

Hudson River – Black River Regulating District Investment Policy

Purpose and Statutory Authority

This policy establishes guidelines for the Regulating District's officers and staff regarding the banking and investment of Regulating District Funds. These guidelines are derived from, and intended to fully comply with, *Public Authorities Law §2925 Investment of Public Authorities* and *Environmental Conservation Law §15-2129 Financing. Investment Guidelines for Public Authorities*, published by New York State Office of the State Comptroller is used as a resource for developing this policy.

Investment Objectives

This policy is intended to govern and facilitate an investment program that includes four basic ingredients: legality, safety, liquidity, and reasonable return. This policy shall apply to investment of the Regulating District's unrestricted and restricted funds.

Proceeds from indebtedness shall be administered in accordance with §165.00 of the Local Finance Law. "Debt Service Funds" as described and required by §15-2129 of Environmental Conservation Law shall be established and administered in conjunction with debt incurred for applicable capital projects.

All receipts of funds, from any source and for any purpose, shall be immediately deposited into an appropriate demand or time deposit account (checking, savings, or money market) that the Regulating District maintains in an eligible banking institution that is located within the Regulating District's jurisdiction, or into a Short-Term Investment Pool (STIP) account maintained with the Office of the State Comptroller.

Eligible banking institutions are limited to Federal Deposit Insurance Corporation (FDIC) insured commercial banks that insure deposits to the maximum coverage offered by FDIC, and which collateralize all Regulating District deposits exceeding FDIC insurance with securities approved by the NYS Comptroller at an approved third-party custodian.

OSC's Short Term Investment Pool (STIP) is a centralized investment mechanism governed by State Finance Law Art 6 §98. Art 6 §98-a affords the Regulating District the opportunity to participate in STIP and to receive a proportionate share of the pool's investment earnings.

Types of Investment Authorized

Reserve Funds and general funds that exceed immediate cash-flow needs may be invested in any of the following securities that comply with OSC guidelines applicable to Public Benefit Corporations:

- Commercial Bank Certificates of Deposit, with the same collateralization requirements that apply to demand and time deposits;

- U.S. Government Bonds or other securities with maturities meeting the Regulating District's projected cash-flow needs;
- U.S. Government mutual funds with an investment firm and agent pre-approved by resolution of the Board

Repurchase Agreement transactions may be conducted only upon specific pre-approval by Resolution of the Board.

Delegation of Investment Management

All investment transactions shall be conducted by the Chief Fiscal Officer (CFO) who shall be responsible to the Board for assuring compliance with this policy. The CFO, and the Executive Director in the absence of the CFO, has individual authority to approve and initiate transfer of funds between demand, savings, and time deposit accounts, and the Regulating District's STIP account[s] to meet the Regulating District's cash-flow needs and investment earnings goals.

Purchase of investment securities, including bank certificates of deposit, and the sale of securities prior to maturity require the signed approval of the CFO and one additional Regulating District official holding one the following positions: Executive Director, Board Chair, Treasurer (if not the CFO), Secretary, Assistant Secretary Treasurer.

Internal Control and Procedures

The safekeeping of all securities, except bank accounts and certificates of deposit, shall be maintained in the custody of an investment firm approved by the Board.

Reports of security transactions shall be furnished to all members of the Board at least semi-annually, and to the Executive Director and members of the Business and Finance Committee on request. Reports shall include record of initial investment, transactions costs, custody costs, and current market value.

Selection of Investment Firms

For investments other than STIP and bank deposits, the Board shall pre-authorize a list of firms 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 Regulating District. Selection criteria shall cover such factors as quality, accessibility, reliability, experience, capitalization and size that in the judgment of the Board make a firm qualified to transact business with the Regulating District.

Investment Procedures and Contracts

Where practicable, relationships with investment firms shall be formalized by written contract that documents the Regulating District's financial interest in each investment, the type and amount of collateral or insurance for each investment, custody record keeping and reporting, and establishes a method for verifying collateralization where applicable. The Board may

determine by Resolution that a written contract is not practical or that there is not a regular business practice of written contracts with respect to a specific type investment or transaction; nonetheless, procedures prescribed by this policy will apply to those investments and transactions.

Collateralization

Collateral, where required, shall be limited to “investment grade” obligations (those permissible for direct investment) approved by the NYS Comptroller. The collateral shall be segregated in the Regulating District’s name and shall be in the custody of a third-party custodian or other safekeeping account approved by the Board. For demand deposits, time deposits, and certificates of deposit, collateralization is required for amounts exceeding Federal Deposit Insurance Corporation coverage. The market value and the accrued interest of the collateral shall not at any time be of lesser value than the investment and any accrued interest.

Performance Evaluation and Independent Audit

In compliance with §2925.3(f) of the Public Authorities Law, the Regulating District shall have an annual independent audit of all investments. The annual investment audit shall determine whether:

- the Regulating District complies 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 Regulating District investment assets; and a system of adequate internal controls is maintained; and
- the Regulating District has complied with the applicable laws, regulations, and State Comptroller’s Investment Guidelines.

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

- a description of the scope and objectives of the audit;
- a statement that the audit was made in accordance with generally accepted government auditing standards;
- a description of any material weaknesses found in the internal controls
- a description of all non-compliance with the Regulating District’s own investment policies and well as applicable laws, regulations and the State Comptroller’s Investment Guidelines;
- a statement of positive assurance of compliance on the items tested and negative assurance on those items not tested; and
- a statement on any other material deficiency or finding identified during the audit

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 with 90 days after the close of the Regulating District's fiscal year with the Coordinator of Public Authority Programs, Office of the State Comptroller.

Reporting

Internal Management Reporting – In compliance with §2925.5 of the Public Authorities Law the Regulating District's Chief Fiscal Officer shall prepare, at periods approved by the Board but not less frequently than semi-annually, reports regarding new investments, the inventory of existing investments, and the selection of investment bankers, brokers, agents, dealers or auditors.

Financial Statements – The Regulating District's annual financial statement, prepared in conformance with generally accepted accounting principles (GAAP) for governments, shall contain all of the note disclosures on deposits with financial institutions and investment required by Governmental Accounting Standards Board (GASB) Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchases Agreements", dated April 1986, as well as the application of other applicable reporting standards.

Reporting to Oversight Agencies – The Regulating District shall prepare and submit the annual investment report required by Public Authorities Law §2925.6 and .7(a).

Regulatory Compliance

This policy is adopted in compliance with Public Authorities Law §2925(1). This policy shall be reviewed and adopted at least annually, between March 1 and June 30, revised as necessary to reflect changes in laws and regulations, 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.