HEWLETT-WOODMERE PUBLIC SCHOOLS **Policy 6240**

(X) Required
( ) Local
(X) Notice

INVESTMENT POLICY

I. COPE

This investment policy applies to all monies and other financial resources available for investment on behalf of the Hewlett-Woodmere Union Free School District.

II. OBJECTIVES

The primary objectives of the investment activities are:

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

III. DELEGATION OF AUTHORITY

The Board of Education's responsibility for administration of the investment program is delegated to the Treasurer who shall manage District investments consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

IV. 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 Hewlett-Woodmere Union Free School 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 primary and income secondary.

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.

V. DIVERSIFICATION

It is the policy of the Hewlett-Woodmere Union Free School District to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling to meet projected cash flow needs.

VI. INTERNAL CONTROLS

It is the policy of the Hewlett-Woodmere Union Free School District for all monies collected by any officer or employee of the district to transfer those funds to the Treasurer within 15 days of deposit, or within the time specified in law, whichever is shorter.

The Treasurer, in consultation with the Assistant Superintendent for Business, is responsible for developing and maintaining an internal control structure. This structure is intended to provide reasonable assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition. In addition, it provides that transactions are executed in accordance with management's authorization, are recorded properly and are managed in compliance with applicable laws and regulations.

VII. EXTERNAL REVIEW

The annual independent external audit shall include verification of investment holdings, as well as proper and sufficient collateralization. Such review shall be conducted at least annually.

VIII. DESIGNATION OF DEPOSITORIES

The designation of bank depositories is made by resolution of the Board of Education at its annual reorganization meeting in July.

The bank and trust companies authorized for the deposit of monies up to the maximum amount are:

Depository Name	Maximum Amount
Bank of America	$20,000,000
Capital One Bank	30,000,000*
Citibank	20,000,000
Flushing Commercial Bank	20,000,000
HSBC Bank USA	25,000,000
JP Morgan Chase	25,000,000
TD Bank	20,000,000
Valley National Bank	20,000,000
The First National Bank of Long Island	10,000,000

* The Maximum Amount for Capital One Bank may be exceeded for up to five business days, to recognize either deposits in transit or receipt of large sums inclusive of property taxes, state aid and bond proceeds, pending investments or transfer to other permitted depositories.

IX. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law Section 10, all deposits of Hewlett-Woodmere Union Free School 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:

1. By a pledge of "eligible securities" with an aggregate "market value" as provided by General Municipal Law Section 10, equal to the aggregate amount of deposits from the categories designated in under Section XI.
2. An "eligible surety bond" payable to the District for an amount at least equal to 105% 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. Approval of terms and conditions by the Board of Education is required prior to accepting an eligible surety bond as collateral.
3. 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 authority, as security for the payment of 100 percent of the aggregate amount of deposits and the agreed upon interest, if any.

X. SAFEKEEPING AND COLLATERALIZATION

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

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 with eligible collateral having an adjusted market value equal to 105% (102% for the JP Morgan Chase Account) of the collateral requirement. It shall also provide the conditions under which securities may be sold, presented for payment, substituted or released and the events which 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 Hewlett-Woodmere Union Free School District or its custodial bank.

The custodial agreement shall provide that pledged 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 backing for any other deposit or other liabilities. The agreement shall also describe that the

custodian shall confirm the receipt, substitution or release of the collateral. The agreement shall provide for the frequency of revaluation of collateral and for the substitution of collateral when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the District a perfected interest in the collateral.

In accordance with General Municipal Law Section 10, the Hewlett-Woodmere Union Free School District authorizes the Treasurer to deposit funds collateralized through deposit placement programs utilizing reciprocal deposit programs between participating banks or other authorized institutions. Such funds may be deposited in checking, money market, or other special time deposit accounts, as well as in certificates of insurance. Participation is permitted when the following conditions are met:

- On or after the date that the School District's funds are received, the designated bank or trust company arranges for the redeposit of such funds into deposit accounts in one or more banking institutions and the School District's depository bank or trust company serves as custodian for the School District with respect to the redeposited funds.
- The School District's funds held in the depository bank or trust company in excess of FDIC coverage, pending redeposit, must be properly secured in accordance with the General Municipal Law.
- The full amount of the redeposited funds, plus any accrued interest, must be covered by the FDIC.
- At the same time of the redeposit, the School District's depository bank or trust company must receive an amount at least equal to the amount of the School District's funds redeposited.

XI. PERMITTED INVESTMENTS

As authorized by General Municipal Law Section 11, the Hewlett-Woodmere Union Free School District authorizes the Treasurer to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investment:

a. Special time deposit accounts;
b. Certificates of deposit;
c. Obligations of the United States of America, or in 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 (i.e., United States Treasury Bills, Notes and Bonds);
d. Obligations of the State of New York that carry a single A rating or better and not on the watch list of Moody's or Standard & Poors (S & P).
e. 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 such State or obligations of any public benefit corporation which under a specific State statute may be eligible to be accepted as security for deposit of public monies provided that the obligation carries a single A rating or better from Moody's and/or S & P and are not on the watch list of either agency, not issued by the Hewlett-Woodmere Union Free School District.
f. Obligations of the Hewlett-Woodmere Union Free School District, but only with monies in a reserve fund established pursuant to General Municipal Law Sections 6-d, 6-j, 6-l, 6m, or 6-n.
g. Other "Eligible Securities" as may be listed within the New York State Office of the Comptroller's *Local Government Management Guide: Investing and Protecting Public Funds,*

h. *Schedule A:* limited to those securities that meet the threshold for 100% market valuation for the purpose of determining aggregate market value.
i. Repurchase Agreements

All investment obligations shall be payable or redeemable at the option of the Hewlett-Woodmere Union Free School District within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Hewlett-Woodmere Union Free School District within two years of the date of purchase.

XII. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Hewlett-Woodmere Union Free School District shall maintain a list of financial institutions and dealers approved by the Board of Education for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the school district conducts business must be credit worthy and carry a single A rating or better from Moody's or S & P and not be on the watch list of Moody's or S & P. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Hewlett-Woodmere Union Free School District. 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 and having a rating of single A or better from Moody's or S & P and not be on the watch list of either agency. The Treasurer is responsible for evaluating the financial position and maintaining a listing of proposed depositaries, trading partners and custodians. Such listing shall be evaluated at least annually and approved by the Board of Education.

XIII. PURCHASE OF INVESTMENTS

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

1. Directly, including through a repurchase agreement, from an authorized trading partner.
2. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law and in accordance with Article 3-A of the General Municipal Law, and the specific program meets the District guidelines for credit worthiness and has been authorized by the Board of Education.
3. By utilizing an ongoing investment program with an authorized trading partner who meets the district's guidelines for credit worthiness and pursuant to a contract authorized by the Board of Education.

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 officer authorized to make the investment. All such transactions shall be confirmed in writing to the Hewlett-Woodmere Union Free School 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.

XIV. 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 outlining responsibilities and liabilities of the buyer and seller and a written agreement with the custodial bank or trust company outlining responsibilities of the buyer, seller and custodian. Both agreements shall be subject to review by legal counsel. The Agreement must provide for securing a perfected security interest in the obligation.

b. Trading partners are limited to banks or trust companies located and authorized to do business in New York State and primary reporting dealers that carry a single A rating or better from Moody's or S & P and are not on the watch list of either agency.

c. Obligations shall be limited to obligations of the United States of America or its agencies where the payment of principal and interest are guaranteed by the United States of America.

d. No substitution of obligations will be allowed.

e. Obligations not registered or inscribed in the name of the District must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to do business in New York State. The custodial bank or trust company shall not be the seller of any obligations that are the subject of the repurchase agreement.

f. The custodial agreement shall provide that the custodian take possession and maintains custody of the obligations exclusively for the District and provide that the obligations are both free of any claims against the trading partner and that any claims by the custodian are subordinate to the District's claims or rights to the obligations included.

g. Obligations must be credited to the District on the records of the custodial bank or trust company, with all transactions confirmed in writing by the custodian to the District.

h. Payment of purchased obligations by the custodian shall be made simultaneously with receipt of the obligations.

i. Obligations purchased by the District may only be sold or presented for redemption or payment by the District's custodian after receipt of written instructions from the Deputy Superintendent or School District Treasurer.

j. The maximum term for a repurchase agreement shall not exceed 30 days.

k. The District may require a margin requirement.

XV. ANNUAL BOARD OF EDUCATION REVIEW

This policy shall be approved annually by the Board of Education at the annual organization meeting of the Hewlett-Woodmere Board of Education.

XVI. AUTHORIZATION FOR RELEASE OR TRANSFER OF FUNDS

The Treasurer is authorized to establish bank accounts and make investments in accordance with this policy. Dual signature requirements shall be maintained for checks in excess of $10,000. Two party releases shall be required for electronic transmittals in excess of $25,000, where such transfers are to a third party. Such practices shall be continued, as a matter of internal security, in instances where banks or other institutions report that they will no longer monitor dual signatures on checks. The chief school business official is authorized to provide the second signature or the second party for verification of transfers, as described above.

Legal References: Education Law §§ 39,1604-a, 1709, 1723-a, 3651
General Municipal Law §§ 6(c-h) (j-n), 10,11, 39

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