I. PURPOSE

The purpose of this policy is to establish guidelines and standard criteria for the deposit and/or investment of school funds.

II. GENERAL STATEMENT OF POLICY

Lakes International Language Academy (the "school") will comply with all state and federal laws relating to deposits of funds and investments, including MN Statute Ch. 118A. The policy applies to all investments, unless the school board specifically exempts certain investments through formal action.

III. PRIMARY CRITERIA

A. Safety and Security. The investments of the school will be undertaken in a manner that seeks to ensure the preservation of the principal of the investments.
B. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
C. Return and Yield. The investments will be managed in a manner to attain a market rate of return, while preserving and protecting the principal of the investments and taking into account constraints on risk and cash flow requirements.

IV. INVESTMENT AUTHORITY

A. The school board will pass a resolution annually that delegates the authority to make investment decisions and activities to an investment officer. The investment officer will operate the school's investment program consistent with this policy. The investment officer may delegate certain duties to a designee or designees, but will remain responsible for the program.
B. The investment officer must follow school board-established limits on allowable investments. The school board will periodically review the limits and consider possible modifications.
C. All officials and employees that are a part of the investment process will act professionally and responsibly as custodians of the public trust, and refrain from personal business activity that could conflict with the school investment program. Any transaction that could impair public confidence in the school should be avoided.
D. The investment officer will act according to this policy and exercise due diligence, judgment and care, with prudence to manage the overall investments of the school.
E. The investment officer will not be held personally responsible for investment performance or market price changes. The investment officer will report deviations from expected gains and take appropriate action to control adverse developments.

V. MONITORING AND ADJUSTING INVESTMENTS

A. The investment officer will routinely monitor existing investments and report on them to the school board.

VI. INTERNAL CONTROLS

A. The investment officer will establish and follow internal controls to prevent and control losses of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions by officers, employees or others.

B. Internal controls may include:

i. Separation of duties: transaction authority separated from accounting and recordkeeping

ii. Clearly delegating authority to applicable staff members

iii. Minimize the number of staff involved in investment activities

iv. Written documentation of verbal directives

v. Documenting transactions and strategies

VII. REPORTING REQUIREMENTS

A. The investment officer will generate quarterly transaction reports for management purposes.

B. The investment officer will report on investments to the school board, including data on investment instruments being held as well as any narrative necessary for clarification.

VIII. PERMISSABLE INVESTMENT INSTRUMENTS

The school may invest its available funds in those instruments specified in MN Statutes 118A.04, 118A.05, or any other law governing the investment of public school funds.

IX. INVESTMENT DIVERSIFICATION; MATURITIES

A. The school will evaluate diversification of its investments to avoid unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities.

B. The investment officer will present to the board for review and approval the maximum percentage of the total investment portfolio that may be held in any one depository and any one investment instrument.

C. Investment maturities will be scheduled to coincide with projected school cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. The maturities selected will provide for stability of income and reasonable liquidity.

X. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

The investment officer will collect quotes as part of the investment selection process.

XI. QUALIFIED INSTITUTIONS

A. The school will only transact business with financial institutions that comply with Federal Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), are FDIC insured and comply with B. and C. below.

B. Prior to completing an initial transaction with a financial institution, the school will provide the financial institution a written statement of investment restrictions. The statement will include a provision that all future investments are to be made in accordance with MN statutes governing the investment of public funds, FIRREA, and other provisions specified by the school board and this policy. The financial institution must annually acknowledge receipt of the statement of investment restrictions and agree to handle the school's account(s) in accordance with these restrictions. The school may not enter into a transaction with a financial institution until the financial institution has provided this annual written agreement to the school. The notification form to be used shall be that prepared by the state auditor or another form that is substantially similar.

C. The written statement includes, but is not limited to:

i. written assignment of pledged securities for deposit amounts that exceed the Federal Deposit Insurance Company (FDIC) level

ii. sufficient amounts of pledged collateral

iii. approval of the written assignment(s) by the financial institution's loan committee or board of directors

iv. written documentation from the financial institution that the written assignments were approved per XI.C.iii., in the form of copy of minutes (excerpt acceptable) or resolution.

XII. SAFEKEEPING AND COLLATERALIZATION

A. All investment securities, excluding deposit-type securities such as CDs, purchased by the school shall be held in third party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minn. Stat.§ 118A.06. The institution or dealer shall issue a safekeeping receipt to the school district listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

B. Deposit-type securities shall be collateralized as required by Minn. Stat. §118A.03 for any amount exceeding FDIC or other federal deposit coverage.

XIII. DEPOSITORIES

A. The school board shall annually designate one or more official depositories for school funds.
B. The school and the depository shall each comply with the provisions of Minn. Stat. § 118A.03 and any other applicable law, including any provisions relating to designation of a depository, qualifying institutions, depository bonds, and approval, deposit, assignment, substitution, addition, and withdrawal of collateral.

Adopted: 11/10/11
Reviewed 7/12/16