

INVESTMENT OF SCHOOL DISTRICT FUNDS

In accordance with the Illinois Public Funds Investment Act, 30 ILCS 235/0/01 et seq. (the "Act"), the school district shall maintain a set of procedures for the investment of school district funds that includes the following elements:

1. A listing of authorized investments;
2. The standard of care that must be maintained by the persons investing the public funds;
3. Investment and diversification guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
4. Guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to the Act, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral;
5. A system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the district;
6. Performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the school district's investment portfolio;
7. Appropriate periodic review of the investment portfolio, its effectiveness in meeting the school district's needs for safety, liquidity, rate of return, diversification, and its general performance;
8. At least quarterly written reports of investment activities by the treasurer for submission to the Board of Education and the Superintendent, including information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date;
9. A procedure for the selection of investment advisors, money managers, and financial institutions;
10. A policy regarding ethics and conflicts of interest.

The treasurer of the school district shall establish and submit such procedures for the Board's approval and shall periodically review and propose needed amendments thereto. Such procedures and this policy shall be kept available at all times for public review at the school district's administrative offices.

A. Scope

This investment procedure applies to funds of the District. These funds are accounted for in the District's annual financial report and include current funds, and any other funds that may be created, except for District pension funds which are regulated under the Illinois Pension Code. Transactions involving the District's funds and related activity of any funds shall be administered in accordance with the provisions of this procedure.

B. Objectives

1. Safety of Principal - Investments shall be structured to ensure the preservation of principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.
2. Liquidity - The District's investment portfolio shall be structured to provide sufficient liquidity to pay obligations as they come due.
3. Return on Investments - The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the risk constraints, the cash flow characteristics of the portfolio, and legal restrictions for return on investments.
4. Maintaining the Public's Trust - The investment officers shall act responsibly as custodians of the public trust and maintain public confidence in the District, the Board and the School Treasurer.

C. Investment Instruments

The Chief Investment Officer or designee may invest District funds as authorized in 30 ILCS 235/2, and Acts amended thereto.

The following limitations have been implemented regarding investment in commercial paper:

Commercial Paper—"A1/P1" or Better

The obligations at the time of purchase must be rated within the **two highest** classifications by at least **two of the three** standard rating services (Standard and Poor's, Moody's and Fitch Investors Service.)

The following limitations have been implemented regarding investment in municipal securities:

GO Bonds—"AA" or Better

Revenue Bonds—"AA" or Better; Original issue less than 13 months

D. Diversification

It is the policy of the District to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the School Treasurer. The diversification shall be as follows:

- a) Up to 100% of securities issued by the United States of America, its agencies and allowable instrumentalities.
- b) Up to 100% of interest bearing savings accounts, interest bearing certificate of deposit or interest bearing time deposits.
- c) Up to 33% of collateralized repurchase agreements, commercial paper, The Illinois Public Treasurer's Investment Pool, The Illinois School District Liquid Asset Fund, The Illinois Trust Fund or municipal securities.
- d) Treasurer may modify diversification based on volatility of market and current economic conditions.

E. Collateralization

All amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized in accordance with the Public Funds Investment Act, 30 ILCS 235/. The Superintendent or designee shall keep the Board informed of collateral agreements.

F. Safekeeping of Securities

1. Third party safekeeping is required for securities and commercial paper. To accomplish this, the securities must be held at one or more the following locations:
 - a) at a Federal Reserve Bank or its branch office;
 - b) at another custodial facility, which shall be a trust or safekeeping department through book-entry at the Federal Reserve, unless physical securities are involved; or
 - c) in an insured account at a primary reporting dealer
2. Safekeeping will be documented by an approved written agreement between the Board of Education and the holder of the securities. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.
3. Original certificates of deposits will be held by the originating bank. A safekeeping receipt will be acceptable documentation.

G. Qualified Financial Institutions and Intermediaries

1. Depositories -Demand Deposits

Funds shall be maintained in financial institutions properly designated by the School District pursuant to Section 8-7 of the School Code, 105 ILCS 5/8-7, and as authorized in 30 ILCS 235/6:

- a) Any financial institution selected by the District shall provide normal banking services, including, but not limited to: checking accounts, wire transfers and safekeeping services.
- b) The District will maintain funds in financial institutions that are a member of the FDIC system. In addition, the District will maintain funds in institutions that agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the District.
- c) To qualify as a depository, a financial institution must furnish the Treasurer with copies of the latest two statements of condition which it is required to furnish to the Comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statements to the Treasurer upon request.
- d) Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Treasurer on an annual basis. Fees for services shall be substantiated by a monthly account analysis.
- e) Each financial institution acting as a depository for the District must enter into a depository agreement with an authorized school district official that incorporates this policy by reference.

2. Banks and Savings and Loans -Certificates of Deposit

Any financial institution selected to be eligible for the District's competitive certificate of deposit purchase program must:

- a) provide wire transfer and certificate of deposit safekeeping services;
- b) be a member of FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the District; and
- c) meet at all times the financial criteria as established in the investment procedures of the District.

3. Intermediaries

Any financial intermediary selected to be eligible for the District's competitive investment program must:

- a) provide wire transfer and deposit safekeeping services;

- b) be a member of a recognized U.S. Securities and Exchange Commission Self Regulatory Organization such as the New York Stock Exchange, National Association of Securities Dealers, Municipal Securities Rule Making Board, or other similar organization acceptable to the District;
- c) provide an annual audit upon request.
- d) maintain an office of Supervisory Jurisdiction within the State of Illinois and be licensed to conduct business in this State; and
- e) be familiar with the Board of Education's policy and accept financial responsibility for any investment not appropriate according to the policy.

H. Management of Program

1. The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this procedure: Treasurer, Assistant Treasurer or designee.
2. Management responsibility for the investment program is hereby delegated to the Treasurer, Assistant Treasurer, or designee who shall establish a system of internal controls and written operational procedures designed to insure: Safety of Principal, Liquidity, Return on Investments, and Maintaining the Public's Trust. Such procedures shall include explicit delegation of authority to persons responsible for the execution under the direction of the Treasurer of specific financial transactions, including: investment transactions; check signing, check reconciliation, deposits, bond payments, report preparation and wire transfers. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities.
3. The wording of agreements necessary to fulfill the investment responsibilities is; the responsibility of the Treasurer or designee who shall periodically review them for their consistency with District policy and State law.
4. The Treasurer may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit. These intermediaries shall meet the criteria set forth in Section G (3) above and shall be approved by the Board of Education.
5. All wire transfers made by the Treasurer or designee shall require a secondary authorization by the Assistant Treasurer or designee.
6. The Treasurer shall be further authorized to enter into joint investment agreements as authorized under Section 8-7 of the School Code.

I. Performance

The Treasurer will seek to earn a rate of return appropriate for the type of investments given the portfolio objectives defined in Section B of this document. The Treasurer will strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time for the average weighted maturity of the District's investments.

J. Ethics and Conflicts of Interest

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

K. Indemnification

Investment officers and employees of the District acting in accordance with this Investment Procedure, and who exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for a security's credit risk or market changes.

L. Reporting

The Treasurer or Designee shall submit to the Board of Education and the Superintendent a monthly investment report which shall include information regarding securities in the portfolio by class or type, book value, income earned, and market values as of the report date. Generally accepted accounting principles shall be used for valuation purposes.

M. Amendment

This procedure shall be reviewed periodically by the Treasurer or Designee.