

# NORTHERN LEBANON SCHOOL DISTRICT

SECTION: FINANCES

TITLE: INVESTMENTS

ADOPTED: May 12, 1987

REVISED: November 13, 2001

609. INVESTMENTS	
1. Purpose	The purpose of this investment policy is to set forth the school district's policy and procedures pertaining to the investment of school district funds.
2. Authority SC 440.1, 621, 622, 623	The Board authorizes and directs the temporary investment of school district funds. All investments shall be effected in accordance with all applicable legal requirements and the provisions of this policy.
SC 440.1, 621, 622, 623	<p><u>Investment of School District Funds</u></p> <p>All school district funds shall be invested in accordance with this policy and a Board approved investment program. In investing school district funds, the school district will conform to sound business practices and will act with that degree of judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income to be derived therefrom as well as the probable safety of capital. Every investment shall be subject to all applicable legal requirements and to the following requirements:</p>
SC 440.1	<ol style="list-style-type: none"> <li>1. <b>Legality</b> – School district funds may be invested only in investments authorized under Section 440.1 of the School Code. (See Appendix A.) The definitions set forth in Section 3 of this policy shall be applicable in determining whether an investment is authorized under Section 440.1 of the School Code.</li> <li>2. <b>Safety</b> – Safety of principal shall be of highest priority. Preservation of principal shall be ensured through mitigation of credit risk and interest rate risk.</li> <li>3. <b>Liquidity</b> – Investments shall remain sufficiently liquid to meet all reasonably anticipated operating and cash requirements.</li> <li>4. <b>Yield</b> – Investments shall be made with the objective of attaining a market-average rate of return throughout budget and economic cycles, taking into account credit risk, interest rate risk and liquidity constraints.</li> </ol>



<p>5. Guidelines</p>	<p>An Investment Officer other than the Treasurer shall have no authority to transfer school district funds except for transfers from a school district account or investment to another school district account or investment in the name of the school district.</p> <p>All decisions concerning school district investments shall be made by the Investment Officer. Subject to an investment advisor's having agreed to comply with the provisions of this policy and the Investment Officer's having established procedures to effectively monitor compliance with the provisions of this policy, an investment advisor may be granted power to effect investment of school district funds.</p> <p>If not acting as Investment Officer, the Treasurer shall regularly consult with the Investment Officer and oversee the investments made on behalf of the school district by the Investment Officer.</p> <p>All investments must be approved by the Board in advance or at the first Board meeting after making the investment.</p> <p>The Treasurer and Investment Officer shall be bonded in an amount approved by the Board.</p> <p>The Investment Officer shall each year prepare a written investment program for approval by the Board. The investment program for the following year shall be submitted to the Board for approval no later than thirty (30) days after adoption of the annual budget.</p> <p><u>Annual Investment Program</u></p> <p>The annual investment program shall include:</p> <ol style="list-style-type: none"><li>1. Depository institutions approved for investment of school district funds.</li><li>2. Local government investment pools approved for investment of school district funds.</li><li>3. Mutual funds approved for investment of school district funds.</li><li>4. Subject to the provisions of applicable law, the specific types of investments approved for investment of school district funds.</li><li>5. School district cash flow budget for the fiscal year.</li><li>6. General explanation of the types and length of investments intended for various school district funds.</li></ol>
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	<p>7. Brokers or dealers approved for purchase of school district investments.</p> <p>8. Custodians approved for safekeeping of school district investments.</p> <p>9. Investment advisors approved for school district use.</p> <p>10. Other information determined appropriate by the Investment Officer or requested by the Board.</p> <p>The investment program may be amended at any time by Board approval.</p> <p><u>Monthly Investment Reports</u></p> <p>The Investment Officer shall submit reports to the Board for approval monthly, including:</p> <ol style="list-style-type: none"><li>1. Amount of school district funds invested in various accounts.</li><li>2. Types and amounts of each investment including maturities, interest rates, book values and current market values.</li><li>3. Names of institutions where investments, and collateral for investments, are placed.</li><li>4. Comparison of interest rates to benchmarks, where appropriate benchmarks are available.</li><li>5. Other information required by applicable law, determined appropriate by the Investment Officer, or requested by the Board.</li></ol> <p>The investment report shall separate investments made since the previous investment report.</p>
SC 440.1	<p><u>Permitted Investments</u></p> <p>School district funds will be invested only in investments authorized under Section 440.1 of the School Code. (See <u>Appendix A</u> attached to this policy.) Repurchase agreements will be permitted only according to criteria approved by the Board and attached to this policy as Appendix B.</p>

Selection of Investments

The Investment Officer shall, where practical, obtain competitive price bids for deposits or securities. If competitive price bids are not obtained for securities, the Investment Officer, prior to making an investment, will obtain written confirmation of price markup.

Title, Security Purchases, Safekeeping and Custody

All deposits and other investments will be made and titled in the name of the school district.

Custody of any securities purchased will be held by a custodian specified in the investment program.

All purchases of securities will be made through a “delivery against payment” transaction in which the school district pays for the securities in exchange for delivery thereof to the school district or the school district’s custodian.

The school district shall have in place with any custodian a written custodian agreement approved by school district legal counsel. The custodian agreement shall require that confirmations be sent to the school district upon receipt of securities and monthly reports listing securities held and other appropriate information.

Collateral for Deposits

Collateral shall be provided for all school district deposits in accordance with applicable law.

The Investment Officer should consider requiring a pledge of specific collateral for mid-range and long-term deposits.

Pooled collateral is permitted in accordance with the requirements of applicable law, and subject to the additional requirements that prior to making any deposit secured by pooled collateral, the school district shall receive a written commitment describing the collateral pledge. The commitment should include:

1. Identification of the custodian holding the pooled collateral and prohibition against change in the custodian unless ten (10) days advance written notice is given to the school district, including the identity of the new custodian.

72 P.S.  
3836-1 et seq

2. A statement that the pool is pledged solely for the benefit of public bodies maintaining with the depository institution deposit accounts secured by the pool of pledge assets.
3. A statement of the minimum excess collateral coverage, measured by market value, maintained by the depository over the amount of all public deposits secured by the pool.
4. Authorization for immediate withdrawal of all school district funds together with accrued interest, without any penalty for early withdrawal, if the excess collateral coverage falls below the specified amount.
5. A requirement that the depository institution maintain daily records of public deposits and collateral maintained in the pool for public deposits.
6. A requirement that the depository institution make reports to the school district on deposits and collateral on request by the school district, including in the report the total amount of public funds on deposit and the total amount and market value of collateral in the pool to secure such public deposits.
7. A requirement that the pool collateral arrangements comply in all other respects with applicable law, and specifically 72 P.S. 3836-1, et seq. The Investment Officer shall make periodic requests for collateral reports from all depository institutions. Reports should be requested at the inception of any deposit arrangement and at predetermined intervals thereafter.

Investment Advisors

Any custodian or investment advisor used by the school district shall acknowledge in writing receipt and understanding of this policy and applicable legal requirements.

Qualification of Depository Institutions, Brokers and Dealers, Custodians, Local Government Investment Pools, Investment Advisors, and Money Market Mutual Funds

Depository institutions shall have equity (capital stock and surplus) of not less than \$50,000,000. This requirement shall not apply to the extent deposits are fully insured by the Federal Deposit Insurance Corporation.

All depository institutions, brokers and dealers, custodians, local government investment pools, and investment advisors shall be required to submit their most recent audited annual financial statements and their rating, if any, from a nationally recognized rating agency. These requirements shall not apply to the extent deposits are fully insured by the Federal Deposit Insurance Corporation.

Brokers, dealers, and investment advisors shall be required to submit proof of NASD certification and registration with the SEC and the Pennsylvania Securities Commission.

Investments may be made in money market mutual funds and local government investment pools only to the extent rated AAA by a nationally recognized rating agency.

The school district shall not invest in a money market mutual fund or local government investment pool until the legality of investment in the fund or pool has been approved by school district legal counsel.

Further qualifications for specific investments or types of entities may be developed for approval by the Board and attached to this policy as an Appendix.

Qualification information shall be updated at least annually.

#### Ethics

Officers and employees involved in the school district's investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions.

Any financial institution in which deposits are made and any provider of any other investment shall be required to disclose in writing to the school district any fees paid to a third party, with respect to the deposit or investment.

Any investment advisor shall be required to disclose in writing to the school district any fees received from a third party, with respect to any school district investment.

#### Audit

All investment records shall be subject to annual audit by the school district's independent auditors. The audit shall include but not be limited to independent verification of amounts and records of all transactions, as deemed necessary by the independent auditors. The audit shall also include a review of internal controls,

including separation of transaction authority from accounting and record keeping, custodial safekeeping arrangements, transaction confirmations, record keeping, and other issues deemed appropriate by the auditors.

Legal Counsel

School district legal counsel shall review documents establishing account relationships, any investment agreements other than standard deposits and security purchases, and other documents as appropriate to ensure compliance with this policy and applicable law.