

INVESTMENT POLICY

FOR

THE TOWN OF HUNTINGTON ECONOMIC DEVELOPMENT CORPORATION

1. INVESTMENT POLICY.

- a. **Purpose.** Subject to the provisions of Part 201 of Title 2 of the Official Compilations of Codes, Rules and Regulations of the State of New York, the purpose of this document is help assure that investments of The Town of Huntington Economic Development Corporation (the “EDC”) are adequately protected and fully collateralized. As such, it is intended that this Investment Policy will help to:
 - i. Establish a prudent set of basic procedures to meet the individual investment objectives of the EDC; and
 - ii. Assure that investment assets are adequately safeguarded and collateralized; and
 - iii. Establish and maintain a system of internal controls, including adequate accounts and records, which accurately reflect in reasonable detail all investment transactions; and
 - iv. Provide for accurate reporting and evaluation of investment results in conformance with generally accepted accounting principals (“GAAP”).

Members of the EDC Board of Directors shall take an active role in the formation of an investment policy, and this Investment Policy shall be reviewed periodically (at least annually). This Investment Policy shall be revised as necessary to reflect changes in available investment opportunities and market conditions, or as a result of any recommendations from the periodic evaluation of the performance of the investment program or any audits of the investment program. The financial resources of the EDC shall be properly managed to achieve investment income consistent with sound investment practice.

The Board shall be permitted to delegate the formulation of investment policy to an investment committee. In addition to formulating the investment policy, the investment committee may be authorized to evaluate the investment program by:

- i. Monitoring the system of internal controls; and
- ii. Verifying relevant matters relating to the securities purchased or held as collateral and on an unscheduled basis; and

- iii. Determining that the investment results are consistent with Board of Director objectives; and
 - iv. Reviewing any independent audits of the investment program.
- b. **Investment Objectives and Types of Investment Authorized.** The primary investment objective of public entities is to earn reasonable rates of return. Below is a list of permitted investments that may be made by the EDC with monies and other financial resources available for investment by the EDC on its own behalf or on the behalf of any other entity or individual, not including pension funds (if any) which are separately administered pursuant to State and Federal law (hereinafter, "Funds"). All investments must be made in a manner and upon such terms as are consistent with the appropriate provisions of law relating to the EDC, Board policy directives, and the limitations in contracts with bond or note holders.
- i. Obligations of the United States of America or the State of New York; and
 - ii. Obligations, the principal and interest of which are guaranteed, or insured by the United States of America or the State of New York; and
 - iii. Government Agency Bonds; and
 - iv. Banker's acceptances of, or certificates of deposit or other interest bearing depository accounts issued by, or time deposits with, any bank or trust company or national banking association secured by obligations of the United States or the State, or a market value equal at all times to or greater than the amount of the investment; and
 - v. Repurchase agreements with any bank or trust company, national banking association or governmental bond broker dealer reporting to, trading with, and recognized as a primary governmental securities dealer by the Federal Reserve Bank of New York (listed on the then-current "List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve of Bank of New York"), which agreement is secured by obligations of the United States or the State of a market value equal at all times to the amount of the investment.
- c. **Diversification of Investments.**
- i. The EDC's investments shall be reasonably diversified, as shall the investment firms or banks with which the EDC transacts investment business. This § 1 (c)(i) shall not be construed so as to mandate absolute diversification in the event that the Board of the EDC considers, in a certain instance, that diversification is not in the best interests of the EDC.
 - ii. In making permitted investments, selection of investment shall be competitively based. A complete and continuous record of all bids or quotes, both solicited and unsolicited, shall be maintained. Not less than

three (3) , if possible, investment options with similar risk and term should be considered, and the investment should be made in the one offering the highest yield.

- iii. The process of initiating, reviewing and approving requests to buy and sell investments shall be documented by the EDC's executive director, and Treasurer.

- d. **Delegation of Investment Management.** The Town of Huntington's Comptroller is hereby designated as the fiscal agent for the EDC, and, subject to the terms hereof, including types of investments authorized and the EDC diversification standards and investment objectives, is expressly authorized to invest EDC Funds. However, said delegation shall not relieve the EDC from responsibility of overseeing the investment program, as the Board of Directors is ultimately responsible for the management and safeguarding of all EDC assets.
- e. **Internal Control and Procedures.** To the extent possible, the EDC Board of Directors shall endeavor to separate authorization and accounting functions, with both activities maintained separately from custodial functions. Consistent with the same, the EDC investment officer shall develop a detailed operating procedures manual, which will include the following:
 - i. The establishment and maintenance of systems of internal controls; and
 - ii. Methods of adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification test to be conducted; and
 - iii. A data base or record incorporating descriptions and amounts of investments, transaction dates, interest dates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and
 - iv. Requirements for periodic reporting and a satisfactory level of accountability.
- f. **Selection of Investment Firms.** An approved list of firms shall be established for each type of investment based on applicable law and upon the qualification of investment bankers, brokers, agents, dealers and other investment advisors and agents which transact business with the EDC. The selection criteria shall cover such factors as quality, reliability, experience, capitalization and size.
- g. **Investment Procedures and Contracts.** The EDC shall enter into written contracts pursuant to which investments are made, except if the EDC's fiscal agent under § 1(d) hereof shall determine that:

- i. a written contract is not practical, or there is no regular business practice of executing written contracts with respect to a particular investment or transaction.
- ii. In situations where there is no written contract for a particular investment, the EDC shall follow such procedures as are appropriate to protect its financial interest.
- iii. Such written contracts or procedures shall include provisions so that:
 1. The EDC's financial interest in an investment or transaction is secured in an appropriate manner;
 2. The use, type and amount of collateral or insurance is established;
 3. There is an established method for valuation of collateral and procedures for monitoring such valuation on a regular basis;
 4. There is an established mechanism for the monitoring, control, deposit and retention of investments and collateral including, in the case of a repurchase agreement, that obligations purchased be physically delivered for retention to the EDC or its agent (which shall not be an agent of the party with whom the EDC enters the repurchase agreement), unless such obligations are issued in book-entry form, in which case the EDC shall take such other action as may be necessary to obtain title to, or a perfected security interest in, such obligations. "Open" or continuing agreements shall not be made.

h. Collateralization.

- i. To the extent reasonably possible, the EDC's financial interest in investments should be fully secured and collateralized.
- ii. Except where such an arrangement is impractical or not done in the ordinary course of business for investment transactions of that kind, payment of Funds should only be made against the delivery of collateral or other acceptable form of security, the delivery of government obligations when such obligations are purchased outright, or the delivery of the underlying securities when a repurchase agreement is involved. Custodians should be required to report periodically as appropriate on transactions involving the EDC, and must have the written consent of the EDC to transfer collateral. Telephonic communications should be confirmed in writing within a commercially acceptable period of time.
- iii. Collateral for investments should be limited to "investment grade" obligations, that is, those permissible for direct investments. Collateral should be segregated in the EDC's name, and should be in the custody of

the EDC or a third party custodian. The EDC shall not accept a pledge of a proportionate interest in a pool of collateral. For demand deposits, time deposits and certificates of deposit, collateralization is required for amounts over and above Federal Deposit Insurance Corporation coverage. The market value and the accrued interest of the collateral should equal the value of the investment and any accrued interest at all times. The record value of the collateral backing any investment shall be compared with current market values (mark-to-market) at the time of initial investment, and thereafter at least monthly, to be certain that it continues to be at least equal to the value of the investment plus accrued interest. For short-term investments, the market value should, to the extent reasonably possible, be monitored on a daily basis. The mark-to-market review should use “bid” price from one constant source. Collateralization in excess of the market value shall be required at the time of purchase.

- iv. A written custodial agreement shall be required which, among other things, specifies the circumstances under which collateral may be substituted and provides that the custodian is holding the securities solely for the benefit of the authority and makes not claim thereto.
- i. **Performance Evaluation and Audit.** Systematic and period evaluation by the Board of Directors of the investment program for compliance with this Investment Policy shall be made no less than bi-annually, and an annual independent audit of all investments shall be mandatory.
- j. **Reporting.** Periodic reporting on the investment program shall include the following.
 - i. **Internal Management Reporting.** Required quarterly reporting, including the preparation and filing of quarterly reports, on the EDC investment program shall be made to the Board of Directors. Prepared reports shall indicate any new investments, the inventory of existing investments, and the selection of investment bankers, brokers, agents, dealers, or auditors (if any).
 - ii. **Financial Statements.** The EDC’s annual financial statements, which shall be prepared in conformance with GAAP for governments, should contain all the note disclosures on deposits with financial institutions and investments required by the Governmental Accounting Standards Board Statement No. 3, “Deposits with Financial Insitutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”, dated April 1986.
 - iii. **Reporting to Oversight Agencies.** An annual investment report shall be submitted to the Division of the Budget, with copies to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee. Such report shall include:

1. the investment guidelines required by Section 2925 (3), and any amendments to such guidelines since the last investment report; and
 2. an explanation of the investment guidelines and amendments; and
 3. the results of the annual independent audit; and
 4. the investment income record of the EDC; and
 5. a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the EDC since the last investment report.
2. **OPERATING PROCEDURES.** Operating procedures for the EDC's administration of its investment program shall including the following:
- a. The investment selection process should utilize competitive quotations or negotiated prices, except in the purchase of government securities at their initial value.
 - b. Each disbursement of funds (and corresponding receipt and securities) or delivery of securities (and corresponding receipts of funds) should be based upon proper written authorization. If the authorization is initially given verbally, there should be written or telegraphic confirmation from the investment officer to the custodian.
 - c. Payment of funds should only be made upon delivery of securities. Written confirmation of delivery should be obtained from the custodian.
 - d. The process of initiating, reviewing and approving requests to buy and sell investments should be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly.
 - e. Custodians must have prior authorization from the authority to deliver obligations and collateral. All transactions must be confirmed in writing to the EDC. Delivery of obligations sold shall only be made upon receipt of funds.
 - f. Custodial banks shall be required to report whenever activity has occurred in the EDC's custodial account.
 - g. There shall be monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings should be obtained from the custodian and compared against the EDC's records.
 - h. A record of investments shall be maintained by the EDC's investment officer. The records shall identify the security, the fund for which held, the place where

kept, date of disposition and amount realized and the market value and custodian of collateral.

3. **PROCEDURES FOR REPURCHASE AGREEMENTS.** Except as provided in § 1 (b)(v) above, the EDC shall not invest in repurchase agreements.
4. **INDEPENDENT AUDIT CONSIDERATIONS.** The EDC shall have annually an independent audit of all investments. The annual investment audit:
 - a. shall determine whether: the EDC is complying with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of authority investment assets; and a system of adequate internal controls is maintained; and
 - b. shall determine whether the EDC complied with applicable laws, regulations and State Comptroller's Investment Guidelines; and
 - c. should be designed to the extent practical to satisfy both the common interests of the EDC and the public officials accountable to others.

A written audit report shall be prepared presenting the results of the annual independent audit of all investments, and shall include:

- a. a description of the scope and objectives of the audit; and
- b. a statement that the audit was made in accordance with generally accepted auditing standards; and
- c. a description of any material weaknesses found in the internal controls; and
- d. a description of all non-compliance with the EDC's own investment policies, as well as applicable laws, regulations and the State Comptroller's Investment Guidelines; and
- e. a statement of positive assurance of compliance on the items tested and negative assurance on those items not tested; and
- f. a statement of any other deficiency or finding identified during the audit not covered in (e) above.

In accordance with Part 201 of Title 2 of the Official Compilation Codes, Rules and Regulations of the State of New York, the audit report shall be filed within 90 days after the close of the EDC's fiscal year with the Coordinator of Public Authority Programs, Office of State Comptroller, A.E. Smith Office Building, Albany, New York 12236.

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