

VILLAGE OF AVOCA

Cash Management & Investment Policy

The objectives of the Investment Policy of a local government are to minimize risk; to insure that investments mature when the cash is required to finance operations; and to insure a competitive rate of return. In accordance with this policy, the chief financial officer is hereby authorized to invest all funds including proceeds of obligations and reserve funds in:

- Certificates of Deposit issued by a commercial bank or trust company authorized to do business in New York State;
- Time deposit accounts in a commercial bank or trust company authorized to do business in New York State;
- Obligations of New York State;
- Obligations of the United States Government;
- In Repurchase Agreements involving the purchase and sale of direct obligations of the United State of America.

All funds except reserve funds may be invested in:

- An obligation of agencies of the federal government if principal and interest is guaranteed by the United States of America.
- With the approval of the State Comptroller, in Revenue Anticipation Notes or Tax Anticipation Notes of other local governments.

Only reserve funds may be invested in:

- Obligations of the Local Government

All other Local Government officials receiving money in their official capacity must deposit such funds in negotiable order of withdrawal accounts if such accounts can maintain minimum balances to avoid necessary service charges and thus operate efficiently, otherwise to be deposited in least costly checking accounts.

All investments made pursuant to this investment policy shall comply with the following conditions:

1. COLLATERAL

- A. Certificates of deposit shall be fully secured by insurance of the federal deposit insurance corporation (FDIC) or by obligations of New York State or obligations of the United States of America or obligations of federal agencies the principal and inters of which are guaranteed by the United States of America, or obligations of New York State local governments. Collateral shall be delivered to the Local Government or custodial bank with which the Local Government has entered in to a Custodial Agreement. The market value of collateral shall at all times equal or exceed the principal amount of the certificate of deposit. Collateral that is subject to change shall be monitored no less frequently than weekly and

market value shall mean the bid or closing price as quoted in the Wall Street Journal or quoted by another recognized pricing service.

- B. Securities purchased through a repurchase agreement shall be valued to market at least weekly.
- C. Collateral shall not be required with respect to the direct purchase of obligations of New York State, obligations of the United States of America, and obligations of the federal agencies, the principal and interest of which are guaranteed by the United States of America Government.

2. DELIVERY OF SECURITIES

- A. Repurchase Agreements. Every repurchase agreement shall provide for payment to the seller only upon the seller's delivery of obligations of the United States of America to the custodial bank designed by the Local Government, or in the case of a book-entry transaction, when the obligations of the United States of America are credited to the Custodians Federal Reserve Bank account. The seller shall not be entitled to substitute securities. Repurchase agreements shall be for periods of 30 days or less. The Custodial bank shall confirm all transactions in writing to insure that the Local Government's ownership of the securities is properly reflected on the records of custodial bank.
- B. Payment shall be made by or on behalf of the Local Government for obligations of New York State, obligations the principal and interest of which are guaranteed by the United States of America, United States Obligations, certificates of deposit, and other purchased securities upon the delivery thereof to the custodial bank, or in the case of a book-entry transaction, when the purchase securities are credited to the custodial banks Federal Reserve System Account. All transactions shall be confirmed in writing.

3. WRITTEN CONTRACTS

Written contracts are required for repurchase agreements, certificates of deposit, and custodial undertakings. With respect to the purchase of obligations of USA, New York State, or other governmental entities, etc. in which monies may be invested, the interests of the Local Government will be adequately protected by conditioning payment on the physical delivery of purchased securities to the Local Government or Custodian, or in case of book-entry transactions, on the crediting of purchased securities to the custodians federal reserve system account. All purchases will be confirmed in writing to the Local Government.

It is therefore, the policy of the Local Government, to require written contracts as follows:

- A. Written contracts shall be required for all repurchase agreements. Only credit worthy banks and primary reporting dealers shall be qualified to enter into a repurchase agreement with the Local Government. The written contract shall provide that only obligations of the United States of America may be purchased, and the Local Government shall make

payment upon delivery of the securities or appropriate book-entry of the purchased securities. No specific repurchase agreement shall be entered into unless a master repurchase agreement has been executed between the Local Government and the trading partners. While the terms of the master repurchase agreement may be for reasonable length of time, a specific repurchase agreement shall not exceed thirty (30) days.

- B. Written contracts shall be required for the purchase of all certificates of deposit.
- C. A written contract shall be required with the Custodial Bank.

4. DESIGNATION OF CUSTODIAL BANK

Custodial Bank – A commercial bank or trust company as specified in a resolution upon the minutes of the Village Board and chartered by the State of New York shall be designated to act as custodial bank of the Local Governments investments. However, securities may not be purchased through a repurchase agreement with the custodial bank.

5. FINANCIAL STRENGTH OF INSTITUTIONS

All trading partners must be credited worthy. Their financial statements must be reviewed at least annually by the chief fiscal officer to determine satisfactory financial strength or the chief fiscal officer may use credit rating agencies to determine credit worthiness of trading partners. Concentration of investments in financial institutions should be avoided. The general rule is not to place more than a definite maximum amount as specified by the Village Board in overnight investments with any one institution. If none is specified, then no more than covered by collateral or FDIC insurance.

Investments in time deposits and certificates of deposit are to be made with banks or trust companies. Their annual reports must be reviewed by the Chief Fiscal Officer to determine satisfactory financial strength.

When purchasing eligible securities the seller shall be required to deliver the securities to our Custodial Bank.

Repurchase agreements shall be entered into only with banks or trust companies or registered and primary reporting dealers in government securities. Sound credit judgments must be made with respect to trading partners in repurchase agreements. It is not assumed that inclusion on a list of Federal Reserve in automatically adequate evidence of credit worthiness.

Repurchase agreements should not be entered into with undercapitalized trading firms.

A margin of 5% or higher of the market value of purchased securities in repurchase agreements must be maintained.

6. OPERATIONS, AUDIT AND REPORTING

The Chief Fiscal Officer or the Deputy Fiscal Officer shall authorize the purchase and sale of all securities and execute the contracts for repurchase agreements and certificates of deposit on behalf of the Local Government. Oral directions concerning the purchase or sale of securities shall be confirmed in writing. The Local Government shall pay for purchased securities upon the delivery or book-entry therefore.

The Chief Fiscal Officer or the Deputy Fiscal Officer shall contact at least two commercial banks or trust companies, authorized to do business in New York State, within the immediate area of the Local Government, for the purpose of obtaining the best possible rate of return (interest) prior to making any investment.

At any time independent auditors conduct an annual audit of the accounts and financial affairs of the Local Government, the independent auditors shall audit the investments of the Local Government for compliance with the provisions of these investment guidelines.

Within thirty (30) days of the end of each of the fiscal year, the Chief Fiscal Officer shall prepare and submit to the Village Board an annual investment report; recommendations for change in these investment guidelines; the results of the annual independent audit; the investment income record; a list of total fees, commissions or other charges, if any, paid to the custodial bank and such other matters as the Chief Fiscal Officer deems appropriate.

The Governing Board of the Local Government shall review and approve the annual investment report, if practicable, at its June meeting.

The provisions of these Investment Guidelines and any amendments hereto shall take effect prospectively and shall not invalidate the prior selection of any custodial bank or prior investments.

Review

This policy shall be reviewed by the Village Board of Trustees on an annual basis.

This policy stands adopted by the Village Board on _____.