

**Administrative Procedures for Policy #5650 (Business)  
Regarding Financial Investment of Public Funds**

I. Scope

- A. Investments of the Calvert County Public Schools must be made with prudent judgment and care, in a manner to provide the highest level of investment return on the dollar with the maximum level of security. The investments must be short-term to provide the necessary fluidity to ensure that the daily cash flow obligations of school system are met.
- B. These procedures apply to the following funds of the Board:
  - 1. General Fund (Current Expense Fund – Unrestricted and Restricted)
  - 2. Special Revenue Fund (Cafeteria Fund)
  - 3. Capital Projects Fund (School Construction Fund)
  - 4. School Activity Funds

II. Objectives

- A. The primary objectives, in priority order, of investment activities shall be:
  - 1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the Board shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification, third party collateralization, safekeeping and delivery versus payment will be required.
  - 2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the board to meet all operating requirements which might be reasonably anticipated.
  - 3. Return on investment: Investments shall be selected with the objective of attaining a market rate of return, throughout budgetary and economic cycles, commensurate with investment risk constraints and the cash flow characteristics of the portfolio.

III. Authorized Financial Institutions

- A. No deposit shall be made except in a financial institution which is a qualified public depository as established by the State of Maryland.
- B. A current audited financial statement is required to be on file for each financial institution which is used for any investment.

IV. Authorized and Suitable Investments

Business 5650.1

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- A. The Chief Financial Officer or designee is authorized to invest money in any of the following types of investments:
1. U. S. Treasury Obligations for which the United States has pledged its faith and credit for the payment of the principal and interest;
  2. Any investment portfolio created under the Maryland Local Government Investment Pool defined under Article 95, § 22G of the Annotated Code of Maryland that is administered by the Office of the State Treasurer
  3. A repurchase agreement fully collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer
  4. Collateralized Certificates of Deposit
- V. Diversification in Authorized and Suitable Investments
- A. Investments will be diversified to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.
- |   |                                     |
|---|-------------------------------------|
| 1. Diversification by Instrument  | <u>Maximum Percent of Portfolio</u> |
| a. U. S. Treasury Obligations   | 100%                                |
| b. Local Government Investment Pool   | 100%                                |
| c. Repurchase Agreements<br>(Master Repurchase Agreements Required)           | 15%                                 |
| d. Collateralized Certificates of Deposit<br>(Only Maryland Commercial Banks) | 15%                                 |
| e. Federal Deposits (FDIC-insured deposits)                                   | 100%                                |
- B. Diversification of Maturities
1. In order to meet investment objectives, investments will be made on a short-term basis (less than one year).
- VI. Collateralization
- A. Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of market value of principal and accrued interest.
- B. Collateral will always be held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland.
- C. Acceptable collateral is specified under Section 6-202 of the State Finance and Procurement Article of the Annotated Code of Maryland. However, the third party trust custodian, who holds the collateral, has the right to reject otherwise acceptable collateral based on their discretion considering market conditions.

- D. The right of collateral substitution is granted, and all associated costs will be paid by the seller (Financial Institution).

VII. Safekeeping and Custody

- A. All security transactions, including collateral for repurchase agreements, entered into shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Chief Financial Officer. All repurchase agreements will be governed by a Master Repurchase Agreement signed by the appropriate officials of the Board and the financial institution.

VIII. Ethics and Conflicts of Interest

- A. The Board is acutely aware of the responsibilities the staff has in administering the investment assets of the Calvert County Public Schools. Therefore, the integrity of the staff and all others involved in making investment decisions must be unquestioned.
- B. Members of the Board, the Superintendent, and members of the staff with investment responsibilities may not have a direct or indirect interest in the gains or profits of any investment made by the Board and may not receive any pay or emolument for services other than as designated compensation and authorized expenses.
- C. All persons responsible for investment decisions or who are involved in the management of Board assets shall refrain from personal business activity that could conflict with the proper execution of the investment programs of the Board or which could impair their ability to make impartial investment decisions.
- D. All persons responsible for investment decisions or who are involved in the management of the Board assets are prohibited from accepting invitations to functions if the cost is borne by brokers or dealers, corporations, or the system's banks. Exceptions to this rule are invitations that have been extended to other members of the investment community and are made for the express purpose of presenting topics pertinent to the investment of Board assets.
- E. Procedure 1740.3 – Conflict of Interest and Outside Employment – establishes additional rules and guidelines governing all employees including persons responsible for investment decisions.

IX. Performance Standards

- A. The investment portfolio will be designed to obtain a market rate of return during budgetary and economic cycles, taking into account investment risk constraints and cash flow needs.

X. Reporting

- A. The Chief Financial Officer or designee is charged with the responsibility of providing the Board with a report semi-annually, which shall provide a clear picture of the status of the current investment portfolio in accordance with State law.

XI. Procedures

- A. Investment Activity

1. All proposed investment transactions will be authorized by the Chief Financial or designee.
2. A check requisition or bank transfer will be prepared for investment purchases.
3. The investment account will be reconciled with bank/broker statements as the account statements are received.
4. Investment account balances will be reconciled with the General Ledger control account monthly.

B. School Activity Funds

1. The Chief Financial Officer or designee will develop and maintain a School Activity Fund Accounting Manual.
2. Schools should invest excess funds from their School Activity Fund on a regular basis in accordance with the manual guidelines.
3. The principal of each school and the Chief Financial Officer, or designee will ascertain that the guidelines are being followed regarding investments of these funds prior to June 30, or prior to the annual audit, whichever is earlier.
4. The audit report will be presented to the Board of Education annually.