§ 165.00 Deposit and use of proceeds from sale of bonds, bond anticipation notes, capital notes, urban renewal notes or budget notes. a. The proceeds, inclusive of premiums, from the sale of bonds, bond anticipation notes, capital notes, urban renewal notes or budget notes shall be deposited and secured in a special account in the manner provided by section ten of the general municipal law, shall not be commingled with other funds of the issuer, and shall be expended only for the object or purpose for which such obligations were issued. In the event that any portion of the proceeds, inclusive of premiums, from the sale of bonds, bond anticipation notes, capital notes, urban renewal notes or budget notes is not expended for the object or purpose for which such obligations were issued, such portion shall be applied only to the payment of the principal of and interest on such obligations, respectively. Notwithstanding the foregoing provisions of this paragraph, the finance board of any municipality, school district or district corporation may adopt any or all of the following resolutions to provide that:

1. The proceeds, inclusive of premiums, of capital notes issued in amounts of one hundred thousand dollars or less, and of budget notes, need not be deposited in a special account but may be deposited and commingled with other funds of the issuer in any account of the issuer in a bank or trust company located and authorized to do business in this state, but such power shall not be construed as authorizing the use of such proceeds for an object or purpose other than that for which the obligations were issued.

2. The proceeds, inclusive of premiums, from the sale of any two or more issues of bonds, bond anticipation notes, capital notes, urban renewal notes or budget notes need not be deposited in separate special accounts but may be deposited in a single special account of the issuer in a bank or trust company located and authorized to do business in this state, but shall not be commingled with other funds of the issuer. The chief fiscal officer shall then maintain a separate accounting record of each issue to insure that the proceeds shall be used only for the object or purpose for which the obligation was issued.

3. Moneys appropriated for a purpose for which bonds, bond anticipation notes, capital notes or urban renewal notes have been authorized may be deposited in the same bank account with the proceeds from the sale of such obligations. Such power shall not be construed as authorizing the use of the proceeds of such obligations for an object or purpose other than that for which they were issued. Provided, however, that any moneys remaining in such bank account after the object or purpose has been completed or abandoned shall be applied to the payment of the principal of and interest on such obligations; any excess remaining thereafter may be used for any lawful purpose.

b. Notwithstanding the provisions of paragraph a of this section, the proceeds, inclusive of premiums, from the sale of bonds, bond anticipation notes, capital notes and urban renewal notes may be invested in the manner provided by section eleven of the general municipal law.

Such investment shall be made by the finance board or the chief fiscal officer, if the finance board shall delegate such duty to that person. The separate identity of the proceeds from the sale of bonds, bond anticipation notes, capital notes, urban renewal notes and budget notes shall be maintained at all times, whether such proceeds consist of cash or investments or both. Any interest earned or capital gain realized on any investment shall be applied to either the payment of the principal of and interest on the bonds, bond anticipation notes, capital notes, urban renewal notes or budget notes, as the case may be, the proceeds from the sale of which were used in making such investment or for any other purpose or purposes for which such issue of bonds, capital notes or urban renewal notes has been authorized. Notwithstanding the preceding sentence, any interest earned or capital gain realized on any investment shall, to the extent necessary to maintain the exemption from federal income taxation of interest on the obligations the proceeds from the sale of which were used in making such investment, be paid to the United States treasury department, or any agency of the United States. Where the proceeds from the sale of bond anticipation notes have been invested and such notes have been retired from the proceeds from the sale of the bonds in anticipation of which they were issued, any

interest earned or capital gain realized on any investment shall be applied only to the payment of the principal of and interest on the bonds.

c. Notwithstanding the provision of paragraph a of this section or the provision of subdivision three of section ninety-nine-o of the general municipal law, the proceeds of obligations issued for the partial refinancing of mass commuting vehicles by the county of Suffolk may be used to reimburse in whole or in part any accounts or funds from which moneys were disbursed to meet the cost of the original acquisition of such mass commuting vehicles. As used in this paragraph "mass commuting vehicles" means any bus, subway car, rail car, locomotive, or similar equipment used or to be used to provide mass commuting services, whether or not operated by a private operator under agreement with the county of Suffolk.

d. Notwithstanding the provisions of paragraph a of this section, if obligations issued by a school district or a city on behalf of a school district have been refunded with bonds issued by the dormitory authority of the state of New York pursuant to subdivision thirty-nine of section sixteen hundred eighty of the public authorities law, that portion of the proceeds that are allocable to obligations refunded with bonds issued by the dormitory authority of the state of New York and that have not been expended by the school for the object or purpose for which such obligations were issued shall be applied only to the payment of the principal of and interest on the bonds issued by the dormitory authority.