

## STATE UNIVERSITY CONSTRUCTION FUND

### ANNUAL INVESTMENT REPORT

FOR THE PERIOD OF APRIL 1, 2018 THROUGH MARCH 31, 2019

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1. Investment Guidelines

See Attachment (A) - "Investment Guidelines".

2. Amendment to Investment Guidelines

The Investment Guidelines were reviewed and approved by the Trustees on May 1, 2019. See Attachment (B) - "Updates to Investment Guidelines".

3. Explanation of the Investment Guidelines

All of the State University Construction Fund's (the Fund) investments are maintained by the Commissioner of Taxation and Finance pursuant to the provisions of Article 8-A of the Education Law. The Fund requires the Commissioner of Taxation and Finance to adhere to their "Investment Policy" and the Office of said commissioner is required to consult with the Fund prior to investing monies of the Fund. The Fund evaluates investment options after reviewing them with the Office of the Commissioner of Taxation and Finance and confirms each investment selection by letter. All investments of the Fund are restricted to the investments authorized by its Investment Guidelines and the Office of the Commissioner of Taxation and Finance is required to provide the Fund with written verification of investments and monthly reconciliations thereof.

The Fund's Trustees are provided with quarterly investment reports for their review. Further, the Fund is required to engage an independent public accounting firm annually to review its compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York.

4. Annual Independent Audit Report

See Attachment (C) - "Independent Accountants' Report on Investment Compliance".

5. Investment Income of the Fund

\$676,606

6. Fees, Commissions and Charges Paid to Investment Bankers, Etc.

New York State Department of Treasury Custodial Fees - \$65,000.



## STATE UNIVERSITY CONSTRUCTION FUND

### GUIDELINES FOR INVESTMENT

#### Summary

Section 2925 of the Public Authorities Law requires the Board to adopt by resolution investment guidelines to apply to the investment of all monies of the State University Construction Fund (Fund).

#### Procedures

- I. Objectives
  - A. The primary objectives of the Fund's investment activities are:
    - i. To protect each investment's principal;
    - ii. To maximize earnings, subject to the safety of investments, on the Fund's monies that are not required for immediate use;
    - iii. To conform with all applicable Federal, State and other laws and regulations; and
    - iv. To maintain a system of adequate internal controls with an emphasis on safeguarding assets and accurate recordkeeping of investments.



II. Delegation of Investment Management

- A. The Fund's General Manager or designee shall be responsible for the Fund's investments.
- B. Pursuant to Section 377 of the Education Law, all investments are to be made for the Fund by the Commissioner of Taxation and Finance or his or her authorized representative.
- C. The Department of Taxation and Finance is designated the sole custodian of the Fund's investments.

III. Internal Control Procedures

- A. The Office of Capital Finance is responsible for establishing and maintaining an internal control structure to provide reasonable assurance that investments are made in accordance with these Guidelines and that they are safeguarded against loss from unauthorized use or disposition.
- B. The specific internal controls relating to collusion and separation of transaction authority and recordkeeping is maintained by the following:
  - i. The designation of the Department of Taxation and Finance as the sole custodian of the Fund's investments.
  - ii. All records and documents relating to investments are independently summarized and reported on a periodic basis by the Fund's Controller's Office.
  - iii. Warrants, including wire transfers, to enable disbursements must contain two signatures for authorization.

IV. Investment Procedures

- A. The Commissioner of Taxation and Finance will consult with the Fund prior to any change in investments to evaluate investment options (investment type, term, required collateral, and rate of return) and the Fund's cash flow requirements.
- B. The Fund will formally confirm each investment selection by letter to the Commissioner of Taxation and Finance.
- C. The Commissioner of Taxation and Finance will provide the Fund with written verification of each investment transaction and monthly account statements showing all transactions and investment balances held on behalf of the Fund.

V. Permitted Investments

A. Pursuant to Section 377 of the Education Law and Section 98-A of the State Finance Law, the following investments are permitted:

- i. Obligations of the United States Government and its Agencies with a maturity of twelve years or less.
- ii. Repurchase agreements with a maturity of ninety days or less that are collateralized by obligations of the United States Government and its Agencies.
- iii. Certificates of deposit purchased from banks or trust companies located within New York State with a maturity of five years or less. To the extent a certificate of deposit is not insured by the Federal Deposit Insurance Corporation, it must be collateralized by obligations of the United States Government and its Agencies.
- iv. Commercial paper with a maturity of two-hundred seventy days or less that carries the highest rating of two independent rating agencies.

VI. Diversity of Investments

A. The investments of the Fund shall be diversified by financial institution, investment instrument, rate of return, and maturity pursuant to policies established by the Commissioner of Taxation and Finance.

VII. Authorized Financial Institutions and Dealers

A. A list of Eligible Banking Institutions and Broker-Dealers authorized by the Commissioner of Taxation and Finance is contained in Appendix A. This list is subject to change in accordance with the policies and procedures established by the Commissioner of Taxation and Finance.

VIII. Collateral and Delivery of Securities

A. The Fund relies upon the policies and procedures of the Commissioner of Taxation and Finance to ensure that the market value of collateral and accrued interest, if any, shall equal or exceed the value of the secured investment and accrued interest at all times.

B. The Fund's Controller's Office verifies the market value of collateral on a monthly basis using the bid or closing price as quoted in The Wall Street Journal.

- C. The interests of the Fund are protected by the physical delivery of purchased securities to the Commissioner of Taxation and Finance, or, in the case of book-entry transactions, on the crediting of purchased securities to the Commissioner's Federal Reserve System account.

IX. Reporting Guidelines

- A. The Fund's Trustees are hereby deemed its Investment Committee and they shall be provided with quarterly investment reports for their review and action in accordance with Section 2925(5) of the Public Authorities Law.
- B. The Fund's annual financial statements shall contain all disclosures related to investments as required by the Governmental Accounting Standards Board (GASB).
- C. The Fund shall submit an annual investment report to the Division of Budget with copies to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee as required by Section 2925(7) of the Public Authorities Law that shall include the following:
  - i. The investment guidelines and any amendments to such guidelines since the last report;
  - ii. An explanation of the investment guidelines and amendments;
  - iii. The results of the annual independent audit;
  - iv. The investment income record of the Fund; and
  - v. A list of the total fees, commissions or other charges paid since the last report.

X. Audit Procedures

- A. The fund shall obtain an annual independent audit of its investments in accordance with Section 2925(3)(f) of the Public Authorities Law that shall determine whether the Fund complied with these Investment Guidelines, as well as applicable Federal, State, and other laws and regulations.

- B. The independent auditor shall submit a written audit report presenting the results of their independent audit that shall include:
- i. A description of the scope and objectives of the audit;
  - ii. A statement attesting that the audit was conducted in accordance with generally accepted government auditing standards;
  - iii. A description of any material weaknesses in the internal controls;
  - iv. A description of all non-compliance with the Fund's Investment Guidelines as well as applicable Federal, State, and other laws and regulations;
  - v. A statement of positive assurance of compliance on the items tested; and
  - vi. A statement on any other material deficiency or finding identified during the audit.
- C. The audit report shall be filed within 90 days after the close of the Fund's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

XI. Annual Review and Revisions to Guidelines

- A. These Investment Guidelines shall be reviewed annually by the Board of Trustees who may, from time to time, amend the same.

XII. Effective Date

- A. These Guidelines are effective immediately.

*March 2008*  
*March 2009*  
*April 2016*  
*April 2017*  
*April 2018*  
*April 2019*

**Appendix A**  
**Department of Taxation and Finance**  
**Approved Eligible Banking Institutions and Broker-Dealers**  
**as of April 3, 2019**

**For Federal and State Government Obligations**

Bank of America Securities  
Citigroup  
HSBC  
JP Morgan Securities  
Mizuho Securities USA  
Morgan Stanley Smith Barney  
Key Bank  
Royal Bank of Canada  
Wells Fargo

**For Certificates of Deposit:**

Adirondack Trust Company	Genesee Regional Bank*
Asia Bank, N.A.	Glens Falls National Bank and Trust Company*
Ballston Spa National Bank	HSBC Bank USA, National Association
Bank of Akron	JPMorgan Chase Bank
Bank of America*	KeyBank National Association*
Bank of Castile*	Lyons National Bank*
Bank of Utica	Manufacturers & Traders Trust Company*
Bank Leumi USA	NBT Bank, NA*
Broadway National Bank	Northwest Savings Bank (formerly Jamestown Savings Bank)
Capital Bank & Trust Company	Oswego County National Bank
Chemung Canal Trust Co.	Partners Trust (Herkimer Co. Trust Co.)
Citibank NA	Rome Savings Bank
Citizens and Northern Bank*	Solvay Bank*
Citizens Bank, NA (formerly Charter One Bank)	Steuben Trust Company
Community Bank, NA*	TD Bank (formerly TD Banknorth N.A.)
Delaware National Bank of Delhi	Tioga State Bank*
Elmira Savings & Loan, F.A.	Tompkins Trust Company*
Elmira Savings Bank, FSB	Union State Bank
Evans National Bank*	Upstate National Bank
First National Bank of Lisbon	Valley National Bank
First National Bank of Long Island	Washington Mutual (Dime Savings Bank)
First Niagara Bank	Wilbur National
Five Star Bank*	

\*Indicates linked deposit

## **Attachment B**

### **State University Construction Fund Updates to Investment Guidelines – March 2019**

The Fund's modifications to investment guidelines are as follows:

1. None





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## Attachment C

### **Report on Compliance With the Requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York***

Board of Trustees  
State University Construction Fund:

We have examined the compliance of the State University Construction Fund (the Fund), a component unit of the State of New York, with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* during the fiscal year ended March 31, 2019. Management is responsible for the Fund's compliance with these requirements. Our responsibility is to express an opinion on the Fund's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Fund complied with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination of the Fund's compliance with the specified requirements.

In our opinion, the Fund complied with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* during the year ended March 31, 2019, is fairly stated, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report certain findings of deficiencies in internal control; instances of noncompliance with provisions of laws, or regulations, contracts or grant agreements, and instances of fraud and abuse that are direct and material to the Fund's compliance with the requirements of Section 201.3 of Title Two of the *Official Compilation Codes, Rules, and Regulations of the State of New York* that come to our attention during our examination to express an opinion on whether the Fund complied with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* and not for the purpose of expressing an opinion on the internal control over compliance with those requirements, compliance with the provisions of other laws, regulations, contracts or grant agreements or the other matters referred to above; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely for the information and use of Fund management, the Board of Trustees, and New York State, and does not provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering whether the Fund complied with the specified requirements, in all material respects. Accordingly, this report is not suitable for any other purpose.

**KPMG LLP**

October 15, 2019