 2022-53, s. 9.5(e).)