

Miller Place Union Free School District
Miller Place, New York 11764
Board of Education Policy

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INVESTMENT

1. SCOPE

This investment policy applies to all monies and other financial resources available for investment on behalf of the Miller Place Union Free School District (the “District”) or on behalf of any other entity or individual which has entrusted its funds to the District.

2. OBJECTIVES

The primary objectives of the District’s investment activities are, in priority order:

- a. To conform with all applicable federal, state, and other legal requirements (legal);
- b. To adequately safeguard principal (safety);
- c. To provide sufficient liquidity to meet all operating requirements (liquidity); and
- d. To obtain a reasonable rate of return (yield).

3. DELEGATION OF AUTHORITY

The Board of Education’s (Board’s) responsibility for administration of the investment program is delegated to the District Treasurer(Treasurer), under the supervision of the School Business Official, who shall establish written procedures for the operation of the investment program consistent with this policy and applicable legal requirements. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a database or records incorporating description and amounts of investments, transaction dates, and other relevant information, and regulate the activities of subordinate employees.

4. PRUDENCE

All participants in the investment process shall seek to act responsibly as custodians of the trust and shall avoid any transaction that might impair public confidence in the District.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the liquidity and probable yield.

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 decisions.

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5. INTERNAL CONTROLS

All monies collected by any officer or employee of the District shall be immediately transferred to the Treasurer.

The Treasurer, under the supervision of the School Business Official, is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with proper authorization, are recorded properly, in a timely manner, and are managed in compliance with applicable laws and regulations.

Concentration of investments in a single financial institution should be avoided. Diversification of investments and deposits is encouraged.

6. DESIGNATION OF DEPOSITORIES

The banks authorized for deposits are those duly authorized by the Board at the District's Annual Organization meeting, or through separate resolution approved by the Board during the course of the fiscal year.

7. COLLATERIZING OF DEPOSITS

Conditions:

All investments made pursuant to this policy will comply with the following conditions:

a. Collateral:

1. Savings accounts, deposit money market accounts, time deposit accounts, and certificates of deposit will be fully secured by insurance of the Federal Deposit Insurance Corporation or by obligations of New York State, the United States, New York State School Districts and Federal Agencies whose principal and interest are guaranteed by the United States. The market value of collateral will at all times exceed the principal amount of the Certificate of Deposit. Collateral will be monitored no less frequently than on a weekly basis.
2. Collateral will not be required with respect to the direct purchase of obligations of New York State, the United States, and Federal Agencies, the principal and interest of which are guaranteed by the United States Government.

b. Delivery of Securities:

1. Payment of funds may only be made upon receipt of collateral or other acceptable form of security, or upon the delivery of government obligations whether such

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obligations are purchased outright, or pursuant to a repurchase agreement. Written confirmation of delivery shall be obtained from the custodial bank.

2. Every Repurchase Agreement will make payment to the seller contingent upon the seller's delivery of obligations of the United States to the Custodial Bank designated by the school district, which shall not be the repurchase, or in the case of a book-entry transaction, when the obligations of the United States are credited to the Custodian's Federal Reserve account. The seller will not be entitled to substitute securities. Repurchase agreements shall be for periods of 30 days or less. The Custodial Bank shall confirm all transactions in writing to insure that the school district's ownership of the securities is properly reflected in the records of the Custodial Bank.

- c. In accordance with the provisions of General Municipal Law, Section 10, all deposits of the District, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by one or more of the following means:
 1. By a pledge of "eligible" securities: With an aggregate "market value" as provided by GML Section 10, equal to at least the percentage of the aggregate amount of deposits from the categories designated in Appendix A to the policy. Such pledged securities shall be marked to market value on a not less than weekly basis.
 2. By an eligible letter of credit", payable to the District as security for the payment of 140 percent of the aggregate amount of deposits and the agreed-upon interest, if any, in the form of an "irrevocable letter of credit" issued in favor of the District, for a term not to exceed 90 days, by a qualified bank (other than the bank where the secured money is deposited). A qualified bank is either one whose commercial paper or short-term debt obligations (or, in the case of a bank which is the principal subsidiary of a holding company, whose holding company's commercial paper and other unsecured short-term debt obligations) are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization, or one that is in compliance with applicable federal minimum risk-based capital requirements.
 3. By an "irrevocable letter of credit" issued in favor of the District by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, as security for the payment of 100 percent of the aggregate amounts of deposits and the agreed-upon interest, if any.
 4. By an eligible surety bond payable to the District for an amount equal to at least 100% 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

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recognized statistical rating organizations and which is acceptable to the Treasurer and School Business Official of the District.

8. SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits shall be held by the depository or a third party bank or trust company subject to security and custodial agreements acceptable to the District.

The security agreement shall provide that eligible securities are being pledged to secure District deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities being held may be sold, presented for payment, substituted, or released, and the events that will enable the District to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the District, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the “Miller Place Union Free School District” or its custodial bank or trust company. Whenever eligible securities/collateral delivered to the District’s custodial bank or trust company are transferred by entries on the books of a federal reserve bank or other book entry system operated by a federally regulated entity without physical delivery of the evidence of the obligations, the records of the custodial bank shall be required to show, at all times, the interest of the District in the securities, as set forth in the security agreement.

The custodial agreement shall provide that the pledged securities held by the bank or trust company, or agent of and custodian for, the District, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the collateralization for any other deposit or other liabilities. The agreement shall also describe that the custodian shall confirm the receipt, substitution or release of the pledged securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the District with a perfected interest in the securities and may contain other provisions the District deems necessary and appropriate.

9. PERMITTED INVESTMENTS

Authorized Investments:

The Treasurer, or in her/his absence, the School Business Official is authorized to invest all available District funds not required for immediate expenditure, for terms not to exceed its projected cash flow needs, in the following types of investments:

Savings accounts or deposit money market accounts of designated banks;

Certificates of deposit issued by a bank or trust company located in and authorized to do business in New York State;

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Demand deposit accounts in a bank or trust company in and authorized to do business in New York State;

Obligations of New York State;

Obligations of the United States Government (U.S. treasury bills and notes);

Other Investments as permitted by:

The General Municipal Law, Local Finance Law, and any other State Statute or regulation, with approval by the Board of Education and the Office of the State Comptroller where required (e.g., Revenue Anticipation Notes and Tax Anticipation Notes of other school districts and municipalities).

Only reserve funds may be invested in obligations of the School District.

All investment obligations shall be payable or redeemable at the option of the District within such times as the proceeds will be needed to meet expenditures for the purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of the bonds or notes, shall be payable or redeemable at the option of the District within two (2) years of the date of purchase.

10. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

- A. The Treasurer shall maintain a list of financial institutions and dealers approved for investment purposes. All financial institutions with which the District conducts business must be credit worthy. Banks shall provide their most recent Reports of Condition and Income (Call Report) at the request of the Treasurer. Security dealers 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 Treasurer is responsible for evaluating the financial position and maintaining a list of proposed depositories, trading partners, and custodians. Such listing shall be evaluated at least annually.
- B. Investments in time deposits and certificates of deposit are to be made only with commercial banks or trust companies, as permitted by law.

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11. PURCHASE OF INVESTMENTS

The Treasurer is authorized to contract for the purchase of investments:

- a. Directly, including through a repurchase agreement, from an authorized trading partner, in accordance with General Municipal Law §10, pursuant to a contract authorized by the Board.
- b. By participation in a cooperative investment program with another authorized government entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46 and the specific program has been authorized by the Board.
- c. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the Board.

All purchased obligations, unless registered or inscribed in the name of the District, 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 Treasurer. All such transactions shall be confirmed in writing to the District by the bank or trust company. All such transactions shall be confirmed in writing to the District by the bank or trust company. 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.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the District, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the collateralization for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the District with a perfected interest in the securities.

12. REPURCHASE AGREEMENTS

Repurchase agreements are authorized subject to the following restrictions:

- a. All repurchase agreements must be entered into subject to a Master Repurchase Agreement in the form approved by the PSA, The Bond Market Trade Association and shall be in accordance with the General Municipal Law.
- b. Trading partners are limited to creditworthy banks or trust companies qualified to do business in New York State and primary reporting dealers to the Federal Reserve Bank of New York.
- c. Obligations shall be limited to obligations of the United States of America and obligations where the payment of principal and interest is guaranteed by agencies of the United States of America and those authorized by the General Municipal Law.

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- d. No substitution of securities/obligations will be allowed.
- e. The custodian shall be a party other than the trading partner.

13. WRITTEN CONTRACTS:

- a. Written contracts are required for certificates of deposit, securities and custodial undertakings and Repurchase Agreements. With respect to the purchase of direct obligations of U.S., New York State, or other governmental entities in which monies may be invested, the interests of the District will be adequately protected by conditioning payment on the physical delivery of purchased securities to the school district or custodian, or in the case of book-entry transactions, on the crediting of purchased securities to the Custodian's Federal Reserve System account. All purchases will be confirmed promptly in writing to the District.
- b. The following written contracts are required:
 - 1. Written agreements will be required for the purchase of all certificates of deposit.
 - 2. A written contract will be required with the Custodial Bank(s).
 - 3. Written contracts shall be required for all Repurchase Agreements. Only credit-worthy banks and primary reporting dealers shall be qualified to enter into a Repurchase Agreement with the District.

The written contract will stipulate that only obligations of the United States may be purchased and that the District shall make payment upon delivery of the securities or the appropriate book-entry of the purchased securities. No specific repurchase agreement will be entered into unless a master repurchase agreement has been executed between the District and the trading partners. While the term of the master repurchase agreement may be for a reasonable length of time, a specific repurchase agreement will not exceed thirty (30) days.

14. DESIGNATION OF CUSTODIAL BANK:

- a. The Board will designate a commercial bank or trust company authorized to do business in the State of New York to act as Custodial Bank of the District's investments. However, securities may not be purchased through a Repurchase Agreement with the Custodial Bank.
- b. When purchasing eligible securities, the seller will be required to transfer the securities to the district's Custodial Bank.

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15. OPERATIONS, AUDIT AND REPORTING:

- a. The Treasurer or designee will authorize the purchase and sale of all securities and execute contracts for investments and deposits on behalf of the District. Oral directions concerning the purchase or sale of securities will be confirmed in writing. The District will pay for purchased securities upon the simultaneous delivery or book-entry thereof.
- b. The District will encourage the purchase and sale of securities through a competitive process involving telephone solicitation for at least three quotations.
- c. The independent auditors will audit the investment of proceeds of the District for compliance with the provisions of this Investment Regulation.
- d. Monthly investment reports will be furnished to the Board of Education.

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Appendix A

Schedule of Eligible Securities

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 of America (USA) government sponsored corporation with an aggregate “market value” as provided by GML Section 10, equal to 100%.
2. Obligations partially insured or guaranteed as to the payment of principal and interest by any agency of the USA, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty with an aggregate “market value” as provided by GML Section 10, equal to 100%.
3. Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the state of New York, obligations issued by a New York State municipal corporation, school district, or district corporation of New York State, and obligations issued by any public benefit corporation which under a specific state statute may be accepted as security for deposit of public monies with an aggregate “market value” as provided by GML Section 10, equal to 100%
4. Obligations of counties, cities, and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization with an aggregate “market value” as provided by GML Section 10, equal to 105%.
5. Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization with an aggregate “market value” as provided by GML Section 10, equal to 120%.
6. Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by federal bank regulatory agencies with an aggregate “market value” as provided by GML Section 10, equal to 120%.
7. Commercial paper and bankers’ acceptances issued by a bank, other than the bank with which the money is being deposited, rated in the highest short-term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged with an aggregate “market value” as provided by GML Section 10, equal to 115%.

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