

Town of Cape Vincent Investment Policy

SCOPE:

This investment policy applies to all monies and other financial resources available for investment on its own behalf or on behalf of any other entity or individual.

OBJECTIVES:

The primary objectives of the Town of Cape Vincent investment activities are, in priority order:

- to conform with all applicable federal, state and other legal requirements (legality);
- to adequately safeguard principal (safety);
- to provide sufficient liquidity to meet all operating requirements (liquidity); and
- to obtain a reasonable rate of return (yield).

DELEGATION OF AUTHORITY:

The Cape Vincent's Town Board responsibility for administration of the investment program is delegated to the Town Supervisor who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a database or records incorporating description and amounts of investments, transaction dates, and other relevant information and shall regulate the activities of subordinate employees.

PRUDENCE:

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Town Board to govern effectively.

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 safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

DIVERSIFICATION:

It is not the policy of the Town of Cape Vincent to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

DESIGNATION OF DEPOSITARIES:

The bank authorized for the deposit of monies up to the following maximum amounts is:

Depository Name	Max Amount	Officer
Citizens Bank of Cape Vincent	\$4,000,000	Supervisor,

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Deputy Supervisor

COLLATERALIZING OF DEPOSITS:

General Municipal Law §10 requires governing boards to designate one or more banks or trust companies for the deposit of public funds. This requirement to designate depositories only applies to bank accounts for operating purposes and does not pertain to certificates of deposit or time deposits. In accordance with the provisions of General Municipal Law, §10, all deposits of the Town of Cape Vincent, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

- By a pledge of "eligible securities" with an aggregate "market value", as provided by General Municipal Law, §10, equal to the aggregate amount of deposits.
- By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
- By an eligible surety bond payable to the government for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.

SAFEKEEPING AND COLLATERALIZATION:

Ensuring adequate security for deposits, including certificates of deposit and time deposits authorized by GML §11 is a primary responsibility of the governmental entity. GML §10 requires that all public deposits, except those that carry the full faith and credit guarantee of the United States Government, in excess of the amounts insured under the provisions of the Federal Deposit Insurance Act be secured.

Eligible securities used for collateralizing deposits shall be held by the depository bank or trust company subject to security and custodial agreements. The security agreement shall provide that eligible securities are being pledged to secure local government deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events which will enable the local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Town of Cape Vincent or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or

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become part of the backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

PERMITTED INVESTMENTS:

As authorized by General Municipal Law, §11, the Town of Cape Vincent authorizes the Town Supervisor to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts in or issued by a bank or trust company authorized to do business in New York State;
- Certificates of deposit in or issued by a bank or trust company authorized to do business in New York State;
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Obligations issued pursuant to LFL §24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the Town of Cape Vincent;
- Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments;
- Certificates of Participation (COPs) issued pursuant to GML, §109-b;
- Obligations of this local government, but only with any monies in a reserve fund established pursuant to GML, S6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

All investment obligations shall be payable or redeemable at the option of the Town of Cape Vincent within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Town of Cape Vincent within two years of the date of purchase

While money market accounts with a bank or trust company are permissible, there is no authorization for local governments to invest in money market mutual funds or unit investment trusts.

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS:

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The Town of Cape Vincent shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Town of Cape Vincent. Security dealers not affiliated with a bank shall be required to be classified as primary reporting dealers affiliated with the New York Federal Reserve Bank. The Town Supervisor is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

OTHER APPLICABLE STATUTES:

Electronic or Wire Transfers- General Municipal Law, §5-a, expressly authorizes the use of electronic or wire transfers. Whenever an officer of a local government is authorized or directed pursuant to law to disburse or transfer, on behalf of the local government funds, in the custody of the officer, the officer may make the transfer or disbursement by electronic or wire transfer, provided that the governing board of the local government has entered into a written agreement with the bank or trust company in which its funds are deposited:

- Prescribing the manner in which electronic or wire transfers shall be accomplished;
- Identifying by number and name those accounts from which electronic or wire transfers may be made;
- Identifying which officer(s) are authorized to order the electronic or wire transfer of funds from those accounts; and
- Implementing a security procedure as defined in §4-A201 of the Uniform Commercial Code.

The bank or trust company processing an electronic or wire transfer must provide written confirmation of each such transaction to the officer ordering such transaction no later than the business day following the day on which the funds are transmitted. Said confirmation shall be kept along with the other financial transaction records for that period. The governing board of the local government is required to adopt a system of internal controls for the documentation and reporting of all electronic or wire transfers or disbursements.

Check Images- General Municipal Law §99-b provides that whenever a local government, or its officers or employees, are required by law to receive, retain or produce for audit or examination canceled checks drawn on accounts of the local government, the governing board may authorize receipt, retention or production of alternative documentation in the form of check images supplied by the payor bank or trust company in lieu of the canceled checks. Any such check images must show both sides of each check and shall be considered the equivalent of original canceled checks for purpose of record keeping and audit requirements. Conforming amendments have been made to Town Law, §29(10), 123 and 177, which previously specifically required the submission of canceled checks in compliance with statutory audit requirements.