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TOWN OF BETHLEHEM
Albany County - New York

INDUSTRIAL DEVELOPMENT AGENCY

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<p>TOWN OF BETHLEHEM IDA ANNUAL INVESTMENT REPORT FOR THE YEAR ENDED 12/31/11</p>
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As required by the Agency's investment policy, the annual investment report is hereby submitted to the Agency Board for review and approval. There are nine designated depositories for the Agency, each with a deposit limit of \$5,000,000. The following chart identifies the depositories, as well as balances invested at year-end:

Key Bank of New York, NA Four Corners Office Delmar, NY 12054	\$351,696
JP Morgan Chase 12 Corporate Woods Boulevard Albany, NY 12211	\$212,284
M & T Bank 327 Great Oaks Boulevard Albany, NY 12203	\$250,000.
RBS Citizens, N.A. 833 Broadway Albany, NY 12207	\$0
TD Bank North 343 Delaware Avenue Delmar, NY 12054	\$0
Bank of America Kiernan Plaza Albany, NY 12207	\$0
Pioneer Commercial Bank 21 Second Street Troy, NY 12180	\$0
HSBC Bank USA 126 State Street Albany, NY 12207	\$0
First Niagara Commercial Bank 18 Corporate Woods Boulevard Albany, NY 12211	\$0

Fees Paid to Brokers: None.

Investment Guidelines: Exhibit A contains a copy of the Investment Policy.

Amendments to Guidelines: None.

Results of Annual Independent Audit:

The firm of Cusack & Company, CPA's LLC has been engaged to perform an audit of the 2011 financial activity. The work was completed March 23, 2012. The most recent audit report is for 2011, prepared by Cusack & Company, CPA's LLC are on file in the Agency Clerk's Office.

Inventory of Existing Investments as of 12/31/11:

JP Morgan Chase, Money Market	\$212,284
Key Bank Checking	351,696
M&T Bank, Bond Account	<u>250,000</u>
TOTAL	813,980
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Investment Income Record:

Interest earnings for 2010 were equal to \$854, about \$249 less than the 2010 earnings of \$1,103. The decline in income reflected continued declines in interest rates and investment balances.

<u>Type of Investment</u>	<u>High</u>	<u>Low</u>	<u>Average</u>
<u>2011</u>			
Chase Money Market	.50	.40	.45
<u>2010</u>			
Chase Money Market	.50	.45	.50

If you have any questions, please do not hesitate to call.

Allen F. Maikels, Chief Financial Officer
March 23, 2011

Exhibit A

Town of Bethlehem Industrial Development Agency Investment Policy

INVESTMENT POLICY FOR THE TOWN OF BETHLEHEM INDUSTRIAL DEVELOPMENT AGENCY

I. SCOPE

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

The Board shall annually review the Investment Policy, and amend if necessary.

II. OBJECTIVES

The primary objectives of the local government'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);
- d) to obtain a reasonable rate of return (yield).

III. DELEGATION OF AUTHORITY

The governing board's responsibility for administration of the investment program is delegated to the Chief Financial Officer, 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.

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 Town of Bethlehem Industrial Development Agency to govern effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudent 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 Town of Bethlehem Industrial Development Agency 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 Town of Bethlehem Industrial Development Agency for all monies collected by any officer or employee of the government to transfer those funds to the Chief Financial Officer for deposit within three days of receipt, or within the time period specified in law, whichever is shorter.

The Chief Financial Officer 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.

VII. DESIGNATION OF DEPOSITORIES

The banks and trust companies authorized for the deposit of monies up to the maximum amounts are:

<u>Depository Name</u>	<u>Maximum Amount</u>
Key Bank of New York	\$5,000,000
JP Morgan Chase	\$5,000,000
M & T Bank	\$5,000,000
RBS Citizens, N.A.	\$5,000,000
TD Banknorth	\$5,000,000
Bank of America	\$5,000,000
HSBC Bank USA	\$5,000,000
Pioneer Commercial Bank	\$5,000,000
First Niagara Commercial Bank	\$5,000,000

VIII. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law, Section 10, all deposits of the Town of Bethlehem Industrial Development Agency, 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 Section 10, equal to the aggregate amount of deposits from the categories designated in Section X of the policy.
2. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits (and also excluding any bank affiliated with the bank which serves as an authorized depository) in favor of the government 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 government 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 the depository 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 local government 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 local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Town of Bethlehem Industrial Development Agency 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 local government, 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 a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

X. PERMITTED INVESTMENTS

As authorized by General Municipal Law, Section 11, the Town of Bethlehem Industrial Development Agency authorizes the Chief Financial Officer to invest monies not required for immediate expenditure for terms not to exceed its 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;
- f) 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.
- g) Obligation issued pursuant to LFL Section 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the Town of Bethlehem;
- h) Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments.
- i) Certificate of participation (COPS) issued pursuant to GML Section 109-b.
- j) Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.

All investment obligations shall be payable or redeemable at the option of the Town of Bethlehem Industrial Development Agency 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 Town of Bethlehem Industrial Development Agency within two years of the date of purchase.

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Town of Bethlehem Industrial Development Agency 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 (See Section VII). All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Town of Bethlehem Industrial Development Agency. 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 Financial Officer 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.

XII. PURCHASE OF INVESTMENTS

The Chief Financial Officer is authorized to contract for the purchase of investments:

1. Directly, from an authorized trading partner.
2. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board.
3. 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 local government, 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 Town of Bethlehem Industrial Development Agency 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 local government, 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 local government a perfected interest in the securities.

XIII. REPURCHASE AGREEMENTS

Repurchase agreements are not authorized as an investment vehicle.

XIV. REPORTING

Within 120 days of the end of the fiscal year, the Chief Financial Officer shall prepare and submit to the Industrial Development Agency Board an annual investment report; recommendations for changes in the Investment Guidelines; the investment income record; a list of total fees; commissions or other charges, if any, paid to the Custodial Bank and such other matters as the Chief Financial Officer deems appropriate. The Board shall review and approve the annual investment report within 45 days of receipt.