

P3415 Investment of Idle Funds

Unified School District 259 shall invest idle funds in compliance with applicable law, managing such funds prudently and maintaining necessary levels of ready availability.

Administrative Implemental Procedures

1. Idle funds shall be invested in a manner consistent with the following objectives:
 - A. Safety of Principal: The foremost objective of this investment program is the safety of the principal of funds within the portfolios. Investment transactions shall seek to minimize credit and interest rate risk and to keep capital losses at a minimum whether they are from securities default or erosion of market value.
 - B. Liquidity: Funds shall be available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodic and regular cash flow analyses will be completed to ensure that the portfolios are positioned to provide sufficient liquidity.
 - C. Return on Investment: Portfolios shall be designed to attain a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs while being consistent with state law restrictions, prudent investment principles, and District priorities. Return on investment is of lesser importance than safety and liquidity; however, the portfolio will be managed and invested to maximize net earnings.
2. Delegation of authority allows that responsibility for providing oversight and direction for the management of the investment program resides with the Treasurer (Chief Financial Officer) and Assistant Treasurer (Director of Accounting/Controller). If the Treasurer and Assistant Treasurer are absent for an extended period or a replacement is required, then a district administrator selected by the superintendent will assume the role of Treasurer.
3. Daily investment management responsibility for the investment program and investment transactions is assigned by the Treasurer and/or Assistant Treasurer to qualified support staff with appropriate skill, education, and/or experience. Employees assigned this duty will participate in regular training related to governmental investing. If the District requires permanent or temporary use of an investment advisor, the advisory services will be solicited in accordance with the procurement procedures and any applicable state law or standards. Investment advisory services will be held to the "Prudent Expert" standard.
4. Standard of Prudence is to be used by investment officers and employees involved in the handling of investment activities shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. The "Prudent Person" rule states the following:

"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 the probable income to be derived from the investment."

Individuals who are officers or employees acting in accordance with written procedures and this policy and exercising due diligence shall be relieved of personal responsibility for the specific security credit risk or market price changes, provided that these deviations are reported timely and that appropriate action is taken to control adverse developments.

5. Ethics and conflicts of interest: Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, erode public trust, impair public confidence in the District's ability to govern effectively, or which could impair their ability to make impartial investment decisions. Employees involved in the investment process shall disclose to the Treasurer and Assistant Treasurer any material financial interests in financial institutions that conduct business with the District, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the District's investment program.
6. The District shall establish a system of internal controls or operational procedures. The internal controls should be designed to ensure that the assets of the District are protected from loss, theft, or misuse. The internal control structure should be designed to provide reasonable assurance that these objectives are met. Independent auditors, as a normal part of the annual financial audit to the District, may conduct a review of the system of internal controls to ensure compliance with policies and procedures.
7. Maturity and liquidity requirements: to the extent possible, an attempt will be made to match investment maturities with anticipated cash flow requirements. Using cash flow analyses and assessing market conditions, the District will structure the portfolio(s) to ensure sufficient cash liquidity for anticipated payment disbursements and payroll through maturing investments, marketable U. S. Treasuries, or cash on hand. In the event of a cash shortfall, the Treasurer and Assistant Treasurer will be notified immediately upon discovery, and the District will follow the actions outlined in the written procedures.
8. Portfolio assets shall be diversified to control risks resulting from overconcentration of assets in a specific maturity, issuer, instruments, dealer, or bank through which these instruments are bought and sold. With oversight from the Treasurer and Assistant Treasurer, appropriate designated staff will analyze and determine diversification strategies, limits, and guidelines based on issuer and type making prudent changes to limits and guidelines as changes to markets require but reviewing no less than annually. All risk and diversification strategies will comply with all statutes and will be included in the investment procedures.
9. Selection of investments involves the maintenance of a list of eligible financial institutions which are approved by the Treasurer and/or Assistant Treasurer for investment purposes. Investment bid solicitations will be offered to eligible banks for set amounts and maturities with a "local first" priority. Banks with a main office or branch office in the District's area receive preference. All bids will be allowed a minimum 2-day response time and handled in accordance with all applicable statutes and laws. Bids will be held in confidence until the best investment options have been determined and selected. The district shall accept the bid which provides the highest rate of return for the maturity required after considering risk and diversification provisions within the limits of this policy and Kansas Statutes. Records will be maintained per record retention statutes and will include the details of the bids offered,

bids accepted, and a brief explanation of the decision made regarding the investment.

10. All investments purchased under this policy shall be governed by Kansas law. Investments are limited to a maximum maturity of two years unless this policy is approved by the State of Kansas Pooled Money Investment Board (the "PMIB") for expanded investment authority, in which case the maximum maturity of investments can be for up to four years. The District is authorized to place public funds with eligible banks in the following:
 - A. Commercial savings, demand deposits, and money market accounts
 - B. Time deposits, certificate of deposits
 - C. Reciprocal Deposit Programs
 - D. Repurchase Agreements

If no eligible bank is willing to make an investment available to the District at interest rates equal to or greater than the minimum investment rate, then the following investment types can be utilized:

- E. Direct obligations of the United States or obligations that are insured as to principal and interest by the United States or any agency thereof (excluding mortgage-backed securities)
- F. Municipal Investment Pool Fund established by KSA 12-1677a and managed by the state of Kansas
- G. Local government investment pools if operating under the provisions of KSA 9-2107
- H. Securities of United States government sponsored enterprises if this policy is approved by PMIB

If this policy is approved by the PMIB for expanded investment authority, investments in securities will be limited to securities that do not have any more interest rate risk than direct United States government obligations of similar maturities.

All security purchases by the District shall occur on a delivery versus payment basis, perfected in the name of the District. The third-party custodian shall issue a safekeeping receipt to the district listing the specific instrument, rate, maturity, and other pertinent information.

Per state statute, securities investment transactions shall only be conducted with banks, savings and loan associations and savings banks, with primary government securities dealers that report to the market report division of the federal reserve bank of New York, or any broker-dealer that is registered in compliance with the requirements of section 15C of the securities exchange act of 1934 and registered pursuant to K.S.A. 17-12a401, and amendments thereto.

11. Financial institutions will secure full collateral for investments except in the case of direct and indirect obligations of the United States Government wherein the actual security is the collateral. All FDIC insurance, including participation in any reciprocal deposit program, will be considered part of an institution's pledged collateral in any collateral assessment. Any amounts exceeding FDIC limits will be collateralized by utilizing a public moneys pooled method of securities as required by Kansas law. Financial institutions must pledge a pool of securities equal to at least 102% of the uninsured public deposits and will be managed by the state treasurer through the Kansas Collateral Pool. The District will receive regular monthly statements from banks and financial institutions with detailed lists of investments held and confirming proper collateral coverage.

12. To assist in the annual evaluation of the portfolios' performance, the District will use performance benchmarks. The district's investment portfolio shall be designed with the objective of equaling or exceeding the Pooled Money Investment Board (PMIB) investment rate. The investment program shall seek to augment returns above this threshold, while being consistent with state law restrictions, prudent investment principles, and cash flow.
13. Reporting to the District's Board of Education will include monthly investment reports which include information about investments sold and purchased. Additional reports outlining other details may be provided as required or requested by the Board throughout the year. A report with a full list of current investments that includes portfolio size, maturity distribution, and expected yield to maturity will be provided annually to the Board and will be included as part of the annual financial reporting. All investments and investment earnings will be credited and reported according to any applicable GAAP and GASB standards as well as any state and/or federal statutes and regulations.
14. The policy along with all attachments and/or amendments shall be approved by the Board. The Treasurer and Assistant Treasurer along with designated staff shall review the policy annually and shall present all modifications to the Board for approval. If, after adoption of this policy by the Board, there is any conflict of this policy with Kansas laws and/or statutes, current law will prevail.

A glossary of common cash and investment terms are included in Attachment A.

Administrative Responsibility:	Financial Services
Latest Revision Date:	August 2026
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Attachment A – Glossary of Common Cash and Investment Terms

Benchmark. A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance, and duration of the actual portfolio's investments.

Bid Price. Price at which a bank or broker/dealer offers to accept an investment or security from an investor.

Bond. Financial obligation for which the issuer promises to pay the bondholder (the purchaser or owner of the bond) a specified stream of future cash-flows, including periodic interest payments and a principal repayment.

Book Value. The value at which a debt security is reflected on the holder's records at any point in time. Book value is also called “amortized cost” as it represents the original cost of an investment adjusted for amortization of premium or accretion of discount. Also called “carrying value.” Book value can vary over time as an investment approaches maturity and differs from “market value” in that it is not affected by changes in market interest rates.

Broker/Dealer. A person or firm transacting securities business with customers. A “broker” acts as an agent between buyers and sellers, and receives a commission for these services. A “dealer” buys and sells financial assets from its own portfolio. A dealer takes risk by owning inventory of securities, whereas a broker merely matches up buyers and sellers. See also “Primary Dealer.”

Certificate of Deposit (CD). Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity). Can be as long as ten (10) years to maturity, but most CDs purchased by public agencies are one year and under.

Collateral. Investment securities or other property that a borrower pledges to secure repayment of a loan, secure deposits of public monies, or provide security for a repurchase agreement.

Collateralization. Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

Coupon Rate. Annual rate of interest on a debt security, expressed as a percentage of the bond’s face value.

Current Yield. Annual rate of return on a bond based on its price. Calculated as (coupon rate/price), but does not accurately reflect a bond’s true yield level.

Custody. Safekeeping services offered by a bank, financial institution, or trust company, referred to as the “custodian.” Service normally includes the holding and reporting of the customer's securities, the collection and disbursement of income, securities settlement, and market values.

Dealer. A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own account.

Delivery Versus Payment (DVP). Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

Diversification. Dividing investment funds among a variety of security types, maturities, industries, and issuers offering potentially independent returns.

Duration. The weighted average maturity of a security's or portfolio's cash-flows, where the present values of the cash-flows serve as the weights. The greater the duration of a security/portfolio, the greater its percentage price volatility with respect to changes in interest rates. Used as a measure of risk and a key tool for managing a portfolio versus a benchmark and for hedging risk. This is not the same as the term of an investment.

Fannie Mae. See "Federal National Mortgage Association."

Fed. See "Federal Reserve System."

Federal Agency Security. A debt instrument issued by one of the Federal Agencies. Federal Agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

Federal Agency. Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, SLMA.

Federal Deposit Insurance Corporation (FDIC). Federal agency that insures deposits at commercial banks, currently to a limit of \$250,000 per depositor per bank.

Federal Farm Credit Bank (FFCB). One of the large Federal Agencies. A government sponsored enterprise (GSE) system that is a network of cooperatively-owned lending institutions that provides credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. Consists of the consolidated operations of the Banks for Cooperatives, Federal Intermediate Credit Banks, and Federal Land Banks. Frequent issuer of discount notes, agency notes and callable agency securities. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and agricultural industry. Also issues notes under its "designated note" program.

Federal Home Loan Bank System (FHLB). One of the large Federal Agencies. A government sponsored enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities.

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities, and MBS. Also issues notes under its "reference note" program.

Federal National Mortgage Association (FNMA or "Fannie Mae"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its "benchmark note" program.

Federal Reserve Bank. One of the twelve (12) distinct banks of the Federal Reserve System.

Federal Reserve System (the Fed). The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven (7) member District of Governors known as the "Federal Reserve Board" and headed by its Chairman.

Fiscal Agent/Paying Agent. A bank or trust company that acts, under a trust agreement with a corporation or municipality, in the capacity of general treasurer. The agent performs such duties as making coupon payments, paying rents, redeeming bonds, and handling taxes relating to the issuance of bonds.

Freddie Mac. See "Federal Home Loan Mortgage Corporation."

Ginnie Mae. See "Government National Mortgage Association."

Government National Mortgage Association (GNMA or "Ginnie Mae"). One of the large Federal Agencies. Government-owned Federal Agency that acquires, packages, and resells mortgages and mortgage purchase commitments in the form of mortgage-backed securities. Largest issuer of mortgage pass-through securities. GNMA debt is guaranteed by the full faith and credit of the U.S. government (one of the few agencies that are actually directly backed by the full faith and credit of the U.S. government).

Government Securities. An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, Bonds, and SLGS."

Government Sponsored Enterprise (GSE). Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. government, but they are not direct obligations of the U.S. government. For this reason, these securities will offer a yield premium over U.S. Treasuries. Examples of GSEs include: FHLB, FHLMC, and FNMA.

Index. A compilation of statistical data that tracks changes in the economy or in financial markets.

Internal Controls - The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

Liquidity. Relative ease of converting an asset into cash without significant loss of value. Also, a relative measure of cash and near-cash items in a portfolio of assets.

Long-Term Core Investment Program. Funds that are not needed within a one (1) year period.

Market Value. The fair market value of a security or commodity. The price at which a willing buyer and seller would pay for a security.

Maturity Date. Date on which principal payment of a financial obligation is to be paid.

Money Market. The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

Money Market Mutual Fund (MMF). A type of mutual fund that invests solely in money market instruments, such as: U.S. Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject to "rule 2a-7" which significantly limits

average maturity and credit quality of holdings. MMF's are managed to maintain a stable net asset value (NAV) of \$1.00. Many MMFs carry ratings by a NRSRO.

Mutual Fund. Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (e.g., bond, equity, and money market funds); all except money market funds operate on a variable net asset value (NAV).

Par Value. The face value, stated value, or maturity value of a security.

Physical Delivery. Delivery of readily available underlying assets at contract maturity.

Portfolio. Collection of securities and investments held by an investor.

Premium. The amount by which a bond or other financial instrument sells above its face value. See also "Discount."

Principal. Face value of a financial instrument on which interest accrues. May be less than par value if some principal has been repaid or retired. For a transaction, principal is par value times price and includes any premium or discount.

Prudent Expert. Standard that requires that a fiduciary manage a portfolio with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. This standard is a higher legal requirement than the traditional "prudent person" rule, which only required fiduciaries to manage assets as a reasonable person would. The prudent expert standard mandates that fiduciaries possess or acquire specialized knowledge on complex investment issues, ensuring they make decisions that align with modern financial theory and legal frameworks.

Rate of Return. Amount of income received from an investment, expressed as a percentage of the amount invested.

Realized Gains (Losses). The difference between the sale price of an investment and its book value. Gains/losses are "realized" when the security is actually sold, as compared to "unrealized" gains/losses which are based on current market value. See "Unrealized Gains (Losses)."

Repurchase Agreement (Repo). A short-term investment vehicle where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor's custodial bank, or "tri-party" where the securities are delivered to a third-party intermediary.

Risk. The potential financial loss and degree of uncertainty regarding the actual return on an investment compared to its expected outcome. Some typical types of risk include:

1. Interest rate risk: the potential for financial loss, reduced investment value, or diminished earnings caused by fluctuating market interest rates.
2. Concentration risk: the potential for amplified losses caused by having a large portion of investments exposed to a single source or sector.
3. Credit risk: the potential for financial loss resulting from a failure of a bank or debtor to meet contractual obligations such as defaulting on interest or principal payments (also known as default risk, non-performance risk, counterparty risk)
4. Custodian Risk: the possibility that an investor will lose assets due to the failure, insolvency, negligence, or fraudulent activity of a financial institution responsible for holding and safeguarding them (including cyber risk, operational risk, insolvency risk)

Safekeeping. Service offered, typically offered by a financial institution for a fee, for the holding of securities and other valuables. Safekeeping is a component of custody services.

Secondary Market. Markets for the purchase and sale of any previously issued financial instrument.

Spread. The difference between the price of a security and similar maturity U.S. Treasury investments, expressed in percentage terms or basis points. A spread can also be the absolute difference in yield between two securities. The securities can be in different markets or within the same securities market between different credits, sectors, or other relevant factors.

Total Return. Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

Treasuries. Collective term used to describe debt instruments backed by the U.S. government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, and Treasury bonds. Also as a benchmark term used as a basis by which the yields of non Treasury securities are compared (e.g., "trading at 50 basis points over Treasuries").

Treasury Bills (T-Bills). Short-term direct obligations of the United States government issued with an original term of one year or less. Treasury bills are sold at a discount from face value and do not pay interest before maturity. The difference between the purchase price of the bill and the maturity value is the interest earned on the bill. Currently, the U.S. Treasury issues four (4) week, thirteen (13) week, and twenty-six (26) week T Bills.

Treasury Bonds. Long-term interest-bearing debt securities backed by the U.S. government and issued with maturities of ten years and longer by the U.S. Department of the Treasury.

Treasury Notes. Intermediate interest-bearing debt securities backed by the U.S. government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury.

The Treasury currently issues two (2) year, three (3) year, five (5) year, and ten (10) year Treasury Notes.

Unrealized Gains (Losses). The difference between the market value of an investment and its book value. Gains/losses are “realized” when the security is actually sold, as compared to “unrealized” gains/losses which are based on current market value. See also “Realized Gains (Losses).”

Yield Curve. A graphic depiction of yields on like securities in relation to remaining maturities spread over a time line. The traditional yield curve depicts yields on U.S. Treasuries, although yield curves exist for Federal Agencies and various credit quality corporates as well. Yield curves can be positively sloped (normal) where longer-term investments have higher yields, or “inverted” (uncommon) where longer-term investments have lower yields than shorter ones.

Yield to Call (YTC). Same as “Yield to Maturity,” except the return is measured to the first call date rather than the maturity date. Yield to call can be significantly higher or lower than a security’s yield to maturity.

Yield to Maturity (YTM). Calculated return on an investment, assuming all cash-flows from the security are reinvested at the same original yield. Can be higher or lower than the coupon rate depending on market rates and whether the security was purchased at a premium or discount. There are different conventions for calculating YTM for various types of securities.

Yield. There are numerous methods of yield determination. In this glossary, see also "Current Yield," "Yield Curve," "Yield to Call," and "Yield to Maturity."