



Section: *Finances*

Title: *Investment of Funds*

Adopted: *June 13, 2005*

Revised:

605 *Investment of Funds*

1. **Purpose**

It shall be the policy of the Colonial School District to optimize its return through investments of its cash balances in such a way to minimize non-invested balances and to maximize return on investments.

2. **Objectives**

The primary objectives of investment activities shall be:

- a. **Legality** – All investments shall be made in accordance with applicable laws of Commonwealth of Pennsylvania, including but not limited to, the Pennsylvania Public School Code, as amended, and applicable federal laws. 24 P.S. § 4-440.1.*
- b. **Safety** – Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be insured through the mitigation of credit risk and interest rate risk. Diversification of the investment portfolio is important.*
- c. **Liquidity** – Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash-flow projection shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands. This projection shall be maintained, analyzed and updated at least quarterly for purposes of planning investments.*
- d. **Yield** – Investments shall be made with the objective of attaining a market average rate of return throughout the budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investments shall be of secondary importance compared to the safety and liquidity objectives described above.*

e. **Diversification** – Investments must be diversified to avoid incurring unreasonable risks associated with specific securities or financial institutions.

3. **Authority**

All investments of the School District made by a Board Officer and/or an employee of the District shall be made in accordance with the Board approved investment program. 24 P.S. § 4-440.1.

4. **Delegation of Responsibility**

All purchase and sale of investments of the Colonial School District shall be made by the Treasurer of the School District and/or Chief Financial Officer on a resolution adopted by the Board of School Directors. 24 P.S. § 4-440.1(e). The Treasurer and/or Chief Financial Officer shall receive ongoing training in investment finance.

After meeting the objectives of the investment of funds, the Treasurer and/or Chief Financial Officer shall authorize the financial entity to invest for the specific fund in the name of the Colonial School District. Perpetual investment records shall be maintained on all investments including placement of the investment, investment date, the cost and rate of interest.

A disclosure of the District's investments shall be incorporated in the monthly Treasurer's Report to the Board of School Directors. The report shall include the following:

- (a) Names and locations of the institutions where investments and related collateral are placed.
- (b) Type, amount, date of maturity and interest rate of each investment.
- (c) Amount of funds invested.
- (d) Interest earned and received to date.
- (e) Anticipated interest earnings.
- (f) Current market value of funds invested.

An annual review of the District's investment program shall be prepared by the Chief Financial Officer, reviewed by the Finance Committee and submitted for Board approval no later than ninety (90) days after adoption of the annual budget.

5. **Definitions**

- (a) **Short Term** – a period with a date to maturity of twelve (12) months or less, or 397 days or less.
- (b) **Mid-Term** – a period between short and long term, not exceeding forty-eight (48) months' duration.
- (c) **Long-Term** – a period exceeding forty-eight (48) months' duration.
- (d) **Interest Rate Risk** – the risk that the market value of securities will fall due to the changes and general interest rates.
- (e) **Credit Risk** – the risk of loss of principal due to the failure of the security issuer or backer.
- (f) **Investment Program** – the specifically enumerated and Board-approved policy, including the investment strategy and legally permitted investments.

6. **Guidelines**

a. **Permitted investments**

Investments permitted by this policy are those defined in Pennsylvania School Code § 4-440.1, as amended, which are collateralized in accordance with applicable laws.

The District may participate in investment pools that have been organized in accordance with the provisions of Section 3 of the Pennsylvania Intergovernmental Cooperation Act No. 180 of the 1972 General Assembly and Section 521 of Article V of the Act No. 14 of the 1949 Session of the General Assembly of the Commonwealth of Pennsylvania, as amended (the "School Code").

All securities shall be purchased in the name of the school district, with the exception of all permissible pooled investments, and custody of the securities shall be specified within the District's investment agreements. Combined funds shall be accounted for separately in all respects and the earnings from the investments separately and individually computed and recorded and credited to the accounts from which the investment was purchased. Any pool invested in must furnish a disclosure instrument, instrument transaction confirmation, a monthly report, and audited financials. Safekeeping receipts must be received for each investment.

The District must require that investment advisers, investment service providers and/or investment entities guard against making investments with banks and companies that may have hidden terrorist links.

All investment advisors, investment service providers and/or investing entities shall verify in writing that they have received a copy of this policy. Such written statement shall

indicate that they have read and understand this policy and all applicable statutes related to School District investments, along with their intent to comply fully with these requirements.

All investment advisors, investment service providers and/or investing entities shall be required to submit annually any or all of the following, as appropriate:

- *Audited financial statements on a quarterly, semi-annual and annual basis.*
- *Proof of National Association of Securities Dealers (NASD) certification.*
- *Proof of SEC and/or Pennsylvania Securities Commission registration.*
- *Proof of Commonwealth registration.*
- *Signed affidavit stating the funds are invested in accordance with the Board's approved investment program.*

Additionally, all investment advisors, investment service providers and investing entities shall be required to disclose to the District all situations where they have a material interest in the investment instrument recommended to the District.

*b. **Disclosure***

- *Designated board officers and employees involved in the District's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions. 24 P.S. § 4-440.1*
- *An investment advisor, broker/dealer, depository institution or underwriter engaged to provide a service to the School District may not own or receive compensation from an entity who is providing an instrument to the School District unless such relationship has been disclosed in writing to the School District.*

*c. **Audit***

The Board of School Directors requires that all investment records be subject to annual audit by the District's independent auditors. 65 P.S. § 401 et seq. In addition, the School District shall perform an audit of the School District's established investment policy and its compliance with the laws relevant to investments.

The audit shall include, but not be limited to, independent verification of all investments and corresponding collateral, and of amounts and records of all transactions as deemed necessary by the independent auditors.

It shall be the responsibility of the investment advisor, investment service provider and/or investing entity to maintain necessary documents to permit independent audit of the District's investments.

d. **Bond Proceeds**

Bond proceeds shall be invested in accordance with § 4-440.1 of the Pennsylvania School Code, and where applicable, the Local Government Unit Debt Act, federal and state laws, all subject to approval by the solicitor, and/or bond counsel, and the Board of School Directors.

Investment transactions arising from bond proceeds shall be reported monthly to the Board, in accordance with this policy. 53 Pa. C.S.A. § 8001 et seq.; 53 Pa. C.S.A. § 8224.

e. **Investment Agreements**

All investment agreements must be approved by the District solicitor and Board prior to investment of funds.

All new investment options and/or advisors must be approved by the District solicitor and Board.

All investment agreements must be signed by the Board President/Vice President and Board Secretary.

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