

P3415 INVESTMENT OF IDLE FUNDS

BOARD POLICY:

Unified School District 259 shall invest idle funds in accordance with Kansas Statutes.

Administrative Implemental Procedures:

1. The USD 259 investment policy shall apply to all district funds.
2. Safety of the principal shall be the foremost objective of the investment policy. Each investment transaction shall seek to first ensure that principal losses are avoided, whether they be from security defaults or erosion of market value.
3. The USD 259 investment portfolio shall remain sufficiently liquid to enable the district to meet all operating requirements which might reasonably be anticipated.
4. The district's investment portfolio shall be designed with the objective of equaling or exceeding the average rate of return of U. S. Treasury bills. The investment program shall seek to augment returns above this threshold, while being consistent with state law restrictions, prudent investment principles, and cash flow requirements.
5. The district's investment portfolio shall be diversified with respect to maturity, security types, and/or individual financial institutions to avoid incurring unreasonable or avoidable risks to principal or liquidity of investments.
6. All participants in the investment process shall seek to act responsibly as custodians of the public trust. With regard to investment of district funds, employees of the district shall avoid any transactions that might impair public confidence in the district's ability to govern effectively.
7. All investment security purchases by the district shall occur on a delivery versus payment basis, perfected in the name of the district and held in third-party safekeeping by an institution designated as primary agent to protect against potential fraud and embezzlement. The primary agent shall issue a safekeeping receipt to the district listing the specific instrument, rate, maturity, and other pertinent information.
 - a. Deposit-type securities (Certificates of Deposit) shall be collateralized as required by Kansas law for any amount exceeding FDIC coverage. Other investments shall be collateralized by the actual security held in safekeeping by a third-party agent.
8. The USD 259 treasurer is designated as investment officer and is responsible for making investment decisions and activities. A system of internal controls shall be documented in writing and shall be reviewed by the district's independent auditors. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the district. Controls deemed most important shall include:
 - a. discovery of collusion
 - b. separation of duties
 - c. separation of transaction authority from accounting and recordkeeping
 - d. custodial safekeeping
 - e. avoidance of delivery of bearer-form securities to the district
 - f. clear delegation of authority

- g. specific limitations regarding security losses and remedial action
 - h. written confirmation of telephone transactions
 - i. limitation of the number of authorized investment officials
 - j. requirement that all investment transactions bear authorization of two investment officials
 - k. documentation of transactions and strategies
9. The district's assistant treasurer shall act as the alternate investment officer in the absence of the investment officer. In the event of an extended absence or the replacement of the investment officer, a district administrator of the superintendent's choice shall act as the investment officer.
10. 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 applied in the context of managing the overall portfolio. The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for the specific security credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.
11. The district shall diversify its investment portfolio wherever possible. Within the limit of the law assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:
- a. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
 - b. Liquidity practices shall be used at all times to ensure that the next disbursement date and payroll date are covered through maturing investments, marketable U. S. Treasuries, or cash on hand.
12. A competitive bid process shall be conducted prior to the district investing any surplus funds.
- a. The district shall accept the bid which provides the highest rate of return within the maturity required and within the perimeters of this policy and Kansas Statutes.
 - b. Records will be maintained for five years of the bids offered, bids accepted, and a brief explanation of the decision made regarding the investment.
13. The district shall maintain a listing of financial institutions which are approved for investment purposes. Banks shall provide their most recent Consolidated Report of Condition at the request of the district. At a minimum the district shall evaluate each institution's credit worthiness annually.
14. The Board of Education shall be provided with monthly investment reports which include current investment instruments held, matured investments for the month, type of security,

interest rate of each security, anticipated interest on each security, yield, and other detail as may be required by the Board.

15. The district shall allocate investment earnings according to state and federal statutes and regulations and in conformance with governmental accounting standards.

Administrative Responsibility: Financial Services

Latest Revision Date: November 2006

Previous Revision Date: March 1999 P3415