

INDEPENDENT SCHOOL DISTRICT #877 POLICY

Buffalo-Hanover-Montrose

INDEX TITLE Administration SERIES NO. 700

POLICY TITLE Investments and Cash Management CODE NO. 705

I. PURPOSE

The purpose of this policy is to establish guidelines for the investment of school district funds.

II. GENERAL STATEMENT OF POLICY

The policy of the school district is to comply with all state laws relating to investments and to guarantee that investments meet certain primary criteria.

III. SCOPE

This procedure applies to activities of the school district with regard to investing of the financial assets of all funds including the following: General Fund, Special Revenue (Food Service, Community Services), Capital Expenditure, Building Construction, Alternative Facilities, Debt Service, Trust and Agencies, and Student Activity Funds.

IV. AUTHORITY; OBJECTIVES

Funds of the school district will be invested in accordance with Minnesota State Statutes 118A.01 – 118A.06 and 336.4-108. The school district's investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investments shall be made based on statutory constraints and subject to available designated staffing capabilities.

The primary investment criteria in priority sequence are safety, liquidity, and yield.

V. DELEGATION OF AUTHORITY

- A. The Director of Finance and Operations, or designee, is designated as investment officer of the school district and is responsible for investment decisions and activities under the direction of the school board. The investment officer shall operate the school district's investment program consistent with this policy. The investment officer may delegate certain duties to a designee or designees, but shall remain responsible for the operation of the program.
- B. All officials and employees that are part of the investment process shall act professionally and responsibly as custodians of the public trust, and shall refrain from personal business activity that could conflict with the investment program or which could reasonably cause others to question the process and integrity of the investment program. The investment officer shall avoid any transaction that could impair public confidence in the school district.

VI. STANDARD OF CONDUCT

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The prudent investor rule shall be applied in the context of managing the overall portfolio. The investment officer, acting in accordance with this policy and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes.

VII. PERMISSABLE INVESTMENT INSTRUMENTS

The school district may invest its available funds in those instruments specified in Minn. Stat. §§ 118A.04 and 118A.05, as these sections may be amended from time to time, or any other law governing the investment of school district funds. The assets of another postemployment benefits (OPEB) trust or trust account established pursuant to Minn. Stat. §§ 471.6175 to pay postemployment benefits to employees or officers after their termination of service, with a trust administrator other than the Public Employees Retirement Association, may be invested in instruments authorized under Minn. Stat. Ch. 118A or §§ 356.A.06, Subd. 7. See District Policy 705.1 Investments Policy – OPEB. Investment of funds in an OPEB trust account under Minn. Stat. § 356A.06, Subd.7, as well as the overall asset allocation strategy for OPEB investments, shall be governed by an OPEB Investment Policy Statement (IPS) developed between the investment officer, as designed herein, and the trust administrator.

VIII. MONITORING AND ADJUSTING THE PORTFOLIO

The investment officer will monitor the contents of the portfolio, the available market, and the relative values of the competing instruments. The procedures shall be designated to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes and imprudent actions.

IX. PORTFOLIO DIVERSIFICATION; MATURITIES

The school district will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

	<u>Maximum Percent of Portfolio</u>
Diversification by Instrument:	
U.S. Treasury Obligations (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations	100%
Local Government Investment Pool	100%
Certificates of Deposit (CDs)	75% 95%
Commercial Paper - Prime (C)	33%
Repurchase Agreements (Repos)	33%

No more than 50% of the total portfolio will be with any single instrument.

Maturity Scheduling:

Investment maturities shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue (property tax and state aid payments).

X. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

The Director of Finance & Operations or designee shall receive quotes on interest rates from various financial institutions.

XI. QUALIFIED INSTITUTIONS

- A. The school district shall maintain a list of financial institutions, which are approved for investment purposes. Financial institutions include, but are not limited to, federally chartered banks, and other money management firms. Such institutions or firms must be designated by the Board of Education as official depositories. They shall have done business with other Minnesota government units and be primary dealers or a Minnesota regional dealer with combined capital and surplus of at least forty million dollars exclusive of subordinate debt.
- B. Prior to completing an initial transaction with a broker, the school district shall provide to the broker a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with Minnesota statutes governing the investment of public funds. The broker must annually acknowledge receipt of the statement of investment restrictions and agree to handle the school district's account in accordance with these restrictions. The school district may not enter into a transaction with a broker until the broker has provided this annual written agreement to the school district. The notification form to be used shall be that prepared by the State Auditor. A copy of this investment policy, including any amendments thereto, shall be provided to each such broker.

XII. COLLATERALIZATION

Collateralization shall be as required by Minnesota State Statute 118A.03 for any amount exceeding FDIC or FSLIC coverage.

XIII. DEPOSITORIES

The school board shall designate one or more official depositories for school district funds. The school district and the depository shall each comply with the provisions of Minnesota State Statute 118A.03. The official depositories of the school district include KleinBank, BankWest, First Minnesota Bank, MidCountry Bank, Wells Fargo, Minnesota School District Liquid Asset Fund, PMA Financial Network, Inc., Bremer Bank, and Morgan Stanley Smith Barney.

XIV. ELECTRONIC FUND TRANSFERS

The school district may make electronic fund transfers for investments of excess funds upon

compliance with Minnesota State Statute 471.38. Electronic fund transfers are allowed for the following:

- A. For investments of excess funds;
- B. For vendor payments from accounts payable and payroll;
- C. For payment of state and federal taxes;
- D. For a payment of tax or aid anticipation certificates;
- E. For payment of bond principal, bond interest, and a fiscal agent service charge from the debt redemption fund.

Legal References:

Minn. Stat. 118A.01 – 06 Deposit and Investment of Local Public Funds

Minn. Stat. 118A.03

Minn. Stat. 118A.04

Minn. Stat. 118A.05

Minn. Stat. 336.4-108 Time of Receipt of Items

Minn. Stat. 471.38 Municipal Rights, Powers & Duties – Claims

Minn. Stat. 356A.06, Sub. 7 Authorized Investment Securities

Minn. Stat. 471.6175 Trust for Postemployment Benefits

Administrative Offices
Buffalo, Minnesota 55313

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