



**NORTH ALLEGHENY
SCHOOL DISTRICT**

SECTION:	FINANCES
TITLE:	INVESTMENT OF SCHOOL DISTRICT FUNDS
ADOPTED:	1/27/16
REVISED:	

609 - INVESTMENT OF SCHOOL DISTRICT FUNDS

Section 1. Purpose

It shall be the policy of the Board to optimize its return through investment of cash balances in such a way as to minimize non invested balances and to maximize return on investments.

The primary objectives of investment activities, in priority order, shall be:

- a. Legality - All investments shall be made in accordance with applicable laws of Pennsylvania.
- b. Safety - Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk.
- c. Liquidity - Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands.
- 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 the investment risk constraints and liquidity needs.

Section 2. Authority

- a. All investments of the School District made by an officer and/or employee of the District shall be made in accordance with this policy and a Board-approved investment program.

Section 3. Delegation of Responsibility

- a. The Board shall delegate to the Director of Finance the responsibility to manage the District's investment program, in accordance with written, Board-approved rules and procedures for operation of the investment program.

SC 440.1, 621, 622, 623
Pol. 000

SC 440.1

SC 440.1
72 P.S.
Sec. 3836

- b. The Director of Finance will review to the Board the following:
1. Amount of funds invested
 2. Interest earned and received to date
 3. Types and amounts of each investment and the interest rate on each
 4. Names of the institutions where investments are placed
 5. Current market value of the funds invested as of the end of the month being reported
 6. Collateralization of deposits exceeding insurance limits
 7. Other information required by the Board

The Board directs the Superintendent to establish administrative regulations that will ensure compliance with this policy, including a disclosure form for designated individuals involved in the investment process and/or required written statements for advisors and bidders.

Section 4. Definitions

- a. Short-term – any period twelve (12) months or less
- b. Long-term – any period exceeding forty-eight (48) months’ duration
- c. Mid-range – any period between short-term and long-term
- d. Concentration of credit risk – risk associated with the consolidation of investments in a single pool, institution, or instrument
- e. Credit risk – risk of loss of principal due to the failure of the security issue or backer of the issue
- f. Custodial credit risk – risk of loss associated with consolidation of investments with a single institution where the District may rely on the institution to hold investments on behalf of the District or through collateral action when the instruments are not in the District name
- g. Foreign currency risk – risk associated with investment in foreign currency that is subject to market fluctuation and associated currency conversion
- h. Interest rate risk – risk that the market value of securities will fall due to changes in general interest rates
- i. Investment program – specifically enumerated and Board-approved

<p>SC 440.1</p> <p>17 CFR</p> <p>SC 440.1</p> <p>Pol. 619</p> <p>65 Pa. C.S.A. Sec. 1101</p> <p>Pol. 619</p>	<p>investment strategy</p> <p>Section 5. <u>Guidelines</u></p> <p>a. Investments permitted by this policy are those defined in Section 440.1 of the School Code, as amended, which are collateralized in accordance with applicable laws.</p> <p>b. All securities shall be purchased in the name of the School District, and custody of the securities shall be specified within the District's investment program.</p> <p>c. An exception to purchases in the name of the School District is permitted for the purchase of shares of an investment company that is or conducts business voluntarily in compliance with applicable law.</p> <p>d. All investment advisors or bidders shall verify in writing that they have received a copy of this Board policy. Such written statement shall indicate that they have read and understand this policy and all applicable laws related to School District investments, along with their intent to comply fully with these requirements.</p> <p>e. The District shall require all investment advisors/bidders to submit annually any or all of the following, as appropriate:</p> <ol style="list-style-type: none"> 1. Audited financial statements 2. Proof of National Association of Securities Dealers (NASD) certification 3. Proof of state registration 4. Rating from a recognized rating agency <p>f. Disclosure</p> <p>Designated 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.</p> <p>g. Audit</p> <ol style="list-style-type: none"> 1. The Board directs that all investment records be subject to an annual audit by the District's independent auditors. 2. 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.
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53 Pa. C.S.A.
Sec. 8001

SC 218, 440.1
GASB Statement 40

SC 440.1

3. It shall be the responsibility of the investment advisor and/or bidder to maintain necessary documents to permit an independent audit of the District's investments.

h. Bond Proceeds

1. Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act and applicable federal and state laws, subject to approval by the Solicitor and/or Bond Counsel and the School Board.

2. Investment transactions arising from bond proceeds shall be reported monthly to the Board, in accordance with this policy.

i. Compliance With GAAP

The following is intended to guide District investments as limited by law:

1. District funds shall not be invested in foreign currency and shall have no related risk that would require disclosure pursuant to GASB Statement 40.

2. District investments shall limit the exposure to loss of principal due to market changes in interest rates.

3. District investments in authorized instruments that are not backed by the "full faith and credit" of the federal or state government shall be limited to those with the highest two (2) credit ratings available for such instruments issued by a recognized organization.

If, after purchase, the rating of any instrument is reduced and no longer in compliance with Board policy, the individual responsible for District investments shall advise the Board at the earliest opportunity of such action and make recommendations for altering investments.

4. When District funds are invested in any one (1) issuer other than designated depository accounts (which includes external investment pools), and securities issued or explicitly guaranteed by the U.S. Government (owned directly by the District), the amount of the investment shall be unlimited, but the Board shall be notified of such investment monthly.

5. For purposes of interest rate disclosure in the annual financial report, the method of determining interest rate risk shall be based on weighted average maturity.

j. Protection of Bank Balances in Excess of FDIC Limits

1. When District cash is deposited in an authorized depository, if the cash

<p>72 P.S. Sec. 3836</p>	<p>balance exceeds the insurance limits, District funds shall be collateralized pursuant to law.</p> <ol style="list-style-type: none"> 2. The collateral shall be limited to investments authorized by law. 3. It shall be the responsibility of the Director of Finance to verify with the depository the value of the instrument(s) based on the instrument being “marked to market.” 4. Verification of the value of the collateral instrument(s) shall occur quarterly. 5. Following a review of valuation, the Director of Finance may request an additional review by the District’s investment advisors or financial consultant, and shall require additional collateral if the existing collateral has declined in value and exposes the District to potential loss of principal. The Board shall be advised of the status of the valuation review and any additional collateral at the first meeting following the review. <p><u>References:</u> School Code – 24 P.S. Sec. 218, 440.1, 621, 622, 623 Local Government Unit Debt Act – 53 Pa. C.S.A. Sec. 8001 et seq. Public Officials and Employee Ethics Act – 65 Pa. C.S.A. Sec. 1101 et seq. Security of Public Deposits – 72 P.S. Sec. 3836 et seq. Investment Companies, Title 17, Code of Federal Regulations – 17 CFR Part 270 Governmental Accounting Standards Board, Statement No. 40 Board Policy – 000, 619</p> <p><u>Replaces Policy:</u> 8320</p>
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