

HOPKINS COUNTY BOARD OF EDUCATION
320 South Seminary Street
Madisonville, Kentucky 42431

OFFICIAL QUOTE FORM
FOR
PRIMARY DEPOSITORY FOR HOPKINS COUNTY BOARD OF EDUCATION

***THE HOPKINS COUNTY BOARD OF EDUCATION RESERVES THE RIGHT TO NEGOTIATE
ANY OR ALL OF THE TERMS OF SUBMITTED QUOTES FROM BANKS.***

Interest Rate

In accordance with the terms of the General Conditions and Specifications, all accounts of the Hopkins County Board of Education shall be serviced without charge. The bank agrees that no minimum balance shall be required at any time and the bank shall factor any and all expenses of servicing the Board's accounts into the interest rate shown below. Interest shall be paid on all deposits maintained by the Hopkins County Board of Education, starting on the date of deposit. Interest shall be calculated compared to the Federal Funds daily rate. The rate + or – the basis points stated below will be paid on the daily balance. Interest shall compound daily.

Plus (+) _____ basis points

Minus (--) _____ basis points

(Note: Complete only one line above)

Independence Bank proposes an interest rate for the duration of this agreement as follows: Indexed to the Federal Funds Target Range – Upper Limit as quoted from time to time by the Federal Open Market Committee and shall be adjusted based on the factor of 90% of such index. Independence Bank uses the daily balance method to calculate the interest on the account. This method applies a daily periodic rate to the principal in the account each day. Interest will be compounded and credited to the account every month.

Example of Independence Bank Rate Calculation

The current Federal Funds Target Range – Upper Limit rate is 5.25%. 90% of this index equals an effective rate of 4.725%.

$$5.25\% \times 90\% = 4.725\% \text{ Effective Adjusted Rate}$$

The Interest Rate shall be adjusted on the Bank's next business day following the rate adjustment announced by the Federal Open Market Committee.

Banking institution guarantees that the rate will not fall below: .50%

The Board of Education will select the best evaluated bid. Also, if the high quote is not more than two (2) basis points above the current primary depository rate (for the period of July 1, 2023 – June 30, 2024), the Board reserves the right to award this bid to the current primary depository.

Note:

Please submit Official Quote Form in an envelope marked "Do Not Open – Bank Quote Enclosed -- Reference #DEPOS-2024"

HOPKINS COUNTY SCHOOLS
320 S. Seminary Street
Madisonville, Kentucky 42431

- - - Invitation to Quote - - -

Reference number: **DEPOS-2024**

Title: **Primary Depository**

Date quote information released: **May 2, 2023**

Closing time of quotes: **May 16, 2023** **10:00 a.m.**

General Conditions and Specifications

1. **CONTACTS**—Information pertaining to any item or condition in this invitation may be obtained by communicating with Amy Smith, Superintendent, or Eydie Tate, Chief Financial Officer/Treasurer, at the address shown above or by telephone at (270) 825-6000.
2. **DURATION OF AGREEMENT**—The intent of this invitation is to receive quotes from any local financial institution (“bank”) to serve as a depository for the Hopkins County Board of Education (“Board”). The duration of the agreement shall be from **July 1, 2023 to June 30, 2024. The agreement shall renew automatically for one year periods thereafter unless one party to this agreement elects to terminate it and gives written notice sixty (60) days prior to the scheduled expiration date. The Board may negotiate a higher rate during the extension periods.** The Board will officially appoint one (1) primary depository. Secondary depositories may be used for the purpose of soliciting quotes on investment instruments, bonds, and loans.
3. **ACCEPTABLE BANKS**—The Board hereby limits the banks that are acceptable for submitting a quote for “primary depository” to commercial banks or savings and loan associations that have an office in Hopkins County, Kentucky. The bank must be able to secure all deposit account balances exceeding coverage of FDIC insurance with approved collateral as required by the Commonwealth of Kentucky.
4. **QUOTE FORM**—Any bank that submits a quote shall submit the attached “Official Quote Form”. No quote will be considered unless the Official Quote Form has been completed, signed, and submitted.
5. **QUOTE SUBMITTAL**—The original, completed copy of this quote is to be received no later than the closing time indicated above. The quote may be hand delivered on the date of the opening, provided it is presented no later than the closing time indicated above.
6. **QUOTE OPENING**—A representative of the bank may be present at the opening of quotes on the date, time, and location stated above, although this is not required. The Board reserves the right to negotiate any or all of the terms of submitted quotes from banks.
7. **SIGNATURE**—An officer or member of the quoting bank, authorized to legally bind the bank, must sign the Official Quote Form.
8. **QUOTE ISSUES**—The Board reserves the right to waive defects and informalities in quotes, to reject any or all quotes, or to accept any quote as may be deemed to be in its best interest.
9. **SCHOOL ACCOUNTS INCLUDED**— The principal/site-base decision making council of each school will have the option to select the school’s depository. **Any school opting to utilize the primary depository as its bank shall be afforded the same terms described herein and in the Official Quote Form including, but not limited to, the interest rate paid on deposits and no service charges as described herein.**

- 10. CONSTRUCTION/BOND ACCOUNTS**—This depository agreement shall also include, if requested by the Board, any new construction accounts established as a result of selling school revenue bonds. The primary depository shall pledge securities of the United States Government having a fair market value at least equal to the balance of these accounts or secure all balances exceeding coverage of FDIC insurance with approved collateral as required by the Commonwealth of Kentucky. The securities pledged for construction accounts are in addition to the collateral requirements shown on the Official Quote Form.

Independence Bank agrees to provide normal depository services for any bond proceeds placed on deposit with us during the term of this proposed agreement, including acceptance and disbursement of funds through wires, ACH, and checks. Independence Bank's Trust and Brokerage Department has the capacity to provide any additional services related to the issuance of bonds, including but not limited to: Trustee, Registrar, Paying Agent, and provided any investment services beyond the interest rate paid on the deposit accounts. Terms and conditions for this service will be determined at the time of the request.

For pledging purposes, there will not be 2 sets of collateral, one for regular funds and one for construction funds. However, the construction funds can be placed into a separate account.

- 11. INVESTMENTS**—The Board reserves the right to negotiate the terms of investments, and is not limited to investing with the primary depository.
- 12. INVESTMENT OPTIONS**—The Board reserves the right to use any or all investment vehicles offered by the bank that the Board, in its discretion, deems to be the most advantageous to the Board. The primary depository agrees to negotiate with the Board to permit the Board to take advantage of any new type of service or new investment procedure that may become available and permissible for use by a board of education during the term of this agreement.
- 13. BORROWING**—The primary depository shall extend credit as needed on legally drawn notes of the Board. The Board reserves the right to negotiate the terms for such borrowings, and is not limited to borrowing funds from the primary depository.

Independence Bank will provide the Hopkins County Board of Education a short-term revolving credit facility not to exceed a one-year term. The interest rate on the credit facility shall be .50% below the Prime Rate (as published in the Wall Street Journal) with a floor of 4.00%. Other terms and conditions will be determined at the time of the request.

- 14. STATEMENTS**—Monthly statements of all accounts, along with cancelled check images (sorted numerically), are to be furnished electronically to the Board by the primary depository within three (3) banking days following the close of each month. Monthly statements must show the number of deposits/withdrawals and the monthly/year-to-date interest earned. Accuracy of the information contained on the bank statement is very important. Beginning dates for the statements shall be the 1st calendar day of the month and the ending dates shall be the last calendar day of the month. Each month, the primary depository shall provide the Board with a listing of checks cleared.
- 15. ELECTRONIC BANKING**—The primary depository shall offer the Board full electronic banking privileges that shall, at a minimum, permit the Board to see daily transactions and make online transfers. If the Board maintains security over its password to the online banking system, the primary depository agrees to hold harmless the Board from losses due to a security breach of the bank's online banking system. The primary depository shall also provide an electronic data file for check clearing that is compatible with MUNIS (Enterprise ERP).
- 16. SECURITY**—The primary depository shall offer the Board security tokens to be used in conjunction with the user ID and password during the electronic banking login process if necessary for internet banking.

Independence Bank has layered security measures to validate the identity of our online banking users. Each user selects a unique login ID and password. The user will be required to answer three security questions during the initial login. The system will randomly select one of three challenge questions for the user to answer if the user attempts to log in from a different device.

Through our continuous efforts to provide our customers with a secure banking environment, Independence Bank has implemented alert notifications and Out of Band Authentication (OOBA). The alerts range from a password change to a wire recipient added. OOBA issues a One-Time-PIN (OTP) that will confirm your identity before a debit transaction can be submitted. OOBA lets you stay informed of initiated transactions and changes made to your business profile.

17. **COURIER SERVICE**—The primary depository shall make available a courier service for deposit pick up at the Central Board Office at no cost with deposit pickups scheduled daily or as needed.

In lieu of offering a courier service, Independence Bank will provide \$2,000 annually to assist with covering cost associated with Hopkins County School Board bringing deposits to Independence Bank.

18. **CREDIT CARDS**—The primary depository shall provide credit cards to chosen individuals at no cost.
19. **CHECKS/SUPPLIES**—The primary depository is responsible for providing, at no charge to the Board or schools (see #9 above), all reasonable items needed to transact banking business. These items include, but are not limited to, checks, direct deposit advices, deposit tickets, boxes for rolled coins, safe deposit box (for the Board only), locking bank bags, canvas bags for collection of money from events, etc. Checks/Direct Deposit Advices: The Board shall have exclusive control over the vendor selected to provide checks and direct deposit advices, provided the requirements of the Federal Reserve System are met. The Board may utilize any and all security features available for its check stock. The primary depository agrees to reimburse the Board for the cost of having its checks and direct deposit advices printed. With the approval of the Board, the primary depository may furnish these checks and direct deposit advices, rather than reimburse the Board for cost incurred. The Boards' method of issuing checks to employees and to vendors is subject to change.
20. **ACCOUNTING SOFTWARE CHANGES**—The primary depository shall reimburse the Board or schools for any fees associated with accounting software updates related to changing banks.
21. **TRANSMITTALS**—The primary depository shall be capable of accepting an electronic data transmission of direct deposit credits and shall be able to transmit to the Federal Reserve, credit unions, other banking institutions, etc. The primary depository shall provide the Board with software needed to accomplish the electronic data transmission. This software shall be compatible with the Board's software and shall permit verification of accuracy of account information. The primary depository shall also provide an electronic data file for check clearing that is compatible with MUNIS (Enterprise ERP).
22. **DIRECT DEPOSIT**—Direct deposit is offered by the Hopkins County Board of Education. The primary depository shall provide this service free of charge to the school district.
23. **AUDIT ASSISTANCE**—The primary depository shall provide assistance and cooperation with the Board's audit firm. Including but not limited to completing audit confirmations and requests at no charge.
24. **SERVICE CHARGES**—This depository agreement shall not include any charges for servicing any and all accounts of the Board or charges for any other banking service such as stop payments, cashier's checks, overdraft charges, interim bank statements, checks returned for insufficient funds, electronic transfers, wire transfers, courier service, electronic data file for check clearing (ASCII file of debits), etc.
25. **CONTACT PERSON**—The primary depository shall appoint one employee of the bank to be responsible to the Board's Treasurer for compliance with the terms of the adopted quote and to make sure all transactions of the Board are handled promptly and efficiently.
26. **TRANSITION**—In the event the bank is not designated by the Board as its primary depository in the future, the bank shall continue to pay interest at the rate established by this quote document on any funds remaining in any accounts at that financial institution until all outstanding checks have cleared the bank. In addition, the primary depository agrees to assist the Board in its transition to a new depository, should the need arise.
27. **TAXES NOT APPLICABLE**—Federal excise taxes or Kentucky sales and use taxes are not applicable to any purchase made for use of the Board. Quotes should not include any such taxes. Purchase exemption certificates will be furnished as required.
28. **NON-DISCRIMINATION**—The Hopkins County Public School System does not discriminate on the basis of race, color, national origin, age, religion, creed, marital status, sex, or handicap in employment, educational programs, or activities as set forth in Title IX, Title VI, and Section 504.
29. **CONFLICTS OF INTEREST**—KRS 45A.455 prohibits conflicts of interest, gratuities or kickbacks to employees of the Board of Education in connection with contracts for supplies or services whether such gratuities or kickbacks are direct or indirect. KRS 45A.990 provides severe penalties for violations of the laws relating to gratuities or kickbacks to employees that are designed to secure a public contract for supplies or services.

Locations

The following is a listing of the financial institution’s Hopkins County branch offices and ATM locations:

<u>Branch Office Location</u>	<u>ATM Location</u>
<u>1776 North Main Street</u>	<u>1776 North Main Street</u>
<u>Madisonville, KY 42431</u>	<u>Madisonville, KY 42431</u>
<u> </u>	<u> </u>
<u>629 East Center Street</u>	<u>629 East Center Street</u>
<u>Madisonville, KY 42431</u>	<u>Madisonville, KY 42431</u>

Collateral

A. Execution of Bond of Depository and Collateral

A Bond of Depository for Public School Funds will be executed by the primary depository and collateral deposited in escrow to secure said bond as hereafter set out. This Bond includes a pledge of collateral in the amount of the required penal sum of 103% of current daily balances. The Bond of Depository covers Hopkins County Board of Education funds in an amount that will later be determined. It will be effective July 1, 2023 for the full term of this agreement, subject to approval of the Kentucky Department of Education ("KDE"). The amount of the Bond may fluctuate from year to year. In the event the Board of Education's funds on deposit, including certificates of deposit, exceed the Bond of Depository amount, the primary depository shall pledge additional collateral for any such excess funds on deposit with a fair market value equal to the excess amount.

All collateral pledged will have a minimum market value of 103% for balances exceeding FDIC insurance.

B. Types of Collateral

All collateral pledged by the primary depository selected shall have a fair market value equal to at least 103% of all deposits (including all investment instruments) of the Board of Education and shall consist of U.S. Government Bonds, Kentucky School Revenue Bonds, and/or Federal Government Agency Obligations. Repurchase Agreements for either class of collateral are unacceptable security. The collateral represents the total amount required to cover all funds, including investments and construction funds. At no time shall the collateral be reduced or substituted without prior approval of the Board of Education. Such approval shall not be granted without the execution of a new bond, which shall have prior approval by KDE.

All collateral pledged will have a minimum market value of 103% for balances exceeding FDIC insurance. Please note in the attachment labeled Pledge of Collateral Agreement for Public Funds, paragraph 3, Item (2) we are granted the right to substitute collateral of certain types without prior approval of the Board or KDE.

C. Safekeeping Receipts

The primary depository shall execute a safekeeping receipt for collateral, which shall include an endorsement as follows (the form of the endorsement on the safekeeping receipt may be amended so as to modify the endorsement in any manner required by the rules and regulations of the Federal Reserve, provided that the collateral pledged for safekeeping in connection with the bond of depository is deposited in a federal reserve bank.):

"The securities described herein have been pledged as collateral to funds on deposit in

_____ (city), _____ (county), Kentucky to the credit of _____ the Hopkins County Board of Education of Madisonville, Kentucky under terms of a depository agreement. These securities may not be withdrawn or substituted except with the written consent of the Hopkins County Board of Education. The original of this receipt has been delivered to the Hopkins County Board of Education of Madisonville, Kentucky."

Independence Bank uses The Independent Bankers Bank of Farmers Branch, Texas as our Custodian Bank for making pledges. We've attached a copy of their tri-party "Safekeeping Agreement" and Pledge Notification for you to review. Would this be an acceptable substitute for the requirements listed? As a matter of practice, when pledges are made or changed, the safekeeping receipts are emailed to us. We will forward the receipt via email to our customer within 3 days of making the pledge. We don't have the ability to modify them.

Length of Agreement

The quotations and undertakings offered herein will be valid from July 1, 2023 to June 30, 2024 and, at the option of the Board of Education, and with the primary depository's consent, may be extended for additional one (1) year periods as stipulated in General Conditions and Specifications.

Additional Banking Services *(use this section and additional pages, if needed, to describe other banking services):*

Remote Deposit Capture

Independence Bank's Remote Deposit Capture service is a modern and amazingly fast alternative to make check deposits. It streamlines the check deposit preparation process, providing efficiencies for the accounting staff. The bank will provide one multi-feed check scanner at no cost for the utilization of remote capture.

Remote Deposit Capture allows your staff to scan checks and deposit them directly into any account. The system provides one year of digital check images and the ability to search for checks based upon the check amount, date, and account number.

The capture process is simple. Start by calculating the total of checks to be deposited to an account. The system requires a deposit control total before the scanning process begins. As checks scan, the system captures the digital image of the check including the legal and courtesy amounts, the routing number, account number and check number. If the program's logic is unable to read a number with "certainty" the staff member will be prompted to verify or key the information. The service allows the addition, deletion and rescanning of checks. Once all checks scan correctly, the balanced deposit transmits to the bank.

The system creates a virtual deposit ticket and virtually endorses all checks during scanning. Daily deposit reports can be printed, including the check images. Daily reports can be downloaded in .pdf format to retain as a permanent archive of deposits. Physical checks should be stored securely for at least 60 days and then shredded along with any other confidential documents within 60 days.

There is not a limit on the number of checks that can be contained in a single deposit. Independence Bank's Remote Deposit Capture service allows for multiple deposits in a single day. All deposits through this service clear as image replacement documents. We do not convert check deposits to ACHs.

The cut-off time for provisional credit of scanned deposits is 6:00 p.m. CT.

To assist with the collection of bad checks, Independence Bank will process checks a second time before returning the item to the account.

Independence Bank will give only provisional credit until collection is final for any items, other than cash, we accept for deposit (including items drawn "on us"). Before settlement of any item becomes final, we act only as your agent, regardless of the form of indorsement or lack of indorsement on the item and even though we provide you provisional credit for the item. We may reverse any provisional credit for items that are lost, stolen, or returned.

Unless prohibited by law, we also reserve the right to charge back to your account the amount of any item deposited to your account or cashed for you which was initially paid by the payor bank and which is later returned to us due to an allegedly forged, unauthorized or missing indorsement, claim of alteration, encoding error, counterfeit cashier's check or other problem which in our judgement justifies reversal of credit. You authorize us to attempt to collect previously returned items without giving you notice, and in attempting to collect we may permit the payor bank to hold an item beyond the midnight deadline.

Actual credit for deposits of, or payable in, foreign currency will be at the exchange rate in effect on final collection in U.S. dollars. We are not responsible for transactions by mail or outside depository until we actually record them. We will treat and record all transactions received after our "daily cutoff time" on a business day we are open, or received on a day we are not open for business, as if initiated on the next business day that we are open. At our option, we may take an item for collection rather than for deposit. If we accept a third-party check or draft for deposit, we may require any third-party indorsers to verify or guarantee their indorsements, or indorse in our presence.

If Independence Bank corrects a deposit, Hopkins County Board of Education will be informed of this change of the deposit amount in digital banking as well as on the monthly statement.

Fraud Protection Services

Our proposal also includes two fraud protection services at no cost – Check Positive Pay and ACH Blocks/Filters.

Positive Pay

Positive Pay is one of the most effective tools available today to help reduce check fraud. As you generate a check run, you create a simple file format containing a data list of the issued checks for upload online into our Positive Pay system. Single checks issued outside of a routine check run can be key-entered into the Positive Pay system.

As checks present for payment, our Positive Pay service matches the account number, check number, and dollar amount of each check against your list of issued checks authorized.

The Positive Pay system automatically alerts you if check “exceptions” require online review for a pay or return decision. Positive Pay exception management allows your staff to view the exception item online, including an image of the presented check. Your team submits a pay or return decision in our secure web environment by 11:00 a.m. CT. We take care of returning any fraudulent items. As you enter or upload your issued check files, the Positive Pay system integrates your valid check information to our teller system, protecting your account from in-person check cashing fraud.

Payee line verification is available for clients with conforming check formats.

ACH Blocks/Filters

Electronic fraud is more prevalent than ever. Each account can be set up individually to protect against fraudulent incoming unauthorized ACH transactions.

We will review the purpose and transactions allowed on each account to determine what protection is best. For example, an account that should never have incoming ACH activity can be set up to block all such activity and will automatically return those entries to the sender.

However, there may be accounts that allow particular ACH activity for specific vendors/companies. Using the unique Originating Company ID, we can filter incoming ACH activity to allow only those authorized companies’ transactions to post to your account. Transactions from unauthorized companies will automatically return. As authorization to a company to allow electronic presentment of transactions to an account is given, it will be critical to obtain the Originating Company ID and provide that information to your Treasury Management Officer before the first entry. We recommend that the company originating the transaction send a Prenote (zero amount) ACH transaction to your account before the first dollar transactions to be sure of the proper Originating Company ID.

ACH Blocks/Filters may sound confusing, but your Treasury Management Officer will work with you to properly set up your ACH Blocks/Filters instructions.

Employee Advantage Account

If Independence Bank is awarded your business, all employees of Hopkins County Board of Education who bank with Independence Bank and have payroll direct deposit, will be eligible for our Employee Advantage Checking account. The Employee Advantage Checking account is a premium account that has no minimum balance and no monthly service charge. Features include:

- No monthly maintenance fee
- No minimum balance requirements
- No minimum opening deposit
- Unlimited check writing
- Two free boxes of checks per year
- Free Online Banking (including free check images) & Bill Pay
- Free Mobile Banking and Mobile Deposit
- VISA® Check Card (subject to approval)
- Free Internal Transfers (between IB accounts)
- 0.25% off consumer loan rates with auto-debit (loans subject to approval)

All Employee Advantage account eligibility is based on qualification information provided by a consumer reporting agency. For employees who have not adequately handled their checking accounts, Independence Bank has additional account options with a monthly service charge.

Our Commitment to You

Independence Bank is proud of our employees, our products, and our sincere commitment to our communities. We have recruited the best lenders, treasury management officers, tellers, management, and operations staff in Kentucky. We believe our employees and our bank have one important thing in common – a sincere desire to help others.

We take pride in our community by offering exceptional service, by taking part in many community events and reinvesting dollars in school and community projects.

We give you our promise to be your business partner, not just your banker.

Designated Employee


Gary Claybrook shall be the bank's employee who will be responsible for compliance with the terms of this depository agreement.

Type of Financial Institution

We have read and understand the General Conditions and Specifications and the Official Quote Form for Board of Education accounts and agree to comply with all said stipulations should we be selected as the Board's depository. Our institution is a: *(place an "X" beside the following description that applies)*

X **Commercial Bank** and is a member of the Federal Deposit Insurance Corporation and, as such, we propose to accept and hold in SECURED CUSTODY funds belonging to the Hopkins County Board of Education, and to pay out any funds on order of the Board as provided by law. We hereby offer our quote to the Hopkins County Board of Education under terms and conditions as above specified.

 Savings and Loan Association and is insured by the Federal Government and as such we propose to accept and hold in SECURED CUSTODY funds belonging to the Hopkins County Board of Education, and to pay out any funds on order of the Board as provided by law. We hereby offer our quote to the Hopkins County Board of Education under terms and conditions as above specified.

Bank Name Independence Bank Date May 16, 2023
Signature  Title President, Hopkins County
Name Kent Mills (print)
Address 1776 North Main Street
Madisonville, KY 42431
Telephone 270-824-1476