

RED HOOK CENTRAL SCHOOL DISTRICT

POLICY # 6000.1

Investment Policy

I. Scope

This investment policy applies to all moneys and other financial resources available for investment by the Red Hook Central School District, on its own behalf or on behalf of any other entity or individual.

II. Objectives

The primary objectives of the Red Hook Central School District's investment activities are, in priority order,

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

III. Delegation of Authority

The Board of Education's responsibility for administration of the investment program is delegated to the Chief Fiscal Officer, or District Treasurer, who shall establish written 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 Red Hook Central 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.

V. Diversification

It is the policy of the Red Hook Central School District to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

VI. Internal Controls

It is the policy of the Red Hook Central School District for all monies collected by any officer or employee of the Red Hook Central School District to transfer those funds to the Treasurer within 3 days of deposit, or within the time period specified in the law, whichever is shorter.

The Chief Fiscal Officer, or Treasurer, is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits of an 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 official banks of the District are as designated periodically by the Board of Education. The designated bank and trust companies are authorized for the deposit of monies up to a maximum of twenty million dollars (\$20,000,000.00).

VIII. Collateralizing of Deposits

In accordance with the provisions of General Municipal Law §10, all deposits of the Red Hook Central 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 GML §10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
2. By an eligible "irrevocable letter of credit" issued by a qualified bank or other than the bank with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed up interest, if any. A qualified bank is one whose 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 by a bank that is in compliance with applicable federal minimum risk-based capital requirements.

3. By an eligible surety bond payable to the government for an amount at least equal to 100% of the aggregate amounts 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.

IX. 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 security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure Red Hook Central School District's 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 may be sold, presented for payment, substituted or released, and the events that will enable the Red Hook Central 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 Red Hook Central School District, such securities shall be delivered in a form suitable for the transfer or with an assignment in blank to the official bank of the District or their custodial banks.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Red Hook Central School 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 co-mingled 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 re-evaluation of eligible securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Red Hook Central School District a perfected interest in the securities.

X. Permitted Investments

As authorized by General Municipal Law, §11, the Red Hook Central School District authorizes the Chief Fiscal Officer or Treasurer to invest monies 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 in a bank or trust company located and authorized to do business in New York State;
- Certificates of deposit in a bank or trust company located and authorized to do business in New York State
- Obligations of the United States of America;
- 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;
- Obligation of the State of New York
- Obligations issued pursuant to LFL §24.00 or §25.00 (with approval of the State Comptroller) by any municipality, school district, or district corporation other than the Red Hook Central School District;
- Obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies whose enabling legislation authorizes such investment;
- Certificates of Participation (COPs) issued pursuant to GML §109-b;
- Obligations of the Red Hook Central School District, but only with any monies in a reserve fund established pursuant to GML §6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

All investment obligations shall be payable or redeemable at the option of the Red Hook Central 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 Red Hook Central School District within two years of the date of purchase.

XI Authorized Financial Institutions and Dealers

The Red Hook Central 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 Red Hook Central School District conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Red Hook Central 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 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.

XII. Purchase of Investments

The Chief Fiscal Officer or Treasurer is authorized to contract for the purchase of investments:

1. Directly, or 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 where such program meets all the requirements set forth in the Office of the State Comptroller, Opinion #88-46 and the specific program has been authorized by the Board of Education.
3. By utilizing an ongoing program with an authorized trading partner pursuant to a contract authorized by the Board of Educations.

All purchased obligation, unless registered or inscribed in the name of the Red Hook Central School 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 Red Hook Central School 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 co-mingled with or become part of the backing 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 Red Hook Central School District a perfected interest in the securities.

XIII. Repurchase Agreements

Repurchase agreements are authorized subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase Agreement;
- Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers;
- Obligations will be limited to liquid marketable U.S. Government Securities.

- No substitution of securities will be allowed;
- The custodian shall be a party other than the trading partner.

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Adopt 7/20/94

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