

Southold Free Library Investment Policy

I. Scope

This investment policy applies to all moneys and other financial resources available for investment.

II. Objectives

The primary objectives of the Southold Free Library's (SFL) investment activities are, in priority order,

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

III. Delegation of Authority

The Board of Trustees' responsibility for administration of the investment program is delegated to the Finance Committee, as established by the president of the Board of Trustees. The committee 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 satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information.

IV. 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 Southold Free Library 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 investment decisions.

V. Diversification

It is the policy of the Southold Free Library to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

VI. Internal Controls

It is the policy of the Southold Free Library for all moneys collected by any officer or employee of the Library to transfer those funds to the Treasurer/ Director within 2 days of receipt. The money is to be deposited into the appropriate Library bank account within 7 days.

The Treasurer is responsible for maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

VII. Designation of Depositories

Banks and trust companies are authorized for the deposit of money by the Finance Committee. Moneys invested should not exceed FDIC regulations.

VIII. Collateralizing of Deposits

In accordance with the provisions of General Municipal Law, §10, all deposits of public funds of the Southold 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:

1. By a pledge of "eligible securities" with an aggregate "market value" as provided by GML §10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
2. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the SFL 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.

3. By an eligible surety bond payable to the SFL 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.

IX. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by M & T Investment Group [the depository and/or a third party] bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure SFL 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 SFL to exercise its right against the pledged securities. In the event that the securities are not registered or inscribed in the name of the SFL, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Southold Free Library or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent and custodian for, the SFL, 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 should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide frequency of revaluation if eligible securities and for the substitution of securities when a change in rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the SFL a perfected interest in the securities.

X. Permitted Investments

1. As authorized by General Municipal Law, §11, the Southold Free Library authorizes the Treasurer to invest moneys received through taxation 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;
- ° Certificates of deposit;
- ° 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;

All such investment obligations shall be payable or redeemable at the option of the Southold Free Library within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys 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 Southold Free Library within 2 years of the date of purchase.

2. Moneys received through donation may also be invested, with the approval of the SFL Board of Trustees, in:

- Real estate
- Common stock
- Equity and Bond Funds

XI. Authorized Financial Institutions and Dealers

The Southold Free Library shall only use 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 SFL conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Southold Free 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 Treasurer is responsible for evaluating the financial position.

XII. Purchase of Investments

The Treasurer is authorized to contract for the purchase of

investments: 1. Directly from an authorized trading partner.

2. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the SFL, 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 Southold Free 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 custodial agreement as described in General Municipal Law, §10.

The custodial agreement shall provide that securities held by a bank or trust company, as agents of and custodian for, the SFL, 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 SFL a perfected interest in the securities.

Appendix A

Schedule of Eligible Securities for Collateralization of Public Funds

- _____ (i) 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.
- _____ (ii) 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.
- _____ (iii) 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 State may be accepted as security for deposit of public moneys.
- _____ (iv) 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.
- _____ (v) Obligations 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 organization.

_____ (vi) Zero coupon obligations of the United States government marketed as “Treasury strips”.

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Reviewed by the Board of Trustees March 24, 2021, September 24, 2025