

POLICY RELATING TO BUDGET/FINANCE

DEPOSITS AND INVESTMENTS

The Wachusett Regional District School Committee believes that a balanced approach to cash management is necessary in order to manage prudently and responsibly the District's cash assets. Because economic and security market conditions continually fluctuate, periodic portfolio adjustments are required in order to not only conform with all applicable Federal, State, and other laws and regulations (legal) but also to provide liquidity to meet all operating requirements (liquidity), to safeguard principal (safety), and to obtain a reasonable rate of return (yield).

The District Treasurer and all participants in the deposit and investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence. All participants shall refrain from personal business activity that could conflict with proper execution of the deposit and investment program or which could impair their ability to make impartial deposit and investment decisions.

Deposits and investments shall be made with all due judgment and care, not for speculation but for deposit and investment, considering the safety of the principal as well as the probable income to be derived.

Diversification

It is the policy of the District to diversify its investment portfolio. Deposits and investments shall be diversified by financial institution, maturity and type of investment.

Financial Institutions

All financial institutions should have a "safe and sound" rating in one of the three highest rating categories as calculated by at least one nationally recognized statistical rating organization.

Collateralizing of Deposits

All deposits including certificates of deposit and special time deposits, to the extent allowed shall be insured under the provisions of the Federal Deposit Insurance

Corporation (FDIC) and/or the Deposit Insurance Fund of Massachusetts (DIFM) and shall be secured:

1. By a pledge of U.S. Government Securities.
2. By an eligible "irrevocable letter of credit" issued by a qualified bank.
3. By an eligible surety bond payable to the District for an amount at least equal to 100% of the aggregate amount of the deposits and the agreed upon interest, if any,

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Deposits and Investments (continued)

executed by an insurance company authorized to do business in the Commonwealth of Massachusetts, whose claims-paying ability is rated in the highest rating category by at least one nationally recognized statistical rating organization.

Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by the depository bank or financial institution 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 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 local government 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 District or its custodial bank.

The custodial agreement shall provide that securities held by the bank or financial institution, or agent of and custodian for the District, will be kept separately and apart from the general assets of the custodial bank or financial institution 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 provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of security may cause ineligibility. Such agreement shall include all provisions necessary to provide the District a perfected interest in the securities.

Permitted Investments

The Wachusett Regional District School Committee authorizes the Treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investment:

- Special time deposit amounts
- Certificates of deposit
- 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.
- Obligations of the Commonwealth of Massachusetts

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Deposits and Investments (continued)

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 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 District within two years of the date of purchase.

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Second Reading: 10/13/09

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