

## INVESTMENT POLICY

### REVENUE AND INVESTMENTS

#### Revenue

The Superintendent or designee is responsible for making all claims for property tax revenue, State Aid, special State funds for specific programs, Federal funds, and categorical grants, and any other such funds as may be available to the District that assist the educational program.

#### Investments

Money which is not required for current operations should be invested. Investments shall be made by the Treasurer, and in accordance with State law.

Interest income shall be deposited in the fund in which it is earned unless the School Board, upon the recommendation of the Treasurer and in accordance with the applicable law, determines that another fund is most in need of such interest income. The Treasurer shall execute such a transfer of interest.

The Treasurer shall use the standard of prudence when making investment decisions. The Treasurer shall use the judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as its probable income.

#### Investment Objectives

The School District's investment activities are governed by the following objectives:

- A. Safety of Principal. Every investment will be made with safety as the primary and over-riding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is avoided.
- B. Liquidity. The investment portfolio shall provide sufficient liquidity to pay District obligations as they become due. In this regard, the maturity and marketability of investments will be considered.

- C. Rate of Return. The highest return on investments is sought, consistent with the preservation of principal and prudent investment principles.
- D. Public Trust. The Board and District officials will avoid any investment transaction or practice which in appearance or in fact might compromise public confidence.
- E. Diversification. The investment portfolio is diversified as to materials and investments, as appropriate to the nature, purpose, and amount of the funds.

**Authorized Investments**

**The District Treasurer may invest any District funds:**

- A. in bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- B. in bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.

The term “agencies of the United States of America” includes: (i) the Federal land banks, Federal intermediate credit banks, banks for cooperative, Federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and Acts amendatory thereto; (ii) the Federal home loan banks and the Federal Home Loan Mortgage Corporation; and (iii) any other agency created by Act of Congress.

- C. in interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.

- D. in short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one (1) of the three (3) highest classifications established by at least two (2) standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed ten percent (10%) of the Corporation's outstanding obligations, and (iii) no more than one-third (1/3) of the District's funds may be invested in short term obligations of corporations.
- E. in money-market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (A) or (B) of this subsection and to agreements to repurchase such obligations.
- F. in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or any other state, whether the interest earned thereon is taxable or tax-exempt under Federal law, subject to the terms and conditions set forth in Section 2(a-1) of the Illinois Public Funds Investment Act (30 ILCS 235/2(a-1));
- ~~F~~G. in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations, the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of the Treasurer, the public funds so invested will be required for expenditure by the District or its governing authority.
- ~~G~~H. in dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principle office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

- H. in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. The District may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.
- I. in the Illinois School District Liquid Asset Fund Plus.
- J. in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations issued there under. The government securities, unless registered or inscribed in the name of the District, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, no District may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of any District unless the instrument and the transaction meet the following requirements:

1. The securities, unless registered or inscribed in the name of the District, are purchased through banks or trust companies authorized to do business in the State of Illinois.
2. The Treasurer, after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, which acts for the District in connection with repurchase agreements involving the investment of funds by the District. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements.
3. A custodial bank must be member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the District on the records of the custodial bank and the transaction must be confirmed in writing to the District by the custodial bank.

4. Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.
  5. The security interest must be perfected.
  6. The District enters into a written master repurchase agreement that outlines the basic responsibilities and liabilities of both buyer and seller.
  7. Agreements shall be for periods of 330 days or less.
  8. The Treasurer informs the custodial bank in writing of the maturity details of the repurchase agreement.
  9. The custodial bank must take delivery of and maintain the securities in its custody for the account of the District and confirm the transaction in writing to the District. The custodial undertaking shall provide that the custodian takes possession of the securities exclusively for the District; that the securities are free of any claims against the trading partner; and that any claims by the custodian are subordinate to the District's claims to rights to those securities.
  10. The obligations purchased by the District may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the Treasurer.
  11. The custodial bank shall be liable to the District for any monetary loss suffered by the District due to the failure of the custodial bank to take and maintain possession of such securities.
- KL.** In any investment as authorized by the Public Funds Investment Act, and Acts amendatory thereto and such other State statutes authorizing of investment of public funds, Paragraph K supersedes paragraphs A-J and controls in the event of conflict.

Investments may be made only in banks, savings banks, savings and loan associations, or credit unions that are insured by the Federal Deposit Insurance Corporation.

**Selection of Depositories, Investment Managers, Dealers, and Brokers**

The Treasurer shall establish a list of authorized depositories, investment managers, dealers and brokers based upon the creditworthiness, reputation, minimum capital requirements, qualifications under State law, as well as a long history of dealing with public fund entities. The Board will review and approve the list at least annually.

In order to be an authorized depository, each institution must submit copies of the last two (2) sworn statements of resources and liabilities or reports of examination, which the institution is required to furnish to the appropriate State or Federal agency. Each institution designated as a depository shall, while acting as such depository, furnish the District with a copy of all statements of resources and liabilities or all reports of examination, which it is required to furnish to the appropriate State or Federal agency.

In addition to the above requirements, the District may consider a financial institution's record and current level of financial commitment to its local community when deciding whether to deposit funds in that financial institution. The District may consider factors including:

- A. For financial institutions subject to the Federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the Federal Community Reinvestment Act of 1977;
- B. Any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;
- C. The financial impact that the withdrawal or denial of District deposits might have on the financial institution;

- D. The financial impact to the District as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and
- E. Any additional burden on the District's resources that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

### **Collateral Requirements**

All amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized by: (1) securities eligible for District investment or any other high-quality, interest-bearing security rated at least AA/Aa by one (1) or more standard rating services to include Standard & Poor's Moody's, or Fitch; (2) mortgages; (3) letters of credit issued by a Federal Home Loan Bank; or (4) loans covered by a State Guaranty under the Illinois Farm Development Act. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. The Treasurer shall determine other collateral requirements.

### **Safekeeping and Custody Arrangements**

The preferred method for safekeeping is to have securities registered in the District's name and held by a third-party custodian. Safekeeping practices should qualify for the Governmental Accounting Standards Board (GASB) Statement No. 3 Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Category 1, the highest recognized safekeeping procedures.

### **Controls and Report**

The Treasurer shall establish a system of internal controls and written operational procedures to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent employee action.

The Treasurer shall provide a quarterly investment report to the Board. The report will: (1) assess whether the investment portfolio is meeting the District's investment objectives; (2) identify each security by class or type, book value, income earned, and market value; (3) identify those institutions providing investment services to the District; and (4) include any other relevant information. The investment portfolio's performance shall be measured by appropriate and creditable industry standards for the investment type.

**Ethics and Conflicts of Interest**

Board members are bound by the Board Policy 0144.3, Conflict of Interest. No District employee having influence on the District's investment decisions shall:

- A. have any interest, directly or indirectly, in any investments in which the District is authorized to invest.
- B. have any interest, directly or indirectly, in the sellers, sponsors, or managers or those investments.
- C. receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

15 ILCS 505/17  
30 ILCS 235/0.01 et seq.  
30 ILCS 235/2  
205 ILCS 5/1 et seq.  
12 U.S.C. 2001 et seq.  
15 U.S.C.A. 780-5  
1201 U.S.C. 1701 et seq.

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