POLICY 705    INVESTMENT OF SCHOOL DISTRICT FUNDS

I. PURPOSE

To establish guidelines for the investment of the District funds and how income from those investments will be allocated.

II. GENERAL STATEMENT OF POLICY

District will comply with all state laws relating to investments of District funds and will make investments that meet the District’s investment objectives.

III. SCOPE

All District’s funds which include the General fund, Special Revenue funds, Debt Service funds, Capital Projects funds, Enterprise funds, Trust and Agency.

IV. OBJECTIVES

To maintain public trust, the investment objectives, in priority order, are as follows:

A. Safety of Principal
B. Liquidity
C. Return on Investment

Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
REGULATION 705  INVESTMENT OF SCHOOL DISTRICT FUNDS

I. STANDARD OF CONDUCT

A. PRUDENCE – The “prudent person” standard shall be applied to the management of the portfolio. The standard states: “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 probable safety of their capital as well as the expected income to be derived.”

B. ETHICS AND CONFLICTS OF INTEREST – Officers and staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

C. DELEGATION OF AUTHORITY – The Executive Director of Finance and Support Services is designated as the Investment Officer of the District and is responsible for investment decisions and activities. The Investment Officer may delegate certain duties to a designee or designees, but shall remain responsible for the operation of the program.

D. INTERNAL CONTROLS – The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

II. QUALIFIED FINANCIAL INSTITUTIONS

The District shall maintain a list of the financial institutions that are approved for investment purposes. Prior to completing an initial transaction with a broker, the District shall provide to the broker a written statement of investment restrictions, which shall include a provision that all future investments are to be made in accordance with Minnesota statutes governing the investment of public funds. The broker must annually acknowledge receipt of the statement of investment restrictions and agree to handle the District’s account in accordance with these restrictions.

A. DEPOSITORIES – Demand Deposits

B. BANKS AND SAVINGS AND LOANS – Certificates of Deposit
C. INTERMEDIARIES – Member of a recognized U.S. Securities and Exchange Commission Self Regulatory Organization such as the New York Stock Exchange, National Association of Securities Dealers, Municipal Securities Rule Making Board, etc.

III. SAFEKEEPING AND COLLATERALIZATION

A. All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, its branch office, or a securities broker-dealer defined in Minnesota Statute.

B. Deposit-type securities shall be collateralized as required by Minnesota Statute for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

C. Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping.

IV. INVESTMENT INSTRUMENTS

The District may invest in any type of security allowed by Minnesota Statutes as may be amended from time to time. The District has chosen to limit its allowable investments to those instruments listed below:

A. U.S. Treasury Obligations (bills, notes, and bonds)


C. Bankers’ Acceptance.

D. Interest bearing savings accounts.

E. Certificates of Deposit with federally insured institutions that are collateralized or insured in excess of the $250,000 provided by the FDIC limit.

F. Collateralized repurchase agreements, which conform to the requirements stated in Minnesota Statutes.

G. Commercial Paper – Prime

H. Investment products that are considered as derivatives and bearer form securities are specifically excluded from approved investments.
V. DIVERSIFICATION – MATURITIES

A. The investments shall be diversified by:

1. Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities.)

2. Limiting investment in securities that have higher credit risks.

3. Investing in securities with varying maturities.

4. Continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.