

Model CCD Investment Policy

\_\_\_\_\_ County Conservation District Investment Policy

The \_\_\_\_\_ County Conservation District Board of Directors shall be permitted to invest funds consistent with sound business practices in the following types of investments:

- United States Treasury bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities.
- Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured and for any amounts above the insured maximum, those amounts shall be secured by collateral pledged by the depository pursuant to Act 72 of 1971 (72 P.S. § 3836-1 et seq.).
- Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these government units.
- Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits
- Pennsylvania Local Government Investment Trust (PLGIT)

### Additional Information - County Conservation District Investment Policy

The first sentence of the investment policy states, "the \_\_\_\_ CCD BOD shall be permitted to invest funds consistent with sound business practices..." <sup>1</sup>Sound business practices include the following standards for prudent investing and should be followed: (1) avoid speculation; (2) do not do anything you would not do with your own money; (3) do not invest in any investment you do not understand; and (4) understand the return that can be earned and the risks involved and err strongly on the side of preserving the safety of the principal.

The second half of bullet #3 of the investment policy states, "...for any amounts above the insured maximum, those amounts shall be secured by collateral pledged by the depository pursuant to Act 72 of 1971 (72 P.S. § 3836-1 et seq.)." This pledged collateral will minimize the risk to district deposits that exceed the insured limits of the district's bank accounts in the event of bank failure. This risk is referred to as "Custodial Credit Risk" and is defined in the "Notes to Financial Statements" in most district audits. <sup>2</sup>The collateral pledge can be handled in one of two ways. The government unit and the institution can enter into a two-party agreement under which the institution pledges securities to secure only that local government's deposits, or the institution can pledge a pool of securities to secure on a joint basis the deposits of many local government units pursuant to Act 72 of 1971.

However your deposits are collateralized, your board should assure that:

- The District has a written agreement with the institution regarding the collateral pledge;
- The pledge is approved by the institution's board of directors or loan committee, and such approval is reflected in the institution's minutes and is kept continuously as an official record of the institution;
- The market value (not just the face value) of the pledged securities is tested frequently and is at least equal to the amount of the deposits plus accrued interest;
- The pledged securities are U.S. Government Securities; and
- The District receives, from the bank, monthly reports on the amount of this deposit, the identity of the collateral and the market value of the collateral.

Act 72 of 1971 was amended by Act 139 of 2000 to permit the depository institution to secure its public deposits with a Federal Home Loan Bank letter of credit rather than with a pledge of collateral.

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<sup>1</sup> Pennsylvania Department of Community and Economic Development, Governor's Center for Local Government Services, "Solicitor's Handbook" Third Edition, April 2003, p.85

<sup>2</sup> Pennsylvania Department of Community and Economic Development, Governor's Center for Local Government Services, "Solicitor's Handbook" Third Edition, April 2003, p.86