

4:30 Revenue and Investments

Revenue

The Superintendent or designee is responsible for making all claims for property tax revenue, State Aid, special State funds for specific programs, federal funds, and categorical grants.

Investments

In accordance with Illinois Public Funds Investment Act 30 ILCS 235/0/01 et seq. ("The Act"), the School District shall maintain a set of procedures for the investment of School District funds that includes the following elements:

- A. A listing of authorized investments.
- B. The standard of care that must be maintained by the persons investing the public funds.
- C. Investment and diversification guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio.
- D. Guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to the Act, and if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral.
- E. A system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the district.
- F. Performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the school district's investment portfolio.
- G. Appropriate periodic review of the investment portfolio, its effectiveness in meeting the school district's needs for safety, liquidity, rate of return, diversification, and its general performance.
- H. At least quarterly written reports of investment activities by the Treasurer for submission to the Board of Education and the Superintendent, including information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date.
 - I. A procedure for the selection of investment advisors, money managers, and financial institutions.
 - J. A policy regarding ethics and conflicts of interest.

The Treasurer of the School District shall establish and submit such procedures for the Board's approval and shall periodically review and propose needed amendments thereto. Such procedures and this policy shall be kept available at all times for public review at the School District's administrative offices.

A. Scope

This investment procedure applies to all funds of the District. These funds are accounted for in the District's annual financial report and includes all current funds, and any other funds that may be created from time to time, except for District pension funds to the extent the deposit and investment of such funds is otherwise regulated under the Illinois Pension Code. All transactions involving the District's funds and related activity of any funds shall be administered in accordance with the provisions of this procedure and canons of the "prudent person rule."

B. Objectives

1. Safety of Principal—Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.
2. Liquidity—the District's investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due.
3. Return on Investments—The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the risk constraints, the cash flow characteristics of the portfolio and legal restrictions for return on investments.
4. Maintaining the Public's Trust—The investment officers shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the District, the Board of Education or the School Treasurer.

C. Investment Instruments

The District may invest its funds only in those instruments listed below:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued by the United States of America, its agencies and allowable instrumentalities:
 - a. Investments in Federal National Mortgage Association issues are limited to short-term discount notes.
2. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
3. Certificates of deposit with federally insured institutions that are collateralized or insured at levels acceptable to the District in excess of the \$100,000 provided by the Federal Deposit Insurance Corporation coverage limit;
4. Collateralized repurchase agreements which conform to the requirements stated in paragraph 2(g) or 2(h) of the Act;

5. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, school district, the State of Illinois, any other state, or any political subdivision or agency of the State of Illinois or any other state, whether the interest earned is taxable or tax-exempt under federal law. The bonds shall be (a) registered in the name of the municipality, county, or other governmental unit, or held under a custodial agreement at a bank, and (b) rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.
6. Commercial paper meeting the following requirements:
 - a. The corporation must be organized in the United States;
 - b. The corporation's assets must exceed \$500,000,000.
 - c. The obligations at the time of purchase must be rated within the two highest classifications by at least two standard rating services.
 - d. The obligations cannot have a maturity longer than 180 days.
 - e. Not more than 33% of the total investment fund can be invested in commercial paper at any time.
 - f. The total investment in any one corporation cannot exceed 10% of the corporation's outstanding obligations.
7. The Illinois Public Treasurer's Investment Pool;
8. The Illinois School District Liquid Asset Fund;
9. Any other investment instruments now permitted by the Act or hereafter permitted by reason of amendment of the Act.
10. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation.
11. Investment products that are considered as derivatives are specifically excluded from approved investments.

D. Diversification

It is the policy of the District to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the School Treasurer. The diversification shall be as follows, based upon the categories in Section C above:

- a. Up to 100% of C1, C6, C7.
- b. Up to 90% of C2 and C3.
- c. Up to 33% of C4 and C5.

E. Collateralization

All amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized in accordance with the Public Funds Investment Act, 30 ILCS 2351/. The Superintendent or designee shall keep the Board informed of collateral agreements.

F. Safekeeping of Securities

1. Third party of safekeeping is required for all securities and commercial paper. To accomplish this, the securities must be held only at one or more of the following locations:
 - a. at a Federal Reserve Bank or its branch office;
 - b. at another custodial facility, which shall be a trust or safekeeping;
 - c. department through book-entry at the Federal Reserve, unless physical securities are involved; or
 - d. in an insured account at a primary reporting dealer.
2. Safekeeping will be documented by an approved written agreement between the Board of Education and the holder of the securities. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.
3. Original certificates of deposits will be held by the originating bank. A safekeeping receipt will be acceptable documentation.

G. Qualified Financial Institutions and Intermediaries

1. Depositories—Demand Deposits
 - a. Any financial institution selected by the District shall provide normal banking services, including, but not limited to: checking accounts, wire transfers and safekeeping services.
 - b. The District will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the District will not maintain funds in any institution that does not first agree to post required collateral for funds or purchase private insurance in excess of FDIC insurable limits and in amounts acceptable to the District.
 - c. To qualify as a depository, a financial institution must furnish the Treasurer with copies of the latest two statements of condition, which it is required to be furnish to the Comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statements to the Treasurer within 45 days of the end of each quarter.
 - d. Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the

Treasurer on an annual basis. Fees for services shall be substantiated by a monthly account analysis.

- e. Each financial institution acting as a depository for the District must enter into a depository agreement with an authorized school district official that incorporates this policy by reference.

2. Banks and Savings and Loans — Certificates of Deposit

Any financial institution selected to be eligible for the District's competitive certificate of deposit purchase program must:

- a. provide wire transfer and certificate of deposit safekeeping services;
- b. be a member of the FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the District; and
- c. meet at all times the financial criteria as established in the investment procedures of the District.

3. Intermediaries

Any financial intermediary selected to be eligible for the District's competitive investment program must:

- a. provide wire transfer and deposit safekeeping services;
- b. maintain appropriate federal and state registrations for the type of business in which they are engaged;
- c. provide an annual audit upon request;
- d. maintain an office within the State of Illinois and be licensed to conduct business in this State; and
- e. be familiar with the Board of Education's policy and accept financial responsibility for any investment not appropriate according to the policy.

H. Management of Program

1. The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this procedure:

- a. Treasurer

These documents include:

- a. Wire Transfer Agreement
- b. Depository Agreement
- c. Safekeeping Agreement
- d. Custody Agreement
- e. Collateral Agreement

2. Management responsibility for the investment program is hereby delegated to the Treasurer, who shall establish a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity. Such procedures shall include explicit delegation of authority to persons responsible for the execution under the direction of the Treasurer of specific Financial Transactions, including: investment transactions; check signing, check reconciliation, deposits, bond payments, report preparation and wire transfers. No person may engage in any investment transaction except as provided for under the terms of this policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

3. The wording of agreements necessary to fulfill the investment responsibilities is the responsibility of the Treasurer who shall periodically review them for their consistency with District policy and State law and who shall be assisted in this function by the District legal counsel and auditors. These agreements include but not limited to:

- a. Wire Transfer Agreement
- b. Depository Agreement
- c. Safekeeping Agreement
- d. Custody Agreement
- e. Collateral Agreement

4. The Treasurer may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit. These intermediaries shall meet the criteria set forth in Section G (3) above and shall be approved by the Board of Education.

5. All wire transfers made by the Treasurer shall require a secondary authorization by the Superintendent.

6. The Treasurer shall be further authorized to enter into joint investment agreements as authorized under Section 8-7 of the School Code.

I. Performance

The Treasurer will seek to earn a rate of return appropriate for the type of investments being managed given the portfolio objectives defined in Section B of this document for all funds. In general, the Treasurer will strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time for the average weighted maturity of the District's investments.

J. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Further, except as permitted under Section 3.2 of the Public Officer Prohibited Practices Act, no officer involved in the investment process shall have any interest in, or receive any compensation from, any investments in which the District is authorized to invest, or the sellers, sponsors or managers of those investments.

K. Indemnification

Investment officers and employees of the District acting in accordance with this Investment Procedure and such written operational policies as may be established by the District, and who otherwise exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for an individual security's credit risk or market changes.

L. Reporting

The Treasurer shall submit to the Board of Education and the Superintendent a monthly investment report, which shall include information regarding securities in the portfolio by class or type, book value, income earned, and market values as of the report date. Generally accepted accounting principles shall be used for valuation purposes. The report shall indicate any areas of policy concern and planned revision of investment strategies.

M. Amendment

This procedure shall be reviewed from time to time by the Treasurer with regards to the procedure's effectiveness in meeting the District's needs for safety, liquidity, rate of return, diversification, and general performance. Any substantive changes will be reported to the Board of Education.

LEGAL REF.:30 ILCS 235/.

105 ILCS 5/8-7, 5/10-22.44, 5/17-1, and 5/17-11.

CROSS REF.:2:100 (Board Member Conflict of Interest), 4:10 (Fiscal and Business Management), 4:80 (Accounting and Audits)

ADOPTED:May 22, 2014