

INVESTMENT POLICY

I. SCOPE

This investment policy applies to all moneys and other financial resources available for investment on behalf of the Patchogue-Medford Union Free School District Board of Education and not needed for immediate obligations.

II. OBJECTIVES

The primary objectives of the district's investment policy and activities are, in priority order:

- To conform with all applicable federal, state, and other legal requirements;
- To adequately safeguard district funds and principal and to minimize risk;
- To provide sufficient liquidity to meet all operating requirements;
- To ensure that investments mature when cash is required to finance operations; and
- To ensure a reasonable yet competitive rate of return.

III. DELEGATION OF AUTHORITY

The Board of Education's responsibility for administration of the investment program is delegated to the District's Superintendent of Schools or designee who shall establish procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or 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 Patchogue-Medford Union Free School District to govern effectively.

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 probable income to be derived.

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.

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V. DIVERSIFICATION

It is the policy of the Patchogue-Medford Union Free School District to diversify whenever possible its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

To the extent feasible, investments and deposits shall be made in and through local or regional financial institutions. Concentration of investments in a single financial institution should be avoided. Diversification of investments and deposits is encouraged.

VI. INTERNAL CONTROLS

The District's Superintendent of Schools or designee is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

VII. DESIGNATION OF DEPOSITORIES

The banks, trust companies, and investment cooperatives authorized for the deposit of monies as designated at the annual reorganization meeting or by Board resolution.

VIII. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law §10, all deposits of the Patchogue-Medford Union Free School District, including certificates of deposit and special time deposits, in excess of the amount of said deposit actually insured under the provision of the Federal Deposit Insurance Act, shall be secured by a pledge of "eligible securities" with an aggregate "market value" as provided by General Municipal Law §10, equal to the aggregate amount of deposits from: obligations or letters of credit issued, or fully insured or guaranteed as to the payment of principal and interest by the United States of America, or an agency thereof, or obligations issued or fully insured or guaranteed by the State of New York or subdivisions thereof. (See exhibit.)

IX. SAFEKEEPING AND COLLATERALIZATION

Eligible securities used for collateralizing deposits in excess of FDIC insurance shall be held by a third party bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure local government deposits together with agreed upon interest, if any, and any costs or

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Safekeeping and Collateralization (Cont'd)

expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released, and the events which will enable the Patchogue-Medford Union Free School 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 school district, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Patchogue-Medford Union Free School District or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Patchogue-Medford Union Free School District, will be kept separate and apart from the general assets of the custodian 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 should also describe that the custodian shall confirm the receipt, substitution or release of the 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 local government a perfected interest in the securities.

Whenever eligible securities delivered to a custodial bank or trust company as set forth herein above are transferred to 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 such obligations, the records of the custodial bank or trust company shall show, at all times, the interest of Patchogue-Medford Union Free School District in such securities as set forth in the security agreement.

X. **PERMITTED INVESTMENTS**

As authorized by General Municipal Law §11, the Patchogue-Medford Union Free School District authorizes the District's Superintendent of Schools or designee 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;
- Certificates of deposit;
- Obligations of the United States of America;

Investment Policy (Cont'd)
Permitted Investments (Cont'd)

- 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 Patchogue-Medford Union Free School 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 at the option of the Patchogue-Medford Union Free School District within two years of the date of purchase.

XI. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Patchogue-Medford Union Free School District shall maintain a list of financial institutions and dealers approved 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 local government conducts business must be credit worthy and must comply with all applicable federal and state laws, regulations and other legal requirements regulating or affecting financial institutions, including, but not limited to, any sanctions or limitations on investing in, transacting with, or doing business with prohibited countries, entities, or persons. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Patchogue-Medford 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. The Superintendent of Schools or designee is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. Such listing shall be evaluated at least annually.

XII. WRITTEN CONTRACTS

- Written contracts are required for certificates of deposit 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 school 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 school district.
- The following written contracts are required:
 - Written agreements will be required for the purchase of all certificates of deposit.
 - A written contract will be required with the custodial bank(s).

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Written Contracts (Cont'd)

- 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 Patchogue-Medford Union Free School 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 school 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.

Rev: Education Law §§ 1723-a
 General Municipal Law § 10; 11; 39; Article 5-G

Policy Adopted:
 January 16, 1978
 Policy Revised:
 December 18, 1989
 December 16, 1991
 February 19, 1996
 October 21, 1996
 Policy Reviewed:
 December 13, 1999
 Policy Revised:
 March 27, 2000
 Policy Revised:
 September 23, 2002
 Policy Revised:
 January 14, 2003
 Policy Revised:
 November 10, 2003
 Policy Revised:
 January 24, 2011
 Policy Revised:
 August 20, 2012
 Policy Reviewed:
 August 26, 2013
 Policy Reviewed:
 October 20, 2014
 Policy Revised:
 August 24, 2015
 Policy Revised:
 August 29, 2016
 Policy Revised:
 August 28, 2017
 Policy Reviewed:
 August 27, 2018

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Policy (Exhibit) Revised:

March 18, 2019

Policy Revised:

August 26, 2019

Policy Revised:

August 24, 2020

Policy Revised:

October 18, 2021

Policy Reviewed:

August 29, 2022

Policy Revised:

October 23, 2023

**Investment Policy
Exhibit**

Schedule of Eligible Securities

- (i) Obligations issued by the United States of America, an agency thereof or a United States government sponsored corporation or obligations 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.
- (ii) 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.
- (iii) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.
- (iv) Obligations issued or fully insured or guaranteed by this state, 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.
- (v) Obligations issued by states (other than this state) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (vi) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (vii) Obligations of counties, cities and other governmental entities of another state 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.
- (viii) Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- (ix) 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.
- (x) Commercial paper and bankers' acceptances issued by a bank (other than the bank with which the money is being deposited or invested) rated in the highest short-term category by at least one nationally recognized statistical rating organization and having maturities of not longer than sixty days from the date they are pledged.
- (xi) Zero-coupon obligations of the United States government marketed as "Treasury STRIPS".

**Investment Policy Regulations
Internal Controls**

Investment of District Funds

- 1.) The Senior Account Clerk will continually update the District's cash flow, and recommend the amounts available for investment to the Superintendent of Schools, or designee.
- 2.) If the Superintendent of Schools or designee is in agreement with the determination, the staff member will call all approved investment institutions to determine the highest rate available to the District.
- 3.) Once determined, the information will be presented to the Superintendent of Schools, or designee for review and subsequent approval.
- 4.) Upon approval, the Senior Account Clerk, or designee if not available, will prepare a wire transfer form stipulating the amount to be transferred, and the destination of the monies. This form is to be signed by both the Treasurer, the Superintendent of Schools, or designee, and the Claims Auditor.
- 5.) After signatures are obtained, the staff member will electronically wire the investment to the approved institution.
- 6.) The staff member will maintain a list of all investments showing location of investments, amounts invested, dates of investments, and maturity dates. On a monthly basis this list will be presented to the Superintendent of Schools or designee.

NOTE: Should the Assistant Superintendent for Business, or designee be unavailable, the Senior Account Clerk, or designee if not available will seek approval from the Superintendent of Schools or the Assistant to the Superintendent.