LENAPE TECHNICAL SCHOOL

SECTION: FINANCES

TITLE: INVESTMENT OF SCHOOL FUNDS

ADOPTED: November 15, 2007

REVISED: September 17, 2015

REVIEWED: February 18, 2016

## 609. INVESTMENT OF SCHOOL FUNDS

1. Purpose

It shall be the policy of the Joint Operating Committee to optimize its return through investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments.

The primary objectives of investment activities, in priority order, shall be:

**Legality** - All investments shall be made in accordance with applicable laws of Pennsylvania.

**Safety** - Safety of principal shall be of highest priority. Investment shall limit the exposure to loss of principal due to market changes in interest rates. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk. Investments shall not have any related risk that would require disclosure pursuant to GASB Statement 40.

**Liquidity** - Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands.

**Yield** - Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

2. Authority
SC 440.1, 621, 622, 623

All investments of the school made by an officer and/or employee of the school shall be made in accordance with this policy and any investment program approved by the Joint Operating Committee.

3. Definitions

**Short-term** - any period thirteen (13) months or less.

**Long-term** - any period exceeding forty-eight (48) months' duration.

**Mid-range** - any period between short-term and long-term.

**Concentration of credit risk –** the risk associate with the consolidation of investments in a single pool, institution, or instrument.

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| | **Credit risk** - the risk of loss of principal due to the failure of the security issue or backer of the issue.<br><br>**Custodial credit risk –** the risk of loss associated with consolidation of investments with a single institution where the school may rely on the institution to hold investments on behalf of the school or through collateral action when the instruments are not in the school's name.<br><br>**Foreign currency risk –** the risk associated with investment in foreign currency that is subject to market fluctuation and associated currency conversion.<br><br>**Interest rate risk** - the risk that the market value of securities will fall due to changes in general interest rates.<br><br>**Investment program** –a specifically enumerated investment strategy approved by the Joint Operating Committee. |
| 4. Delegation of Responsibility<br>SC 440.1 | The Joint Operating Committee shall delegate to a designated individual the responsibility to manage the school's investment program, in accordance with any written rules and procedures approved by the Joint Operating Committee- for operation of the investment program.<br><br>An annual review of the investment program shall be prepared by the designated individual, based upon the anticipated cash flow of all school funds, i.e. general, capital reserve, bond, etc. The investment program shall be submitted to the Joint Operating Committee during the month of September. |
| SC 440.1 | The designated individual responsible for investments shall report monthly to the Joint Operating Committee the following:<br><br>1. Amount of funds invested.<br>2. Interest earned and received to date.<br>3. Types and amounts of each investment and the interest rate on each.<br>4. Names of the institutions where investments are placed.<br>5. Current market value of the funds invested.<br>6. Collateralization of deposits exceeding insurance limits<br><br>Other information required by the Joint Operating Committee. |

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| 5. Guidelines<br>SC 440.1 | The Joint Operating Committee directs the Administrative Director or appropriate personnel designated by the Administrative Director to establish administrative regulations that will ensure compliance with this policy, including a disclosure form for designated individuals involved in the investment process and/or required written statements for advisors and bidders.<br><br>Investments permitted by this policy are those defined in law for school districts, which are collateralized in accordance with applicable laws.<br><br>All securities shall be purchased in the name of the School, and custody of the securities shall be specified within the investment program. |
| 17 CFR<br>Part 270 | An exception to purchases in the name of the school is permitted for the purchase of shares of an investment company that is or conducts business voluntarily in compliance with applicable law. |
| SC 440.1 | All investment advisors or bidders shall verify in writing that they have received a copy of this policy. Such written statement shall indicate that they have read and understand this policy and all applicable laws related to school ~~district~~ investments, along with their intent to comply fully with these requirements.<br><br>The School shall require all investment advisors/bidders to submit annually any or all of the following, as appropriate:<br><br>1. Audited financial statements.<br><br>2. Proof of Financial Industry Regulatory Authority (FINRA) certification.<br><br>3. Proof of state registration.<br><br>4. Rating from a recognized rating agency.<br><br>5. Sworn statement as to whether the company or any employee is under investigation by any governmental or regulatory agency regarding fraud, financial improprieties or financial irregularities.<br><br>6. Sworn statement as to whether the company or any employee has been found by any governmental or regulatory agency to have committed fraud, financial improprieties or financial irregularities. |
| 65 Pa. C.S.A.<br>Section 1101 et seq | <u>Disclosure</u><br><br>Designated officers and employees involved in the School's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions. |

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| | Audit |
| Pol. 619 | The Joint Operating Committee directs that all investment records be subject to annual audit by the School's independent auditors.<br><br>The audit shall include but not be limited to independent verification of amounts and records of all transactions, as deemed necessary by the independent auditors.<br><br>It shall be the responsibility of the investment advisor and/or bidder to maintain necessary documents to permit independent audit of the school's investments. |
| | Bond Proceeds |
| 53 Pa C.S.A. Sec. 8001 et seq | Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act and applicable federal and state laws, subject to approval by the solicitor and/or bond counsel and the Joint Operating Committee.<br><br>Investment transactions arising from bond proceeds shall be reported monthly to the Joint Operating Committee, in accordance with this policy. |
| | Compliance with GAAP |
| SC 218, 440.1<br>GASB Stmt 40 | The following is intended to guide the school's investments as limited by law:<br><br>1. School funds shall not be invested in foreign currency and shall have no related risk that would require disclosure pursuant to GASB Statement 40.<br><br>2. School investments shall limit the exposure to loss of principal due to market changes in interest rates. To accomplish this, investments of this nature shall maturity dates.<br><br>3. School investments in authorized instruments that are not backed by the "full faith and credit" of the federal or Pennsylvania State government shall be limited to those with the highest credit rating available for such instruments issued by a nationally recognized rating agency, and only after being specifically approved by five (5) affirmative votes of the Joint Operating Committee.<br><br>If, after purchase, the rating of an instrument is reduced and no longer in compliance with this policy, the individual responsible for school investments shall advise the Joint Operating Committee at the earliest opportunity of such action and notify the Joint Operating Committee of the rating change, action taken and replacement investment. |

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| | 4. When school funds are invested in any issuer other than designated depository accounts (which includes external investment pools), and securities issued or explicitly guaranteed by the U.S. Government or the Commonwealth of Pennsylvania, owned directly by the school, the amount of the investment may be unlimited, but in all instances must be specifically approved by five (5) affirmative votes of the Joint Operating Committee<br><br>5. For purposes of interest rate disclosure in the annual financial report, the method of determining interest rate risk shall be based on weighted average maturity.<br><br><u>Protection Of Bank Balances In Excess of FDIC Limits</u><br><br>When the school's cash is deposited in an authorized depository, if the cash balance exceeds the insurance limits, school funds shall be collateralized pursuant to 72 P.S. Sec. 3836 et seq as amended..<br><br>The collateral shall be limited to Investments authorized by law.<br><br>It shall be the responsibility of the Administrative Director.<br><br>To verify with the depository the value of the instrument(s) based on the instrument being "marked to market".<br><br>Verification of the value of the collateral instrument(s) shall occur annually.<br><br>Following a review of valuation, the Administrative Director. |
| SC 440.1<br>72 P.S.<br>Sec. 3836 et seq. | May request an additional review by the school's investment advisors or financial consultant, and shall require additional collateral if the existing collateral has declined in value and exposes the school to potential loss of principal. The Joint Operating Committee shall be advised of the status of the valuation review and any additional collateral at the first meeting following the review.<br><br>References:<br><br>School Code – 24 P.S. Sec. 218, 440.1, 621, 622, 623<br><br>Local Government Unit Debt Act – 53 Pa. C.S.A. Sec. 8001 et seq.<br><br>Public Officials and Employee Ethics Act – 65 Pa. C.S.A. Sec. 1101 et seq.<br><br>Security of Public Deposits – 72 P.S. Sec. 3836 et seq. |

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| | Investment Companies, Title, 17, Code of Federal Regulations – 17 CFR Part 270<br><br>Governmental Accounting Standards Board, Statement No. 40<br><br>Joint Operating Committee Policy – 000, 619<br><br>NOTES:<br><br>Intergovernmental cooperation – 53 Pa. C.S.A. Sec. 2301 et seq. |