

## **Amagansett Free Library Investment Policy**

### **1. SCOPE**

This investment policy applies to all monies and other financial resources available for investment on the Library's own behalf or on behalf of money held in trust as a fiduciary.

### **2. OBJECTIVES**

The primary objectives of the Library's investment activities are, in priority order:

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

### **3. DELEGATION OF AUTHORITY**

The Board of Trustees' responsibility for administration of the investment program is delegated to the Library Director, who shall establish written procedures for the operation of the Investment program consistent with these investment guidelines. Such written procedures shall be reviewed and approved by the Board of Trustees and 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.

### **4. 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 Library.

Investments shall be made with prudence, diligence, skill, 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.

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 investment decisions.

## 5. DESIGNATION OF DEPOSITARIES

The banks and trust companies authorized for the deposit of monies, and the maximum amount which may be kept on deposit at any time, are those that are approved at the March Annual board meeting (Annual Bank Authorization Resolution).

## 6. COLLATERALIZING OF DEPOSITS

All deposits of Amagansett Free Library, 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:

- a. By a pledge of eligible securities possessing an aggregate market value equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
- b. By an eligible surety bond payable to the Library 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.

## 7. SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits shall be held by a third party bank or trust company subject to security and custodian agreements. The security agreement shall provide that eligible securities are being pledged to secure library 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 Library to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Library, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Library or custodial bank. Whenever eligible securities delivered to the custodial bank or trust company are transferred by entries on the books of a federal reserve bank or other book-entry system operated by a federally regulated entity without physical delivery of the evidence of the obligations, then the records of the custodial bank or trust company shall be required to show, at all times, the interest of the Library in the securities (or the pro rata portion of a pool of eligible securities) as set forth in the security agreement.

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

#### 8. PERMITTED INVESTMENTS

The Board of Trustees of the Amagansett Free Library authorizes and requires the treasurer or other officers having custody of monies to invest monies not required for immediate expenditure for terms not to exceed Library projected cash flow needs in the following types of investments:

- a. Special time deposit accounts
- b. Certificates of deposit
- c. Obligations of the United States of America
- d. 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.
- e. Obligations of the State of New York

All investment obligations shall be payable or redeemable at the option of the Library 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 Library within one year of the date of purchase.

#### 9. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Library shall maintain a list of financial institutions and dealers approved for investment purposes. All financial institutions with which the Library conducts business must be creditworthy. Banks shall provide their most recent consolidated Report of Condition (Call Report) at the request of the Library. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The chief fiscal officer, treasurer, or other officers having custody of money is responsible for evaluating the financial position and

maintaining a listing of proposed depositaries, trading partners and custodians. Such listing shall be evaluated at least annually.

## 10. PURCHASE OF INVESTMENTS

The Library Director is authorized to contract for the purchases of investments as directed by the Board of Trustees.

All purchased obligations, unless registered or inscribed in the name of the Library, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Library by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodian agreement.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the Library, 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 become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the Library a perfected interest in the securities.

### **Appendix A**

#### Schedule of Eligible Securities

1. Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.
2. Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.
3. Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the Insurance or guaranty.
4. Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of such state or

obligations of any public benefit corporation which under a specific statute may be accepted as security for deposit of public monies.

5. Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
6. Obligation of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
7. Obligation of counties, cities, and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
8. Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
9. Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.
10. Commercial paper and banker's acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and have maturities of not longer than 60 days from the date they are pledged.
11. Zero coupon obligations of the United States Government marketed as "Treasury Strips".

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