

Revision of Board Policy 704.3 Investments

Background:

A few years ago, our school district was given a gift of bonds. The district held the bonds for several years although holding them was inconsistent with our investment policy.

In our audit report for last year that was completed in the fall of 2019, our independent auditor wrote in her “Other Findings Related to Required Statutory Reporting” that we should revise our investment policy. Her citation appears below:

II-I-19 Deposits and Investments – It was noted during the audit, the District has accepted, in past years, donations of investments that do not appear to be in compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy.

Auditor’s Recommendation – I understand the District has taken a position that these investments were made by the donor, not the Board, and the Board is not required under the Code of Iowa to liquidate these in-kind donations. However, I recommend the District update their investment policy to clearly state their policy on in-kind gifts including the primary investment goals of holding these investments.

District’s Response – The District will review and update the investment policy as recommended.

Auditor’s Conclusion – Response accepted.

Our auditor recommends the following language be added to school board policy 704.3 Investments:

“The Board may choose to maintain in-kind investment donations in the form they are received, even if those investments are not in a form compliant with Iowa Code Chapter 12B and 12C. Such investments are made by the donor, not the board. Iowa Code does not mandate such investments must be liquidated. The Board may make this determination on a donation-by-donation basis.”

In addition, the investment policy of the Iowa Association of School Boards (IASB) was revised slightly in 2018. We held off updating our policy pending the disposal of our bonds. The policy language revisions of IASB appear in red.

Recommended Action:

The Business Manager and the Superintendent recommend the board move to select Option I.

INVESTMENTS

CURRENT POLICY (Revised November 9, 2006; reviewed December 9, 2013.)

School district funds in excess of current needs are invested in compliance with this policy. The goals of the school district's investment portfolio in order of priority are:

- To provide safety of the principal;
- To maintain the necessary liquidity to match expected liabilities; and
- To obtain a reasonable rate of return.

In making investments, the school district will exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

School district funds are monies of the school district, including operating funds. "Operating funds" of the school district are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt. When investing operating funds, the investments must mature within three hundred and ninety-seven days or less. When investing funds other than operating funds, the investments must mature according to the need for the funds.

The board authorizes the treasurer to invest funds in excess of current needs in the following investments.

- Interest bearing savings, money market, and checking accounts at the school district's authorized depositories;
- Iowa Schools Joint Investment Trust Program (ISJIT); and,
- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions.

It is the responsibility of the treasurer to oversee the investment portfolio in compliance with this policy and the law.

The treasurer is responsible for reporting to and reviewing with the board at its regular meetings the investment portfolio's performance, transaction activity and current investments.

It is the responsibility of the superintendent to deliver a copy of this policy to the school district's depositories, auditor and outside persons doing investment business with the school district.

It will also be the responsibility of the superintendent, in conjunction with the treasurer, to develop a system of investment practices and internal controls over the investment practices. The investment practices are designed to prevent losses, to document the officers' and employees' responsibility for elements of the investment process and address the capability of the management.

INVESTMENTS

Policy 704.3 INVESTMENTS - Option I

NOTE: *This is a mandatory policy. Any of the three options meet the requirements for the mandatory language. The board should adopt the option which reflects its practice.*

School district funds in excess of current needs are invested in compliance with this policy. The goals of the school district's investment portfolio in order of priority are:

- To provide safety of the principal;
- To maintain the necessary liquidity to match expected liabilities; and
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In making investments, the school district will exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

School district funds are monies of the school district, including operating funds. "Operating funds" of the school district are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt. When investing operating funds, the investments must mature within three hundred and ninety-seven days or less. ***If, during the current budget year an amount of public funds will exceed operating funds by at least thirty-three percent, the amount of public funds that exceed operating funds by greater than thirty-three percent may be invested in certificates of deposit at federally insured depository institutions which mature within sixty-three months or less, in accordance with state and federal laws.*** When investing funds other than operating funds, the investments must mature according to the need for the funds.

The board authorizes the treasurer to invest funds in excess of current needs in the following investments.

- Interest bearing savings, money market, and checking accounts at the school district's authorized depositories;
- Iowa Schools Joint Investment Trust Program (ISJIT);
- Obligations of the United States government, its agencies and instrumentalities;
- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions;
- Repurchase agreements in which underlying collateral consists of investments in government securities. The school district must take delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse repurchase agreements;
- Prime bankers' acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank. At the time of purchase, no more than ten percent of the investment portfolio can be in these investments and no more than five percent of the investment portfolio can be invested in the securities of a single issuer;
- Commercial paper or other short-term corporate debt that matures within two hundred seventy days and that is rated within the two highest classifications, as established by at least one of the

standard rating services, with no more than five percent at the time of purchase placed in the second highest classification. At the time of purchase, no more than ten percent of the investment portfolio can be in these investments and no more than five percent of the investment portfolio can be invested in the securities of a single issuer; and,

- An open-end management investment company registered with the federal securities exchange commission and commonly referred to as a money market mutual fund. The money market mutual fund will use only the investments individually authorized by law for school districts.

It is the responsibility of the treasurer to oversee the investment portfolio in compliance with this policy and the law.

It is the responsibility of the treasurer to bring a contract with an outside person to invest school district funds, to advise on investments, to direct investments, to act in a fiduciary capacity or to perform other services to the board for review and approval. The treasurer will also provide the board with information about and verification of the outside person's fiduciary bond. Contracts with outside persons will include a clause requiring the outside person to notify the school district within thirty days of any material weakness in internal structure or regulatory orders or sanctions against the outside person regarding the services being provided to the school district and to provide the documents necessary for the performance of the investment portion of school district audit. Contracts with outside persons will not be based on the performance of the investment portfolio.

The treasurer is responsible for reporting to and reviewing with the board at its regular meetings the investment portfolio's performance, transaction activity and current investments including the percent of the investment portfolio by type of investment and by issuer and maturities. The report will also include trend lines by month over the last year and year-to-year trend lines regarding the performance of the investment portfolio. It will also be the responsibility of the treasurer to obtain the information necessary to ensure that the investments and the outside persons doing business with the school district meet the requirements outlined in this policy.

It is the responsibility of the superintendent to deliver a copy of this policy to the school district's depositories, auditor, and outside persons doing investment business with the school district.

It will also be the responsibility of the superintendent, in conjunction with the treasurer, to develop a system of investment practices and internal controls over the investment practices. The investment practices are designed to prevent losses, to document the officers' and employees' responsibility for elements of the investment process and address the capability of the management.

Legal Reference: Iowa Code §§ 11.2, .6; 12.62; 12B.10; 10A; 12C; 22.1, .14; 28E.2; 257; 279.29; 283A; 285; 502.701; 633.123.

Cross Reference: 206.4 Treasurer
704 Revenue

Date of Adoption: 09-16-1992 Reviewed: 12-09-2013 Revised: 08-20-2020

INVESTMENTS

Policy 704.3 INVESTMENTS - Option II

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- To provide safety of the principal;
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- To obtain a reasonable rate of return.

In making investments, the school district will exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

School district funds are monies of the school district, including operating funds. "Operating funds" of the school district are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt. When investing operating funds, the investments must mature within three hundred and ninety-seven days or less. ***If, during the current budget year an amount of public funds will exceed operating funds by at least thirty-three percent, the amount of public funds that exceed operating funds by greater than thirty-three percent may be invested in certificates of deposit at federally insured depository institutions which mature within sixty-three months or less, in accordance with state and federal laws.*** When investing funds other than operating funds, the investments must mature according to the need for the funds.

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weakness in internal structure or regulatory orders or sanctions against the outside person regarding the services being provided to the school district and to provide the documents necessary for the performance of the investment portion of the school district audit. The compensation of the outside persons will not be based on the performance of the investment portfolio.

The treasurer is responsible for reporting to and reviewing with the board at its regular meetings the investment portfolio's performance, transaction activity and current investments including the percent of the investment portfolio by type of investment and by issuer and maturities. The report will also include trend lines by month over the last year and year-to-year trend lines regarding the performance of the investment portfolio. It will also be the responsibility of the treasurer to obtain the information necessary to ensure that the investments and the outside persons doing business with the school district meet the requirements outlined in this policy.

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704 Revenue

Date of Adoption: 09-16-1992 Reviewed: 12-09-2013 Revised: 08-20-2020

INVESTMENTS

Policy 704.3 INVESTMENTS - Option III

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