



# Lansing Fire District

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## Investment Program

**2023M-62 | September 2023**

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# Report Highlights

## Lansing Fire District

### Audit Objective

Determine whether Lansing Fire District (District) officials developed and managed a comprehensive investment program.

### Key Findings

District officials did not develop and manage a comprehensive investment program.

- The Board of Fire Commissioners (Board) did not develop and adopt a comprehensive written investment policy as required by New York State General Municipal Law Section 39.
- The District earned interest totaling approximately \$9,000 from the District's savings account, which had an average daily balance of approximately \$3.8 million during the audit period. However, the District could have earned approximately \$70,000, or \$61,000 more had officials used other available investment options.
- Officials did not consider other legally permissible investment options or formally solicit interest rate quotes that may have resulted in higher interest earnings.

### Key Recommendation

- Develop, adopt and implement a comprehensive investment program and the required investment policy.

District officials generally agreed with our findings and indicated they have begun to initiate corrective action.

### Background

The District is a district corporation of the State, distinct and separate from the Town of Lansing and the County of Tompkins in which it is located. The District provides fire protection services from four stations over a 75-square miles area.

The Board consists of five elected members, with one member being appointed as Chairman, and is responsible for the District's overall financial management. The Board appoints a Treasurer who acts as the District's chief fiscal officer. The Treasurer is responsible for depositing and investing District funds.

#### Quick Facts

Bank Balances as of January 31, 2023	\$3.6 million
2023 Budgeted Appropriations	\$1.4 million
Interest Earned During Audit Period:	
Savings Account	\$9,243
Certificate of Deposit	\$1,095
Checking Account	\$16

### Audit Period

January 1, 2021 – January 31, 2023  
We extended our audit period through February 28, 2023 to determine interest rate increases.

# Investment Program

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## What Is a Comprehensive Investment Program?

Fire district boards should develop and manage a comprehensive investment program. A sound program for protecting public funds requires prudent strategies, including procedures to ensure the safety of investments and deposits while maximizing earnings on any money that is not required for operations. Investing involves both opportunities and risks, and officials must ensure the safety of public funds while striving to maximize yield. A sound investment and cash management system should ensure that sufficient liquidity is available to support operations and that investments follow the statutory framework established for fire districts.

A comprehensive investment program should serve four basic objectives – legality, safety liquidity and yield. To keep public funds safe, officials need to understand the requirements they must comply with and the investment limitations and safeguards required of fire district investments and deposits. Prudent cash management and investment practices must include, among other things, the adoption of a formal investment policy in accordance with New York State General Municipal Law (GML) Section 39,<sup>1</sup> which details the fire district’s operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of the fire district’s funds. The purposes of the investment policy include: establishing basic procedures to meet investment objectives; ensuring that investment assets are adequately safeguarded and collateralized, if necessary; establishing and maintaining internal controls and proper accounting records; and providing accurate reporting and evaluation of investment results.

At a minimum, an investment policy should address the following areas:

- Procedures for monitoring, controlling, depositing and retaining investments and collateral,
- Standards for security agreements and custodial agreements with banks or trust companies authorized to do business in the State,
- Permitted types of authorized investments,
- Standards for diversification of investments,
- Standards for any institution with which a fire district transacts business, such as criteria covering creditworthiness, experience and other factors a board would want considered,

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<sup>1</sup> OSC has a publication available on our website entitled *Local Government Management Guide Investing and Protecting Public Funds* <https://www.osc.state.ny.us/files/local-government/publications/pdf/investing-and-protecting-public-funds.pdf> to assist officials in prudent cash management and investment practices.

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- Standards for written agreements in which investments are made, and
  - Procedures and provisions to satisfactorily secure the fire district's financial interest in investments.

When implemented, these types of policies and procedures can help lower investment risk while increasing the opportunities for higher investment earnings. The board must annually review the investment policy and should regularly monitor investments.

### **Officials Did Not Develop and Manage a Comprehensive Investment Program**

District officials did not develop and manage a comprehensive investment program, nor did the Board adopt a written investment policy. By developing and managing a comprehensive investment program and adopting a written investment policy, they could have provided the Treasurer with clear instructions, for example, to realize higher interest earnings in light of the rising interest rate environment in 2022.

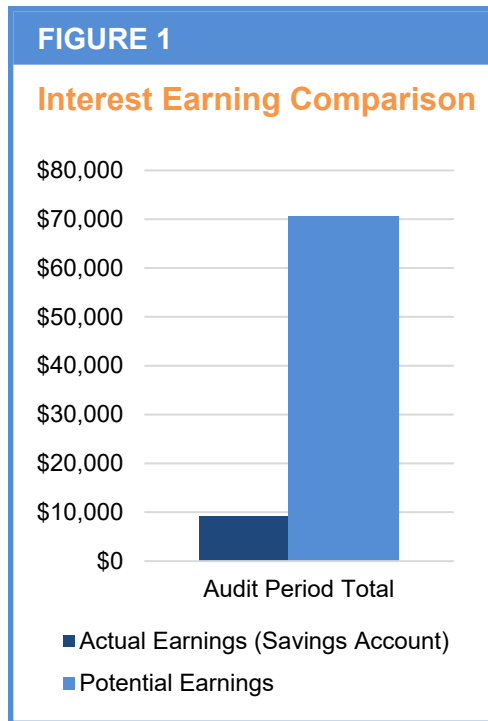
During the audit period, the Treasurer maintained a checking and savings bank account and a 12-month certificate of deposit (CD). The Treasurer maintained about 95 percent of the average bank balances in the savings account. The Treasurer transferred funds from the savings account to the checking account each month to cover upcoming expenditures. The savings account's average daily balance averaged approximately \$3.8 million, with an average annual percentage yield of 0.12 percent in interest. The District's savings account realized interest earnings totaling \$9,243<sup>2</sup> during the audit period.

In March 2022, interest rates generally began to climb, but the interest rate the District was earning did not. We compared available interest rates to the rates received on the District's savings account.<sup>3</sup> Based on our comparison, the District could have earned approximately \$61,000 more than the \$9,243 of interest the District actually earned from its savings account during the audit period (Figure 1).

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<sup>2</sup> The District's CD and checking account earned an additional \$1,111 during the audit period. However, CDs require the funds to be invested for specific time periods, and only 5 percent of the District's funds were invested in the CD and checking account combined during the audit period. Therefore, we did not use the original invested amount or the interest earned on the CD or checking account for our comparisons.

<sup>3</sup> See Appendix B for detailed methodology.



Furthermore, although the Treasurer reviewed cash flow needs monthly and maintained a significant amount of available funds in the District’s highest interest-earning account, District officials did not solicit interest rate quotes to maximize interest earnings during the audit period. As a result of our audit, the Treasurer contacted the District’s financial institution and secured a higher interest rate of 3.56 percent for the savings account as of February 2023 – an increase of 2.71 percentage points compared to the savings account’s 0.85 percent interest rate in January 2023.

**What Do We Recommend?**

The Board and District officials should:

1. Develop and manage a comprehensive investment program which includes preparing monthly cash flow forecasts that estimate available funds for investment.
2. Develop and adopt a written investment policy and annually review the policy, as required by GML Section 39.
3. Monitor investments, periodically solicit interest rates and obtain investment information to ensure available funds are invested to maximize interest earnings.

# Appendix A: Response From Fire District Officials

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## Lansing Fire District

—BOARD OF COMMISSIONERS—

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August 21, 2023

Ann C. Singer, Chief Examiner  
NYS Office of the State Comptroller  
44 Hawley Street – Suite 1702  
Binghamton, NY 13901-4417

Dear Ms. Singer:

The Lansing Fire District submits this Response to and Corrective Action Plan for audit recommendations contained in the Report of Audit 2023M-62 by the NY State Comptroller. The following are recommendations contained in that Report of Audit and our responses:

1. Develop and adopt a written investment policy and annually review the policy as required by GML Section 39.

Response: We have prepared and the board of Fire Commissioners has reviewed a comprehensive Investment Policy that will be presented for adoption at the next regularly scheduled meeting on Sept 5, 2023. The proposed policy follows the basic format and requirements in the NYS Comptroller's Model Investment Policy.

2. Develop and manage a comprehensive investment program which includes preparing monthly cash flow forecasts that estimate available funds for investment.

Response: The Fire Commissioners have a twenty year plan and capital plan that is reviewed and updated on an annual basis as part of the budget process. With the adoption of a written investment policy this plan will be used to determine available funds for investment on a monthly basis:

3. Monitor investments, periodically solicit interest rates and obtain investment information to ensure available funds are invested to maximize interest earnings.

Response: The soon to be adopted Investment Policy will govern the management of Fire District Investments in accordance with appropriate regulations. In conformance with NY State Comptroller recommendations, the objectives will include legality, safety, liquidity and receipt of a reasonable yield.

Respectfully,

Robert Wagner  
Chairman  
Lansing Fire District

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## Investment Policy Lansing Fire District

### 1-. SCOPE

This investment policy applies to all moneys and other financial resources available for deposit and investment by the Lansing Fire District on its own behalf or on behalf of any other entity or individual.

### 2-. OBJECTIVES

The primary objectives of the local government's investment activities are, in priority order:

- To conform with all applicable federal, State and other legal requirements (legality);
- 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 administration of the investment program is delegated to the Fire District Treasurer who shall establish procedures for the operation of the investment program consistent with these investment policies. Such procedures shall include internal controls to provide a satisfactory level of accountability.

### 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 Lansing Fire District to govern effectively.

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-. INTERNAL CONTROLS

All moneys collected by any officer or staff on behalf of the Lansing Fire District shall be turned over to the Fire District Treasurer for deposit within ten days. The Fire District Treasurer shall maintain at all times the following information relative to Fire district investments; depository location, account name and number, type of investment, current interest rate, date of original investment and maturity date if applicable.

### 6-. DESIGNATION OF DEPOSITARIES

The banks and trust companies that are authorized for the deposit of moneys shall be determined by resolution annually at the Fire District Organization Meeting

### 7-. SECURING DEPOSITS AND INVESTMENTS

All deposits and investments at a bank or trust company, including all demand deposits, certificates of deposit and special time deposits (hereinafter, collectively, "deposits") made by officers of Lansing Fire District that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, including pursuant to a Deposit Placement Program in accordance with law, shall be secured by:



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- A. A pledge of “eligible securities” with an aggregate “market value” (as provided by the GML Section 10) that is at least equal to the aggregate amount of deposits by the officers. (See Appendix A for listing.)
- B. A pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the aggregate amount of deposits from all such officers within the State at the bank or trust company. (See Appendix A for listing.)
- C. An “eligible surety bond” payable to the government for an amount at least equal to 100 percent 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. The governing board shall approve the terms and conditions of the surety bond.

#### 8- COLLATERALIZATION AND SAFEKEEPING

Eligible securities used for collateralizing deposits shall be held by the bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities (or the pro rata portion of a pool of eligible securities) are being pledged to secure such deposits together with agreed-upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon a default. It shall also provide the conditions under which the securities (or pro rata portion of a pool of eligible securities) held may be sold, presented for payment, substituted or released and the events of default which will enable the local government to exercise its rights against the pledged securities.

The custodial agreement shall provide that pledged securities (or the pro rata portion of a pool of eligible securities) will be held by the custodial bank or trust company as agent of, and custodian for, the Lansing Fire District, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall also describe how the custodian shall confirm the receipt, substitution or release of the collateral and it shall provide for the frequency of revaluation of collateral by the custodial bank or trust company and for the substitution of collateral when a change in the rating of a security causes ineligibility. The security and custodial agreements shall also include all other provisions necessary to provide the Lansing Fire District with a perfected security interest in the eligible securities and to otherwise secure the local government’s interest in the collateral, and may contain other provisions that the governing board deems necessary.

#### 9- PERMITTED INVESTMENTS

As provided by General Municipal Law Section 11, the Lansing Fire District authorizes the Fire District Treasurer to invest moneys 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 in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York;
- Through a Deposit Placement Program, certificates of deposit in one or more “banking institutions”, as defined in Banking Law Section 9-r;
- Obligations of the United States of America;

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- 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;
  - Obligations of the State of New York;

All investment obligations shall be payable or redeemable at the option of the Lansing Fire District within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event at the option of the Lansing Fire District within two years of the date of purchase. Time deposit accounts and certificates of deposit shall be payable within such times as the proceeds will be needed to meet expenditures for which the moneys were obtained, and shall be secured as provided in Sections VIII and IX herein.

Except as may otherwise be provided in a contract with bondholders or noteholders, any moneys of the Lansing Fire District authorized to be invested may be commingled for investment purposes, provided that any investment of commingled moneys shall be payable or redeemable at the option of the Lansing Fire District within such time as the proceeds shall be needed to meet expenditures for which such moneys were obtained, or as otherwise specifically provided in General Municipal Law Section 11. The separate identity of the sources of these funds shall be maintained at all times and income received shall be credited on a pro rata basis to the fund or account from which the moneys were invested.

#### 10-. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

All financial institutions and dealers with which the Lansing Fire District transacts business shall be creditworthy, and have an appropriate level of experience, capitalization, size and other factors that make the financial institution or the dealer capable and qualified to transact business with the Lansing Fire District. The Fire District Treasurer shall evaluate the financial position and maintain a listing of proposed depositories, trading partners, and custodians. Recent Reports of Condition and Income (call reports) shall be obtained for proposed banks, and security dealers that are 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 Lansing Fire District shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amounts of investments that can be made with each financial institution or dealer.

#### 11-. PURCHASE OF INVESTMENTS

The Fire District Treasurer is authorized to contract for the purchase of investments by participation in a cooperative investment agreement with other authorized municipal corporations pursuant to Article 5-G of the General Municipal Law and in accordance with Article 3-A of the General Municipal Law.

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 Lansing Fire District by the bank or trust company.

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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(3)(a). The agreement shall provide that securities held by the bank or trust company, as agent of, and custodian for, the Lansing Fire District, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall also describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to secure the local government's perfected interest in the securities, and the agreement may also contain other provisions that the governing board deems necessary. The security and custodial agreements shall also include all other provisions necessary to provide the Lansing Fire District with a perfected interest in the securities.

The Fire District Treasurer, where authorized, can direct the bank or trust company to register and hold the evidences of investments in the name of its nominee, or may deposit or authorize the bank or trust company to deposit, or arrange for the deposit of any such evidences of investments with a federal reserve bank or other book-entry transfer system operated by a federally regulated entity. The records of the bank or trust company shall show, at all times, the ownership of such evidences of investments, and they shall be, when held in the possession of the bank or trust company, at all times, kept separate from the assets of the bank or trust company. All evidences of investments delivered to a bank or trust company shall be held by the bank or trust company pursuant to a written custodial agreement as set forth in General Municipal Law Section 10(3)(a), and as described earlier in this section. When any such evidences of investments are so registered in the name of a nominee, the bank or trust company shall be absolutely liable for any loss occasioned by the acts of such nominee with respect to such evidences of investments.

#### 12-. ANNUAL REVIEW AND AMENDMENTS

The Lansing Fire District shall review this investment policy annually, and it shall have the power to amend this policy at any time.

#### 13-. DEFINITIONS

The terms "public funds," "public deposits," "bank," "trust company," "eligible securities," "eligible surety bond," and "eligible letter of credit" shall have the same meanings as set forth in General Municipal Law Section 10.

#### APPENDIX A - Schedule of Eligible Securities for Collateralizing Deposits and Investments in Excess of FDIC Coverage

- 1- 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.
- 2- Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank.
- 3- Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of this State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to gain an understanding of the District's cash management and investment procedures.
- We reviewed all bank statements for the District's savings account, checking account and 12-month CD during the audit period.
- We identified three alternative investment options with higher interest rates available during the audit period. These options were legally permissible, highly rated, allowed funds to be withdrawn at any time without penalties or fees and had minimum investment balances that the District could meet. We calculated the average monthly interest rate from these options, when available, and compared it to the interest rate earned by the District to determine the potential interest earnings the District could have realized.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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