



PSAB Supplement 8

*Public Fund Deposits and
Investments*

**MANUAL OF PROCEDURES
PSAB SUPPLEMENT 8
PUBLIC FUND DEPOSITS & INVESTMENTS**

TABLE OF CONTENTS

INTRODUCTION	1
AUTHORITY	1
TYPES OF DEPOSITS	2
RATE OF INTEREST	3
COMPLIANCE FOR DEPOSITS AND INVESTMENTS	3
REPORT REQUIREMENTS.....	3
PLEGGED COLLATERAL.....	4
COLLATERAL REQUIREMENTS – CALCULATION	5
DEPOSITS –FEDERALLY INSURED	6
ADDITIONAL SECURITY (PURSUANT TO SECTION 6-10-20 NMSA 1978) MAY BE REQUESTED OF ANY BANK OR SAVINGS AND LOAN ASSOCIATION THAT HAS QUALIFIED AS A DEPOSITORY OF PUBLIC MONEY OF THE KIND SPECIFIED IN SECTION 6-10-16. NMSA 1978.....	6
INVESTMENTS - JOURNAL ENTRIES	7
FUNDS AVAILABLE FOR INVESTMENT.....	7
TYPES OF INVESTMENTS	9
OVERNIGHT INVESTMENTS (SWEEP ACCOUNTS).....	9
RE-PURCHASE AGREEMENTS	9
FEDERAL FUNDS INVESTMENTS	10
STATE GENERAL FUND INVESTMENT POOL (SGFIP)	10
LOCAL INVESTMENT POLICIES AND CONTROLS.....	11
EVALUATION OF THE INVESTMENT PROGRAM.....	14
MODEL RESOLUTION BY THE BOE OR GOVERNING COUNCIL	15
KEYWORD INDEX.....	I
TABLE OF AUTHORITIES	II

**MANUAL OF PROCEDURES
PSAB SUPPLEMENT 8
PUBLIC FUND DEPOSITS & INVESTMENTS**

INTRODUCTION

Guidance is provided both in statute and regulation to manage and account for the deposit and investment of public funds – those monies coming into all governmental agencies from a variety of sources. These deposits must be monitored and accounted for Board of Education or Governing Councils' written policies and procedures that meet established accounting standards for the handling of cash and cash equivalents. Investment activities may provide additional revenue (interest) that can be utilized to support daily operations in school districts and charter schools. It is critical that the deposits are managed properly and that the investments made are in the best interest of all stakeholders. By examining the timing of selected receipts and measuring state and local economies, school personnel are able to make appropriate and informed financial decisions related to depositing and investing available resources.

AUTHORITY

Section 22-8-40. A-I NMSA 1978 Deposit of public school funds; distribution; interest.

- Public money in the custody of school district or state-chartered charter schools that have been designated as Boards of Finance shall be deposited in qualified depositories.
- The boards of finance (Boards of Education or Governance Councils) may temporarily invest money held in demand deposits and not immediately needed for the operation of the school district or state-chartered charter school. Such temporary investments shall be made only in securities that are issued by the state or by the United States government, or by their departments or agencies, and that are either direct obligations of the state or the United States or are backed by the full faith and credit of those governments.
- The Department of Finance and Administration (DFA) may monitor the deposits of public money by school districts or state-chartered charter schools to assure full compliance with investment rules and regulations.

TYPES OF DEPOSITS

Non-Interest Bearing

- Deposits of the funds may be made in non-interest-bearing checking accounts in one or more banks, savings and loan associations or credit unions; as long as the deposits are insured by an agency of the United States and the depositories must be located within the geographical limits of the school district.

Interest Bearing

- Deposits of the funds may be made in interest bearing checking accounts, commonly known as “NOW” accounts, in one or more banks, savings and loan associations or credit unions, as long as the deposits are insured by an agency of the US and the institutions are located within the geographical limits of the school district. It must be noted that the requirement for a *rate of interest* of not less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit ***shall not apply to interest bearing checking accounts. Section 22-8-40.1. NMSA 1978. See Rates of Interest below.***
- Public money placed in interest bearing deposits in banks and savings and loan associations *other than interest bearing checking accounts* shall be equitably distributed among all banks and savings and loan associations having their main or manned branch offices **within the geographical boundaries** of the school district that have qualified as public depositories by reason of insurance of the account by an agency of the US or by depositing collateral security or by giving bond as provided by law in the proportion that each such bank or savings and loan association’s net worth bears to the total net worth of all banks and savings and loan associations having their main office or a manned branch office *within* the geographical boundaries of the school district.
- The net worth of each manned branch office or aggregate of manned branch offices of a savings and loan association located **outside the geographical boundaries** of the school district in which the main office is located is the total net worth of the association multiplied by the percentage that deposits of the branch or aggregate of branches located *outside* the geographical boundaries of the school district in which the main office is located, are to the total deposits of the association.
- Public money may be placed in interest-bearing deposits, other than interest bearing checking accounts such as” NOW” accounts, at the discretion of the Board of Education, in credit unions having their main or manned branch offices within the geographical boundaries of the school district to the extent such deposits are insured by an agency of the United States.

- Public money in excess of that for which banks and savings and loan associations within the geographical boundaries of the school district have qualified may be deposited in qualified depositories including credit unions, in other areas within the state under the same requirements for payment of interest as if the money were deposited within the geographical boundaries of the school district.

Net Worth

“Net Worth” means assets less liabilities as reported by such banks and savings and loan associations on their most recent semiannual reports to the state or federal supervisory authority having jurisdiction.

RATES OF INTEREST

- The rate of interest for all public money deposited in interest bearing accounts in banks, savings and loan associations and credit unions shall be set by the state board of finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the date of deposit.
- Any bank or savings and loan association that fails to pay the minimum rate of interest at the time of deposit provided for herein for any respective deposit ***forfeits its right to an equitable share of that deposit.***
- If the deposit is part or all of the proceeds of a bond issue and the interest rate prescribed materially exceeds the rate of interest of the bonds, the interest rate prescribed by this rule shall be reduced on the deposit to an amount not materially exceeding the interest rate of the bonds if the bond issue would lose its tax exempt status under Section 103 of the United States Internal Revenue Code of 1054, as amended.

COMPLIANCE FOR DEPOSITS AND INVESTMENTS

REPORT REQUIREMENTS

School districts and charter schools shall be required to report annually to the State Auditor a list of *individual deposit accounts and investment accounts* that is held by the entity. A record of investment transactions (Investments On Hand) is a part of the Cash Report/Cash Reconciliation submitted to the Public Education Department on a monthly or quarterly basis, as applicable. See PSAB Supplement 7, Cash Controls. A school district or charter schools' Independent Public Accountant (IPA) will request that these activities be made available as a part of the annual audit documentation. See also Section 12-6-5.A.NMSA 1978.

2.2.2.10.N.(3). NMAC. Public monies. Compliance Issues:

Auditors are required to test the following for compliance:

- The requirements of Sections 6-10-10(A) and (B) NMSA 1978, that county and municipal treasurers deposit money in banks, savings and loan association or credit unions located in their respective counties; and,
- The requirements of Section 6-10-17 NMSA 12978, that the public official or public board has received a joint safe keeping receipt for pledged collateral from the custodial bank for the collateral delivered by the depository institution.

A list of the individual deposit accounts and *investment accounts* is required to be provided to the auditor pursuant to Section 12-6-5(A) NMSA 1978 and the audit report shall include at a minimum:

- Name of depository (i.e. bank, credit union, state treasurer, state investment council),
- Account name,
- Type of deposit or *investment* accounts (also required in separate component unit audit reports), such as checking, savings, money market accounts, certificates of deposit or the state treasurer general fund investment pool (SGFIP), state treasurer local government investment pool (LGIP) U. S. Treasury bills, notes, bonds, and strips; and U. S. agencies such as FNMA, FHLMC, GNMA, Sallie Mae, SBA, FHA, federal financing bank, federal farm credit, financial assistance corporation, including the specific name of each bond, stock, commercial paper, etc.,
- Account balance of deposits and *investments* as of the balance sheet date,
- Reconciled balance of deposits and *investments* as of the balance sheet date as reported in the financial statements.

PLEGGED COLLATERAL

- Audit reports should disclose the collateral requirements in the notes to the financial statements and a supplementary schedule or note to the financial statements should also disclose the collateral pledged by each bank and savings and loan association (S&L) that is a depository for public funds. The type of security, security number, CUSIP number, fair market value and maturity date.
- Name of the security and the place of safekeeping for all collateral shall also be disclosed.

Non-Compliance

Section 6-10-17.1 Non-compliance with collateral requirements; withdrawal of public funds.

If a bank or savings and loan association does not maintain qualifying securities as collateral for deposits of public money under the control of the Board of Education or Governing Council as required by law, the Board shall request the depository to substitute or provide additional qualifying securities to meet requirement within ten calendar days. If the depository does not comply with the request the Board shall withdraw from that depository within the next ten calendar days all deposits of public money without penalty to the depositor.

COLLATERAL REQUIREMENTS – CALCULATION

If the pledged collateral for deposits in banks, savings and loan associations, or credit unions, in an aggregate amount is not equal to one half of the amount of public money in each account (Section 6-10-17. NMSA 1978), a finding shall appear in the audit report. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation or the National Credit Union shares insurance according to Section 6-10-16. NMSA1978. The calculation shall be calculated separately for each bank and disclosed in the notes to financial statements as follows to show compliance and GASB 40 disclosure information. 2.2.2.10.N.(5) (b).NMAC.

Compliance with the 50% pledged collateral requirement of Section 6-10-17 NMSA 1978, the following disclosure must be made for each financial institution:

Total deposit in bank or credit union	\$450,000	
Less: FDIC or NCUSIF coverage	<u>250,000*</u>	
Uninsured public funds	200,000	*2.2.2.10.N.(5) (b). NMAC. - the unlimited FDIC coverage on non-interest bearing accounts expired 12/31/2009. However, the expiration date has been postponed until 2013. Coverage limits refer to the total of all deposits an account holder has in the same ownership categories at each FDIC insured institution. Government accounts have \$250,000 of FDIC insurance per official custodian. See www.fdic.gov/deposit/deposits/Difactsheet.html for additional information and/or updates.
Pledged collateral held by agency's agent In the agency's name	(50,000)	
Pledged collateral held by the pledging bank's Trust department in the agency's name	(75,000)	
Pledged collateral held by the pledging Financial institution	(12,500)	
Pledged collateral held by the pledging bank's trust department or agent but not in the agency's name	<u>(12,500)</u>	
<i>Uninsured and uncollateralized</i>	<u><i>(\$50,000)</i></u>	

DEPOSITS –FEDERALLY INSURED

Section 6-10-24. NMSA 1978. Deposit of public funds in federally insured banks, savings and loan associations and credit unions; conditions.

School districts and charter schools may deposit public funds in any bank of the state of New Mexico insured by the Federal Deposit Insurance Corporation (FDIC) up to the amount of the insurance or in any savings and loan association whose deposits are insured by the Federal Savings and Loan Insurance Corporation (FSLIC) up to the amount of the insurance, or in any credit union whose deposits are insured by the National Credit Union Administration (NCUA) up to the amount of the insurance, without requiring the bank, savings and loan association or credit union to qualify as a public depository by giving security as required by the laws of NM relating to public money; provided ,however, that a deposit made in any credit union shall not exceed that amount insured by an agency of the United States.

Depository Institution means “ any bank, savings and loan association or credit union authorized by federal or state law to do business in New Mexico and insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration”.(NCUA).

Section 6-10-16. NMSA 1978. Security for deposits of public money.

Deposits of public money shall be secured by the following:

- ❖ Securities of the United States, its agencies or instrumentalities;
- ❖ Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions;
- ❖ Securities, including student loans, that are guaranteed by the US or the State of New Mexico;
- ❖ Revenue bonds that are underwritten by a member of the National Association of Securities Dealers, known a N.A.S.D. and are rated BAA or above by a nationally recognized bond rating service; or
- ❖ Letters of credit issued by a federal home loan bank.

Securities which are obligations of the state of NM, its agencies, institutions, counties, municipalities or other subdivision shall be accepted as security at par value. All other securities shall be accepted as security at market value.

Additional security (pursuant to Section 6-10-20 NMSA 1978) may be requested of any bank or savings and loan association that has qualified as a depository of public money of the kind specified in Section 6-10-16. NMSA 1978.

INVESTMENTS - JOURNAL ENTRIES

Since an investment purchase does not constitute expenditure to the school district, and the maturity of the investment is not considered new revenue, the following steps are necessary in the accounting process:

- Determine the investment amount as authorized by statutes and issue a check to each bank or holding agency for the investment amount.
- Utilize the financial management system's general ledger account titled "INVESTMENTS" and use for the recording of investment transactions.
- Post a debit entry to this account for the investment amount and a credit entry to the cash control ledger.

JE-1		To Record Bond Building Investments	
		Debit	Credit
31000.0000.12011	Bond Building-Investments	250,000	
31000.0000.11011	Bond Building-Cash		250,000
Totals		250,000	250,000

Upon maturity or termination of the investment, the school district shall deliver the Investment document to the bank or holding agency. In return, the school district will receive the invested sum plus the interest earned for the length of time of the investment.

JE - 2		To Record Bond Building Investments Converted at Maturity	
		Debit	Credit
31100.0000.12011	Bond Building-Investments		250,000
31000.0000.11011	Bond Building- Cash	255,415	
31100.4000.41500	Bond Building - Interest Income		5,415
Totals		255,415	255,415

Only the amount of the earned interest shall be receipted in object code 41500 (Interest) into the designated fund(s).

FUNDS AVAILABLE FOR INVESTMENT

Operational Fund (11000) Investments

Consider the following to determine strategies to maximize cash available for investment purposes:

- State Equalization Guarantee is received monthly,
- Initial Transportation distribution is received in July,

- Beginning of the year payments such as insurances and contractual obligations for the fiscal year,
- Summer maintenance projects and supplies,
- Summer wages and benefits –gross plus expense,
- Cash balance from the previous year,
- Impact Aid received in June and/ or July (As credit items the state will not take credit for this cash until May - the end of the fiscal year,
- The need for loans to federal project accounts; perform an analysis of the average need by reviewing historical data – request reimbursements for federal project expenditures as often as possible to reduce the average need thus making more cash available for investment purposes,
- To assist in managing district cash flow, coordinate spending activities with program managers,
- Follow up with all program spending and the requests for reimbursements, thus maximizing the dollars available for investment.

Capital Projects (30000) Investments

- Review current projects in the district or charter school and consult with architects and contractors on a regular basis. Request a payment schedule to determine the availability of cash for investment purposes.
- Review summer projects with maintenance staff and determine when and how much will be needed to pay for the services and supplies.
- Review the district or charter school’s Facilities Master Plan for activities to determine the timing for major projects and the need for funds.
- Consider making short term investments between each “phase” of construction or remodeling activities.
- For Capital Improvements or SB-9 monies (31700), make timely requests for state match dollars and monitor monthly receipts and disbursements carefully. Any excess should be invested at least on a short term basis.

Debt Service (41000) Investments

- Program needs for funds to address principal and interest payments are generally precise and enable investments to occur between payment due dates. Investments should be scheduled to mature just before the need for funds.

Bond Proceeds (31100) Investments

- The bond resolution that describes the use of the bond proceeds is helpful initially to determine when and how much of the proceeds will be available for investment purposes. Administration should develop a comprehensive plan to determine the disbursement activity of each phase or project approved by the voters, and work closely with architects, contractors and vendors to establish due dates for disbursements.
- Section 22-8-40 F. NMSA 1978. Bond proceeds may qualify for this limitation on interest rates. It states that if the deposit is part or all of the proceeds of a bond issue and the interest rate prescribed is materially in

excess of the rate of interest of the bonds, the interest rate prescribed shall be reduced on the deposit to an amount not materially exceeding the interest rate of the *bonds if the bond issue would lose its tax exempt status under Section 103 of the US Internal Revenue Code of 1954*

TYPES OF INVESTMENTS

Each school district may, by action of the Board of Education or Governing Council, authorize any monies which are not required for immediate expenditure to be invested. All school districts are empowered by statute to invest in the following types of securities:

- Certificates of Deposit, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Investment deposits with qualified public depositories.

OVERNIGHT INVESTMENTS (SWEEP ACCOUNTS)

Section 22-8-40 (H).NMSA 1978. Deposit of public school funds; distribution; interest.

School districts or charter school *may temporarily invest money held in demand deposits* and not immediately needed for the operation of the school district or state-chartered charter school. Such temporary investments shall be made only in securities that are issued by the state or by the United States government, or by their departments or agencies, and that are either direct obligations of the state or the United States or are backed by the full faith and credit of those governments.

RE-PURCHASE AGREEMENTS

Section 6-10-10(H) NMSA 1978. Deposit and investment of funds.

School districts and state-chartered charter schools may, with the approval of the Board of Education or Governing Council invest all sinking funds or money remaining unexpended from the proceeds of any issue of bonds or other negotiable securities of the investor that is entrusted to the local public body's care and custody and all money not immediately necessary for the public uses of the school district or charter school and not otherwise invested or deposited in banks, savings and loan associations or credit unions in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the school district or charter school. Also reference 2.2.2.10(N)(5)(c) NMAC. Public monies.

FEDERAL FUNDS INVESTMENTS

Federal programs on a cash advance basis may be deposited in an interest-bearing checking account. The school district may transfer to the Operational fund one-hundred dollars (\$100) per year for each federal program for administrative expenses. For direct federal grants, consult with the grantor agency for procedures

STATE GENERAL FUND INVESTMENT POOL (SGFIP)

Section 6-10-10.1. NMSA 1978 Participating government investment fund created; distribution of earnings; report of investments.

- Fund consists of all deposits from participating governments, including revenues dedicated to repaying bonds that are placed in the custody of the state treasurer for investment purposes,
- State treasurer maintains one or more separate account for each participating government having deposits in the participating government investment fund
- Investments are for short term and medium term investment purposes,
- *With Board of Education or Governing Council's approval* a district or state-chartered charter school may invest with the state investment pool,
- District or charter schools shall specify the length of time a deposit shall be in the participating government investment fund,
- The state treasurer may consolidate the fund for investment purposes with state funds under the control of the state treasurer, however detailed records are maintained for the account of the separate accounts of a participating government,
- The fund is invested to achieve its objective which is to realize the maximum return consistent with safe and prudent management.
- The state treasurer shall charge participating governments reasonable audit, administrative and investment expenses and shall deduct those expenses directly from the net investment income for the investment,
- Investments of the participating government investment fund shall be made so that the portion of the fund invested in short term investments maintains a "AA" or higher rating,
- School districts and charter schools that participate in the short term investment pool must disclose information required by GASB Statement No. 31, Paragraph 15 in the notes to the financial statements. Reference to 2.2.2.10.(N) (7).NMAC. for a list of disclosure information.

Advantages for Utilizing the State Investment Pool

- *Interest Yield* - School districts and charter schools are assured that the rate will equal the actual rate earned on an overnight repurchase agreement - secured at 102% and insured by United States securities,
- *Size of the Pool* - invites a competitive market and should maximize interest earnings,

- *Public Fund Rate - Local banking depositories may not offer the public fund rate,*
- *Accessibility - Invested funds are available within forty eight hours without penalty,*
- *Investments are made electronically and available the day of maturity*

LOCAL INVESTMENT POLICIES AND CONTROLS

The governing body of the district or charter school shall adopt local policies that, as appropriate, reflect written investment policies and procedures regarding the investment of its funds and funds under its control.

The local school board or governing council should review its investment policy and investment strategies not less than annually. The board of education or the governing council should adopt a resolution stating that it has reviewed the investment policy including investment strategies and that the written policies adopted shall record any changes made to either the investment policy or investment strategies and procedures.

The policies and procedures, as appropriate, should designate one or more employees of the district or charter school agency, as the designated individual(s) (generally Superintendent or Business Manager or both) as an investment officer(s) to be responsible for the investment of its funds consistent with the investment policies and procedures adopted by the board or governing council. In the administration of the duties of an investment officer, the person(s) designated as investment officer(s) shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs. Ultimately, the Board of Education or the Governing Council retains ultimate responsibility as fiduciaries of the assets of the district or charter school. *Unless authorized by the adopted investment policies and procedures, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the district or charter school. See "Investment Authority" below.*

The district or charter school in conjunction with its annual financial audit shall perform an internal compliance audit of management controls on all deposits and investments and examine adherence to the adopted investment policies and procedures. See *"Evaluation of the Investment Program" below.*

The investment policy should include but are not limited to the following:

- ***Investment Authority*** – The Board of Education or Governing Council shall designate the superintendent or his/her designee to serve as the investment officer and that person shall invest district/charter school funds in accordance with the adopted written policies and generally accepted accounting procedures;

- ***Investment Funds’ Strategies*** - Investment strategies should be a part of the district or charter schools’ administrative policies and procedures. Policies should be written and communicated as appropriate and emphasize safety and professional management of the funds authorized for investment;
 - *Operational Funds* – Investment strategies for operating funds (including any bank accounts containing operating funds) shall have as their primary objective safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. (Disbursements, loans to other funds, etc.)
 - *Debt Service funds* – Investment strategies for debt service funds shall have as their objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provision in the bond documents.
 - *Capital Projects* – Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. Maturities may be longer than one year provided legal limits are not exceeded.
 - *Agency funds* – Investment strategies for agency funds shall have as their objective safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements;

- ***Cash Flow Management*** – The district’s investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements;

- ***Communication and Monitoring*** – The investment officer shall keep the Board of Education or Governing Council informed of significant increases or declines in the district’s/charter school’s investment portfolio. Information sources may include financial investment publications, electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisors, and representatives of the statewide investment pool. Monitoring shall be done at least quarterly as required and more often as economic conditions warrant by using appropriate reports. (Cash Reports or others developed by the local education agency that disclose investment activities as appropriate) Reference PSAB 7, Cash Controls;

- ***Safekeeping and Custody*** – the district t or charter school shall retain clearly marked safe keeping receipts providing proof of the district’s/charter school’s ownership of the investment;

- ***Internal Controls*** – A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. The controls shall be designed to protect

against losses of public funds arising from waste, fraud, abuse, employee error, or misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the district or charter school. Controls deemed most important shall include:

- Separation of transaction authority from accounting and record keeping and electronic transfer of funds;
 - Avoidance of collusion;
 - Custodial safekeeping;
 - Clear designation of authority;
 - Written confirmation of telephone transaction(s);
 - Documentation of correspondence, quotations and/or bids; evaluations, rate quotes transactions and the rationale for investment activities.
- **Investment Diversification** – Yield, maturity and the quality and capability of the district's/charter school's investment program should be focus areas and include:
- A list of the types of authorized investments in which the district/charter school funds may be invested,
 - The maximum allowable stated maturity of any individual investment owned by the district or charter school;
 - For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
 - Methods to monitor the market price of investments acquired with public funds; and,
 - A requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis.

The investment policies and procedures may provide that bids for certificates of deposit be solicited orally, in writing, electronically or a combination of these methods.

- **A Separate Written Investment Strategy for Each Fund** - As an integral part of investment policies and procedures, the governing body may adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- An understanding of the suitability of the investment to the financial requirements of the district or charter school;
- The preservation and safety of principal;
- Liquidity;
- The marketability of the investment if the need arises to liquidate the investment before maturity;
- Any diversification of the investment portfolio; and
- Yield.

EVALUATION OF THE INVESTMENT PROGRAM

In determining whether an investment officer(s) has exercised prudence with respect to an investment decisions, the determination should be made taking into consideration:

- ❖ The investment of all funds, or funds under the Board of Education or Governing Council's control, over which the investment officer had responsibility rather than a consideration as to the prudence of a single investment; and
- ❖ If the investment decision was consistent with adopted investment policies and procedures;
- ❖ It is recommended that these controls/procedures be reviewed by the district or charter school's Independent Public Accountant annually.

Next Page

MODEL RESOLUTION BY THE BOE OR GOVERNING COUNCIL

The following model resolution language may be utilized by a school district or governing council that addresses the requirement that school districts and charter schools create, implement and review investment policies as applicable. Actual investment policies should be attached to this resolution that constitute detail in the practices and procedural requirements as listed in this section of the Manual of Procedures.

ABC Public Schools Investment Policy – Section F.

Resolution Stating Review of Investment Policy and Investment Strategies and Designation of Investment Officer for ABC Public Schools

Whereas, the New Mexico Manual of Procedures for Accounting and Budgeting requires the governing body of public schools review its investment policy and investment strategies not less than annually;

Whereas, the ABC Public Schools' Board of Education (*or Governing Council*) has adopted Investment Policies and Procedures for the school district, as attached, hereto;

Whereas, the Board of Education (*Governing Council*) wishes to designate one or more employees of the District (*or charter school*) as investment officer to be responsible for the investment of its funds consistent with the Investment policies as attached;

Section 1. The Investment Policy, in the form attached, and investment strategies contained in such policy has been reviewed and is hereby adopted with no changes;

Section 2. The Superintendent, Assistant Superintendent and Business Manager of the district (*or Charter School*) are hereby named as Investment Officers of the District (*or Charter School*) to be responsible for the investment of its funds consistent with the policies set forth by this Board (*or Council*).

Section 3. The provisions of this resolution shall be effective as of the date of adoption and shall remain in effect until modified by action of the Board of Education (*or Governing Council*).

Adopted this ____ day of _____, 20XX.

President, ABC Board of Education

Attest:

KEY WORDS INDEX

	B		Liquidity, 14
Bond Proceeds, 8			
	C		M
Certificates, 9			Maturity, 2, 3, 4, 7, 11, 13, 14
Certificates of Deposit, 4, 13			
Collateral, 2, 4, 5			N
	D		National Association Of Securities, 6
Demand Deposits, 1, 9			National Credit Union, 5, 6
Depositories, 1, 2, 3, 9, 11			National Credit Union Administration, 6
Depository, 4, 5, 6			Net Worth, 2
	F		NOW Accounts, 2
Federal Deposit Insurance Corporation, 5, 6			
Federal Programs, 10			P
Federal Savings and Loan Insurance Corporation, 6			Policies, 12
	G		Public Fund Rate, 11
Geographical Boundaries, 2, 3			
	I		R
Interest, 1, 2, 3, 7, 8, 9, 10			Record of Investment, 3
Interest Yield, 10			Revenue Bonds, 6
Investment Officer, 11			
Investments, 1, 3, 4, 8, 9, 10, 11, 13			S
	L		Safe Keeping Receipt, 4
Letters of Credit, 6			Securities, 1, 5, 6, 9, 10
			Security, 2, 4, 5, 6
			Short Term Investment Pool, 10
			Sinking Funds, 9
			State Treasurer General Fund Investment Pool, 4
			Strategies, 7, 11

TABLE OF AUTHORITIES

2.2.2.10(N)(5)(c) NMAC. Public monies	9
2.2.2.10.(N) (7).NMAC.....	10
2.2.2.10.N.(3). NMAC. Public monies.	4
2.2.2.10.N.(5) (b).NMAC	5
GASB Statement No. 31, Paragraph 15.....	10
Section 6-10-24. NMSA 1978. Deposit of public funds in federally insured banks, savings and loan associations and credit unions; conditions.....	6
Section 103 of the United States Internal Revenue Code of 1054, as amended.	3
Section 12-6-5(A) NMSA 1978	4
Section 12-6-5.A.NMSA 1978.....	3
Section 22-8-40 (H).NMSA 1978.Deposit of public school funds; distribution; interest.....	9
Section 22-8-40.1. NMSA 1978.	2
Section 22-8-40.A.- I. NMSA 1978. Deposit of public school funds; distribution; interest.	1
Section 6-10-10(H) NMSA 1978. Deposit and investment of funds	9
Section 6-10-10.1. NMSA 1978 Participating government investment fund created; distribution of earnings; report of investments	10
Section 6-10-16. NMSA 1978	5, 6
Section 6-10-16. NMSA 1978. Security for deposits of public money.....	6
Section 6-10-17 NMSA 1978	4
Section 6-10-17 NMSA 1978,	5
Section 6-10-17.1 Non-compliance with collateral	5
Section 6-10-17. NMSA 1978	5
Sections 6-10-10(A) and (B) NMSA 1978	4