

INVESTMENT POLICY

1. Scope

This investment policy applies to all moneys and other financial resources available for investment on its own behalf or on behalf of any other entity or individual.

2. Objectives

The primary objectives of the Library's investment activities are, in priority order, to conform with all applicable federal, state and other legal requirements (legal);

- to adequately safeguard principal (safety);
- to provide sufficient liquidity to meet all operating requirements (liquidity) and
- 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 Director who 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 a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

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 Smithtown 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.

5. Diversification

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

6. Internal Controls

It is the policy of The Smithtown Library for all moneys collected by any officer or employee of the government to deposit those funds in the bank within five (5) business days of receipt.

The Director is responsible for establishing and 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.

The Finance Committee shall annually review and evaluate investments to ensure compliance with the Library's investment policy.

7. Designation Of Depositories

The Library may deposit monies in any bank or trust company authorized to do business in New York State. The banks and trust companies authorized for the deposit of monies up to the maximum total amount of \$15,000,000.00 are:

Depository Name

First National Bank of Long Island
J.P. Morgan Chase Bank
M & T Bank
U.S. Bank
Wilmington Trust

[NOTE: Section 7. updated annually at organizational meeting. Most recent update: January 2, 2025. The above list reflects said updates.]

8. Collateralizing Deposits

In accordance with the provisions of General Municipal Law, Section 10, all deposits of The Smithtown 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 by a pledge of eligible collateral with an aggregate "market value" as provided by GML Section 10, equal to the aggregate amount of deposits. Eligible collateral shall mean eligible securities (defined below), eligible letters of credit and eligible surety bonds. Eligible securities shall mean 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.

9. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by 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 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 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 Smithtown Library or its custodial bank.

The custodial 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 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 for the frequency of revaluation of eligible securities and for the substitution of securities when 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.

10. Permitted Investments

As authorized by General Municipal Law, Section 11, The Smithtown Library authorizes the Director or designee to invest monies 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 payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;

All investment obligations shall be payable or redeemable at the option of The Smithtown 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 Smithtown Library within two years of the date of purchase.

11. Authorized Financial Institutions and Dealers

The Smithtown Library shall maintain a list of 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 Library conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report 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 Director is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

12. Purchase of Investments

The Director is authorized to contract for the purchase of investments:

- a. Directly, including through a repurchase agreement, from an authorized trading partner.
- b. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program has been authorized by the governing board.
- c. 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 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 Smithtown 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 Section 10.

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.

13. Repurchase Agreements

Repurchase agreements are authorized subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
- Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
- Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
- No substitution of securities will be allowed.
- The custodian shall be a party other than the trading partner.

Policy 900-40

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