

OLDHAM COUNTY BOARD OF EDUCATION POLICY

INVESTMENT POLICY

3047

References: KRS 160.476, 66.480

Funds that are temporarily in excess of operating needs shall be invested by the Board in accordance with contracts entered into with depositories. The Oldham County Board of Education delegates the authority to invest and oversee the investment of funds to the Superintendent and the Treasurer/Chief Financial Officer. They are charged with custody of the funds of the Board and said officers shall assume full responsibility for all investment transactions until the delegation of authority terminates or is revoked.

A. Permitted types of investments.

The Board may invest and reinvest money subject to its control and jurisdiction in:

1. Obligations of the United States and if its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
 - a) United States Treasury;
 - b) Export-Import Bank of the United States;
 - c) Farmers Home Administration;
 - d) Government National Mortgage Corporation; and
 - e) Merchant Marine bonds.
3. Obligations of any corporation of the United States government, including but not limited to:
 - a) Federal Home Loan Mortgage Corporation;
 - b) Federal Farm Credit Banks;
 - c) Bank for Cooperatives;
 - d) Federal Intermediate Credit Banks;
 - e) Federal Land Banks;
 - f) Federal Home Loan Banks;
 - g) Federal National Mortgage Association; and
 - h) Tennessee Valley Authority.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations or surety bonds permitted by KRS 41.240(4). Any surety bonds collateralizing investments must be issued by insurance companies with an AM Best rating of A or above.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one (1) of the three (3) highest categories by a competent rating agency;
6. Bankers' acceptances for banks rated in (1) of the three (3) highest categories by a competent rating agency;
7. Commercial paper rated in the highest category by a competent rating agency
8. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
9. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a competent rating agency;
10. Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
 - a) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

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- b) The management company of the investment company shall have been in operation for at least five (5) years; and
 - c) All of the securities in the mutual funds shall be eligible investments pursuant to this section;
11. Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
12. Individual high-quality corporate bonds that are managed by a professional investment manager that:
- a) Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 - b) Have standard maturity of no more than ten (1) years; and
 - c) Are rated in the three (3) highest rating categories by at least two (2) competent credit rating agencies.
13. "Competent rating agency" shall have the same meaning as specified in KRS 66.480(11)

B. Collateral

A Bond of Depository for Public School Funds will be executed by the investment agent and collateral deposited to secure said bond will be required to be executed. The Bond of Depository shall be equal to either 103% of the current daily balances in each account as they may fluctuate throughout the life of the bond, or the highest daily balance in each account each month for all accounts in the previous year, subject to State Department of Education approval. In the event the amount of Board of Education funds on deposit, including certificates of deposit, exceed the Bond of Depository amount the selected depository (or supplemental depositories, if any) is to pledge additional collateral for any such excess funds on deposit with a fair market value equal to the excess amount. The depository shall advise the Board in writing whenever it is necessary to pledge additional collateral. In this connection, the Board of Education will give the selected depository an advance schedule of anticipated revenues.

In order to effect the pledge of such additional collateral in connection with any such excess deposits, the selected depository may choose to utilize up to a total of two (2) commercial banks or savings and loans associations designated by the selected depository from which it can purchase, with Board of Education funds, certificates of deposit payable to the Board of Education of Oldham County with rates of interest as provided in the agreement, to be collateralized as herein provided.

All collateral pledged by the selected depository (or the supplemental depositories) must have a fair market value equal to at least 100% of all deposits (including certificates of deposit) of the Board of Education and shall consist of U.S. Government Bonds and/or Kentucky School Building Revenue bonds. U.S. Government Agency securities as shown on the Bond of Depository for Public Schools Funds form are also acceptable.

C. Investment Policy

The policy of the Board shall be to invest funds in comparable amounts in each approved depository provided the interest rates paid by said depositories are competitive with U.S. Treasury Bills. Further, the Superintendent and Treasurer/Chief Financial Officer are authorized to invest funds in the approved depository with the most favorable rate of return in obligations of the U.S. Government, its agencies and instrumentalities, the Kentucky School Boards Liquid Asset Fund, or other investments described in Section B.

Written agreement(s) with the depository(ies) shall designate types of interest-bearing accounts available and how the rate(s) of interest on deposits will be determined. The request for proposals and the response shall constitute the written agreement.

D. Monitoring Procedure

The procedures for monitoring, control, deposit and retention of investments and collateral will include the use and issuance of safekeeping receipts and pledged security reports prepared by the investment agent on a quarterly basis.

The selected depository and supplemental depositories, if any, will execute a safekeeping receipt for collateral which will include an endorsement as follows (the form of the endorsement on the safekeeping receipt may be amended so as to modify the endorsement in any manner required by the rules and regulations of the Federal Reserve Banks providing that the collateral pledged for safekeeping in connection with the bond depository is deposited in a federal reserve bank or acceptable custodian.):

"The securities described herein have been pledged as collateral to funds on deposit in _____, to the credit of the Board of Education of Oldham County, Crestwood Kentucky under terms of a depository agreement. These securities may not be withdrawn except with the written consent of the Board of Education. The original of this receipt has been delivered to the Board of Education of Oldham County, Crestwood, Kentucky."

The pledged security report will list the securities which the investment agent has pledged to cover any deposits which exceed available FDIC insurance.

E. Authority

The investment authority provided in this policy shall be subject to the following limitations:

1. The amount of money invested at any time by a local government or political subdivision in any one (1) of the categories of investments authorized by paragraph B(e), (f), (g), (k) and (l) of this policy shall not exceed twenty percent (20%) of the total money invested by the local government;
2. The amount of money invested at any one (1) time by a local government or a political subdivision in the categories of investments authorized in paragraph (B)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent (40%) of the total money invested
3. No local government or political subdivision shall purchase any investment authorized by paragraph B of this section on a margin basis or through the use of any similar leveraging technique; and
4. At the time the investment is made, no more than five percent (5%) of the total amount of money invested by the local governments or political subdivisions shall be invested in any one (1) issuer unless:
 - a) The issuer is the United States government or an agency or instrumentality of the United States government, or an entity which has its obligations guaranteed by either the United States government or an entity, agency, or instrumentality of the United States government;
 - b) The money is invested in a certificate of deposit or other interest-bearing accounts as authorized by paragraph B(d) and (e) of this policy.
 - c) The money is invested in bonds or certificates of indebtedness of this state and its agencies and instrumentalities as authorized in paragraph B(h) of this policy; or
 - d) The money is invested in securities issued by a state or local government, or any instrumentality or agency thereof, in the United States as authorized in paragraph B(i) of this policy.

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F. Board Review

The Board will review the following criteria when selecting any investment agents in order to determine the capability and qualifications of such agent:

1. Creditworthiness/Rating
2. Experience
3. Business References
4. Organizational Size
5. Ownership