

## Operational Services

### Revenue and Investments

#### Scope

This Investment Policy (hereinafter "Policy") applies to investment activities for all funds of the District under the control of the District and Treasurer. All financial assets of the various funds of the District including the Education Fund, Working Cash fund, and Life Safety Fund and other funds that may be created from time to time, shall be administered in accordance with the provisions of this Policy.

This Policy serves to effect compliance with applicable requirements of the Public Funds Investment Act, 30 ILCS 235/0.01 et seq., and to provide a basis for a clear understanding between the Treasurer and financial institutions regarding District investment objectives, goals, and guidelines.

#### Investment Objectives

The purpose of this Policy is to establish cash management and investment guidelines for the Treasurer, who is responsible for the stewardship of school funds. Specific objectives include:

- A. Safety and preservation of the principal, capital and deposits is the foremost objective of this Policy. All relevant transactions shall seek to ensure against loss or the erosion of value for whatever reason including, but not limited to, change in market value, loss of liquidity or default, and/or issue bankruptcy
- B. Investments shall provide sufficient liquidity to enable the District to meet all operating requirements that may be reasonably anticipated
- C. Maximize income from all deposits and investments consistent with safety and liquidity
- D. Investments shall be diversified among financial institutions to avoid incurring unreasonable risks
- E. 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.

#### Parties Associated with Policy

- A. The Members of the Board of Education:
  1. Hold ultimate responsibility for the funds and the appropriateness of its investment policy and execution;
  2. Define investment policy, objectives, and guidelines for the investments including risk tolerance;
  3. Review adequacy or need for change of this policy;
  4. Meet quarterly and review reports concerning asset management and performance; and
  5. Select institutions authorized to accept fund assets.
- B. The Treasurer:

1. Has full discretion of the management of the investments subject to the overall investment guidelines set by the Board of Education and State law;
2. Serves as the fiduciary responsible for specific security decisions;
3. Ensures that all cash is productively employed at all times;
4. Meets, as required, with the Board of Education and provides reports relative to the status of the investments;
5. Assists the Board of Education developing investment policy guidelines; and
6. Practices generally accepted accounting principles and maintains accounting records on the basis of funds and account groups.

### Cash Management

There is a time value to money. Cash balances may be invested for a period of one day to an excess of one year depending upon when the money is needed. The following procedures shall be adhered to:

- A. Receipt: All monies due the District shall be collected as promptly as possible.
- B. Disbursements: All disbursements shall be made only on the approval of the Board of Education and contingent upon an available budget appropriation.
- C. Cash Forecast: At least annually, a cash forecast shall be prepared using expected revenue sources and items of expenditure to project cash requirements over the fiscal year. The forecast shall be updated from time to time to identify the probable balances that will be available for investment.
- D. Pooling of Cash: Except for cash in certain restricted and special accounts, the Treasurer will pool the cash of various funds to maximize investment earnings. Investment income will be allocated to the various funds based upon their respective participation.

### Financial Institutions

It shall be the policy of the Treasurer to select financial institutions for deposit and investment based on the following criteria:

- A. Security: The Treasurer will maintain funds only in financial institutions that are members of the Federal Deposit Insurance Corporation or in securities backed by the Full Faith and Credit of the United States of America. Furthermore, the Treasurer shall maintain funds only in financial institutions that collateralize all funds in excess of FDIC or insurable limits.
- B. Statement of Conditions: The Treasurer will maintain for inspection current statements of condition for each financial institution named as depository. If for any reason the information furnished is considered by the Treasurer to be insufficient, he/she may request additional data. The refusal of any institution to provide such data upon request may serve as sufficient cause for the withdrawal of school funds.

Services and Fees: Any financial institution selected by the Board of Education shall provide normal banking services, including, but not limited to, checking accounts, wire transfers, purchase and sale of investment securities, and safekeeping services. Fees for services shall be substantiated by a monthly account analysis and shall be reimbursed by means of compensating balances.

### Investment Goal

Based on the investment objectives stated above, the primary goal is to maintain the safety of the funds invested. The secondary goal is to exceed the inflation rate as measured by the Consumer Price Index (CPI) on an annualized basis.

### Investments

The Treasurer shall only invest in the types of securities allowed by law, including the following:

- A. Bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the Full Faith and Credit of the United States of America;
- B. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation;
- C. Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of security legally issuable by financial institution incorporated under the laws of the State of Illinois or any other state or under the laws of the United States;
- D. Short-term obligations of corporations (commercial paper) organized in the United States with assets exceeding \$500,000,000 if (a) such obligations are rated at the time of purchase with the highest classification established by at least one standard rating service and which mature not later than 180 days from the date of purchase, (b) no more than 25% of any fund is invested in such obligations at any time, and (c) such purchases do not exceed 10% of the corporation's outstanding obligations;
- E. Illinois Public Treasurer's Investment Pool; and
- F. Illinois School District Liquid Asset Fund.
- G. The District may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the District or in the name of one of the District's funds or held under a custodial agreement at a bank. The bonds shall be 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 or as otherwise approved by the Board of Education.

### Investment Restrictions

The Board of Education determines the following actions to be inappropriate and totally prohibited:

- A. Any margin (borrowing) of investments;
- B. Purchase or sale of commodities or options;
- C. Purchase of common or preferred stock;
- D. Any investment that would jeopardize the integrity of the funds or cause the trustee to violate their fiduciary duties;
- E. Derivatives;
- F. Any investment that would violate Illinois law;
- G. Financial forwards or futures;

- H. Leveraged investments;
- I. Lending securities; and
- J. Reverse repurchase agreements

#### Diversification and Maturities

In order to reduce the risk of default, the investment portfolio of the District shall not exceed the following diversification limits:

- A. No financial institution shall hold more than 20% of the District's investment portfolio
- B. Commercial paper shall not exceed 25% of the District's investment portfolio (excluding investments made with bond issue proceeds)

Investments will be diversified by:

- A. Limiting investments to avoid over-concentration in instruments from a particular institution
- B. Limiting investments in securities which have higher credit risks
- C. Investing in securities with varying maturities
- D. Continuously investing a portion of the portfolio in readily available funds such as money market funds or Illinois Public Treasurer's Investment Pool (IPTIP) to ensure that appropriate liquidity is maintained to meet ongoing obligations

Maturity of investments of the various funds of the District shall be determined to enable the District to have available sufficient cash for all operating purposes.

#### Reporting

The Treasurer shall submit a monthly investment report that provides the following information:

- A. Principal and type of investments by fund;
- B. Earning for the current month and year-to-date; and
- C. Annualized yield.

The annual financial report of the Board of Education shall include a list of all investments by fund and the interest rate of each investment. The Treasurer shall receive and maintain written confirmation on every transaction.

#### Indemnification

This policy seeks to establish standard guidelines for professional responsibility. This policy shall be applied to the management for the District's overall investment portfolio. The standard to be used by the Treasurer shall be the "prudent person" standard, 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 the probable income to be derived.

#### Safekeeping of Investments

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. 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.

Accordingly, the office of the Treasurer shall be subject to an annual independent audit to assure compliance with recognized policies and procedures. The audit shall address the following:

- A. Control of collusions
- B. Management of accounting and record keeping
- C. Custodial safekeeping
- D. Avoidance of physical delivery securities
- E. Written confirmation of telephone transactions for investments and wire transfers

All investments shall be clearly held and accounted for to indicate ownership by the Board of Education.

Custody at a national brokerage firm is allowed if the account is insured by the Security Investor Protection Corporation (SIPC). Additional amounts of insurance will be necessary to cover the total investment value of the funds. Funds invested in institutions insured by the FDIC including CDs must be fully collateralized.

#### Collateral

It is the policy of the Board of Education to require that funds on deposit in excess of FDIC limits be secured by some form of collateral. Any of the following are acceptable assets as collateral:

- U. S. Government Securities
- Obligations of Federal Agencies
- Obligations of Federal or State Instrumentalities
- Obligations of the State of Illinois

The amount of collateral provided would not be less than 110% of the fair market value of the net amount of public funds secured. Pledged collateral will be held by the Treasurer or in safekeeping and evidenced by a safekeeping agreement. If collateral is held in safekeeping, it may be held by a third party or by an escrow agent of the pledging institution. Collateral agreements will preclude the release of the pledge assets without authorization from the Treasurer, but they will allow for an exchange of collateral of like value.

Any financial institution pledging collateral under this section shall supply a quarterly report listing a description of the collateral pledged and a value for said collateral. This report shall be signed by the President of the financial institution and shall contain a certification that each loan listed therein is current and up to date.

#### Ethics

Employees of the office of the Treasurer shall refrain from personal business activity which could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees shall disclose any material interests in financial institutions with which the District does business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

LEGAL REF.: 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: April 5, 2011

REVISED: November 18, 2014