

## **FINANCIAL Investment**

- I. **STATEMENT** The objectives of investment activities of public funds are, to adequately safeguard principal, to provide sufficient liquidity to meet all operating requirements, and lastly, to obtain a reasonable rate of return.
- II. **PURPOSE** To provide instructions to officers and staff regarding the investment and deposit of funds of the Red Jacket Community Library. All investments and deposits must conform to all applicable laws and legal requirements of New York State.

### **III. POLICY**

#### **A. DELEGATION OF AUTHORITY**

1. The Board of Trustees responsibility for administration of the investment program is delegated to the Library Director.
2. The Finance Committee, in consultation with the Library Director and Library Treasurer, shall oversee the operation of the investment program consistent with this policy.

#### **B. PRUDENCE**

1. 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 Red Jacket Community Library to govern effectively.
2. Investments shall be made with prudence, diligence, judgment and care, under circumstances then prevailing, which knowledgeable and prudent persons acting in like capacity would use, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.
3. Any participant 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 investment decisions.

#### **C. DESIGNATION OF DEPOSITARIES**

1. Approved financial Institutions are limited to FDIC insured banks or trust companies located and authorized to do business in New York State.
2. All financial institutions and dealers with which the Library transacts business shall be creditworthy, and have an appropriate level of experience, capitalization, size, and other factors that make the financial institution or the dealer capable and qualified to transact business.
3. The banks and trust companies that are authorized for the deposit of funds, and the maximum amount which may be kept on deposit at any time, are:

| Depository Name | Maximum Amount | Investing Officer |
|-----------------|----------------|-------------------|
|                 |                |                   |

|                                     |           |                  |
|-------------------------------------|-----------|------------------|
| Canandaigua National Bank and Trust | \$750,000 | Library Director |
|-------------------------------------|-----------|------------------|

4. The Library is not authorized to make deposits or invest with savings banks, savings and loan associations or credit unions.

#### D. BANK ACCOUNTS

##### 1. Types of Authorized Investments

- a. Permitted types of interest-earning bank accounts, held for investment purposes, include savings accounts, time deposit accounts (certificates of deposit), NOW (negotiable order of withdrawal) accounts and money market accounts. These interest-earning accounts must be held in a bank or trust company located and authorized to do business in New York State.
- b. Unauthorized types of investments are prohibited. The Library is not authorized to invest in mutual funds (including money market mutual funds), stocks, or bonds of private corporations.

##### 2. Library Interest-Earning Accounts

- a. The Library will maintain at least one (1) savings account.
  - i. The first savings account will hold monies designated for education in the education savings fund. Expenditures from the education savings fund will be disbursed from the checking account. Transfers from this account will be used to replenish the checking account for the amount disbursed.
- b. The Library will maintain at least two (2) money market accounts. Money market accounts are different than money market mutual funds. Money market accounts are interest-earning, similar to savings accounts, but offer some checking account features.
  - i. The first money market account shall be used to save monies in the general fund that are greater than cash flow needs and some board designated funds, but not the capital fund. Transfers from this account will typically be used to replenish the checking account for general operating needs. Interest earned from this account shall be allocated to the general operating fund as revenue.
  - ii. The second money market account shall be used exclusively to hold funds designated as capital funds. Money may be transferred from the general operating fund or deposited into this account in accordance with the Unrestricted Fund Balance Policy (Policy 500-5). Money may not be transferred from capital funds held in this account into any other bank account with the exception of capital fund time deposit accounts. Authorized expenditures from the capital fund must be disbursed directly from this account; up to three checks may be issued from this account per month. Interest earned in this account shall accrue to, and become part of, the capital fund.
- c. The minimum balance held in each interest-earning account shall be one thousand dollars (\$1,000).

##### 3. Closing Interest-Earning Accounts

- a. If the balance in any savings account or any money market account is expected to fall below the minimum amount, the Library Director shall submit a request to the bank to close the account.
  - b. The remaining balance of the savings account to be closed shall be transferred to another bank account. If the library receives the balance of the closed account in the form of a check, the check will be deposited in another bank account within three days.
  - c. The Library Director shall notify the Treasurer of any change in the number or type of bank accounts and report the same to the Board of Trustees.
4. Checking Account
- a. A single checking account will be held by the library and shall be used to process debit purchases, vendor checks and approved Electronic Funds Transfer (EFT) payments from the general operating fund. This checking account shall be used for processing Automated Funds Transfer (AFT) deduction including payroll deductions. This checking account must not be used to disperse checks from the capital fund. This checking account may be used to process and disperse checks from the memorial fund and board designated funds, except for the capital fund.
  - b. The checking account does not earn interest and is not used for investment purposes.
  - c. The minimum balance held in the checking account at any time shall be ten thousand dollars (\$10,000).

#### E. INTERNAL CONTROLS

1. The Library Director, having custody of money, is responsible for establishing and maintaining internal control procedures to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with board-adopted policy, properly recorded, and managed in compliance with applicable laws and regulations.
  - a. The Library Director and/or the Treasurer shall recommend any purchase of certificates of deposit or recommend opening or closing any new account for investment purposes to the Board of Trustees.
  - b. The Board of Trustees shall authorize the purchase of certificates of deposit and authorize opening or closing new investment accounts.
  - c. The Library Director has the authority to temporarily invest funds not required for immediate expenditure in interest-earning accounts and certificates of deposits.
  - d. The Treasurer will reconcile interest-earning accounts and the checking account against bank statements consistent with the Library Treasurer Policy (Policy 500-3).
  - e. The Treasurer will post reconciliation reports prior to each regular monthly board meeting.
  - f. Library trustees will review reconciliation reports and seek clarity to understand any changes or discrepancies.
  - g. Moneys designated in the capital fund shall not be commingled with moneys in the general operating fund, the memorial fund, or other board designated funds. Moneys

held in excess of cash flow needs in the general operating fund, the memorial fund, or other board designated funds, except for the capital fund, may be commingled for investment purposes. When funds are commingled the Treasurer must maintain accounting records to clearly record the separate sources of money.

- h. Tax revenues turned over to the Library from the School District must be deposited within three business days.
  - i. At the time of deposit, the total tax revenue may be split into two portions; one portion may be deposited into the money market account designated for general operations and the other portion may be deposited into the checking account. Depositing directly into the money market account will generate additional interest, but withdrawal limitations may restrict the availability of moneys deposited in this account. The Library Director should consider account features, existing account balances, and current cash flow needs to determine the amount of each portion.
  - j. Cash flow needs and the balance of accounts should be monitored monthly or more frequently as needed. Funds greater than twenty thousand dollars (\$20,000) of projected cash flow needs should be transferred into interest-earning accounts at that time.
- 2. The Library Director and other designated signatories, as authorized custodians, must be aware of the unique account features in each bank account to avoid bank charges for maintenance fees and other banking service fees.
  - 3. All investments must conform to all applicable laws and regulations governing the investment of public funds.

#### F. ANNUAL REVIEW AND AMENDMENTS

- 1. The Library shall not make any deposit or investment greater than the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) without considering amending this policy.
- 2. The Board of Trustees shall annually review this policy and shall have the power to amend this policy, as necessary, at any time.

#### IV. REFERENCES

- A. Office of the New York State Comptroller (2016). *Local Government Management Guide: Investing and Protecting Public Funds*. Division of Local Government and School Accountability 110 State Street, Albany, New York 12236, <https://www.osc.state.ny.us/files/local-government/publications/pdf/investing-and-protecting-public-funds.pdf>. Accessed 7 June 2024.
- B. Office of the New York State Comptroller (2022). *Local Government Management Guide: Reserve Funds*. Division of Local Government and School Accountability 110 State Street, Albany, New York 12236, <https://www.osc.state.ny.us/files/local-government/publications/pdf/reserve-funds.pdf>. Accessed 7 June 2024.

| Revision History |   |
|------------------|---|
| 6/25/2025        | Increase cash flow needs amount that may be in the checking account   |
| 6/18/2024        | Increase maximum amount which may be kept on deposit in Canandaigua National Bank and Trust from \$500,000 to \$750,000 (Section C.3)   |
| 6/26/2023        | Removed paragraph, from Section III.D.2.a., regarding a savings account to hold memorial gifts and donations in the memorial fund. Eliminating this savings account neither changes how gifts and donations are handled according to Policy 400-2, nor how the memorial fund is handled according to Policy 500-5.<br>Added statement in paragraph III.D.4.a. to allow approved EFT payments. |
| 6/27/2022        | Add wording in sections III.D and III.E. to better define and describe the bank accounts that hold Library funds. To comply with advice to segregate and hold capital funds in a separate bank account from which checks may be directly disbursed.   |
| 6/21/2021        | GML §39 requires the adoption of an investment policy.  |