

**POLICY 705 INVESTMENTS****I. PURPOSE**

The purpose of this policy is to establish guidelines for the investment of school funds.

**II. GENERAL STATEMENT OF POLICY**

It is the policy of this school to comply with all state laws relating to investments and to guarantee that investments meet certain primary objectives.

**III. SCOPE**

This policy applies to all investments of the surplus funds of the school, regardless of the fund accounts in which they are maintained, unless certain investments are specifically exempted by the school board through formal action.

**IV. AUTHORITY; OBJECTIVES**

A. The funds of the school shall be deposited or invested in accordance with this policy, M. S. Chapter 118A, and any other applicable law or written administrative procedures.

B. The primary criteria for the investment of the funds of the school, in priority order, are as follows

1. Safety and Security. Safety of principal is the first priority. The investments of the school shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. Return and Yield. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

**V. DELEGATION OF AUTHORITY**

A. The Administrator of the school is designated as the investment officer of the school and is responsible for investment decisions and activities. The investment officer shall operate the school's investment program consistent with this policy. The investment officer may delegate certain duties to a designee, but shall remain responsible for the operation of the program.

B. All officials and employees that are a part of the investment process shall act professionally and responsibly as custodians of the public trust, and shall refrain from personal business activity that could conflict with the investment program or which could reasonably cause others to question the process and integrity of the investment program. The investment officer shall avoid any transaction that could impair public confidence in the school.

**VI. STANDARD OF CONDUCT**

The standard of conduct regarding school investments to be applied by the investment officer shall be the "prudent person standard." Under this standard, the investment officer shall exercise that degree of judgment and care, under the circumstances then prevailing, that

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persons of prudence, discretion and intelligence would exercise in the management of their own affairs, investing not for speculation and considering the probable safety of their capital as well as the probable investment return to be derived from their assets. The prudent person standard shall be applied in the context of managing the overall investment portfolio of the school. The investment officer, acting in accordance with this policy and exercising due diligence, judgment and care commensurate with the risk, shall not be held personally responsible for a specific security's performance or for market price changes. Deviations from expectations shall be reported in a timely manner and appropriate actions shall be taken to control adverse developments.

#### **VII. MONITORING AND ADJUSTING INVESTMENTS**

The investment officer shall routinely monitor existing investments and the contents of the school's investment portfolio, the available markets, and the relative value of competing investment instruments.

#### **VIII. INTERNAL CONTROLS**

The investment officer shall establish a system of internal controls that shall be annually reviewed for compliance by the school's independent auditors. The internal controls shall be designed to prevent and control losses of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions by officers, employees or others. Internal controls may include, but shall not be limited to, provisions relating to control of collusion, separation of functions, separation of transaction authority from accounting and record keeping, custodial safekeeping, avoidance of bearer form securities, clear delegation of authority to applicable staff members, limitations regarding securities losses and remedial action, written confirmation of telephone transactions, supervisory control of employee actions, minimizing the number of authorized investment officials, and documentation of transactions and strategies.

#### **IX. PERMISSIBLE INVESTMENT INSTRUMENTS**

School investments shall be made and held for safekeeping in accordance with M.S. Chapter 118A, as it may be amended from time to time, or any other law governing the investment of school funds.

#### **X. QUALIFIED INSTITUTIONS AND BROKER-DEALERS**

A. The school shall maintain a list of the financial institutions that are approved for investment purposes.

B. Prior to completing an initial transaction with a broker, the school shall provide to the broker a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with Minnesota Statutes governing the investment of public funds. The broker must annually acknowledge receipt of the statement of investment restrictions and agree to handle the school's account in accordance with these restrictions. The school may not enter into a transaction with a broker until the broker has provided this annual written agreement to the school. The notification form to be used shall be that prepared by the State Auditor. A copy of this investment policy, including any amendments thereto, shall be provided to each such broker.

#### **XI. DEPOSITORIES**

The school board shall annually designate one or more official depositories for school funds. The treasurer or the chief financial officer of the school may also exercise the power of the

school board to designate a depository. The school board shall be provided notice of any such designation by its next regular meeting. The school and the depository shall each comply with the provisions of M.S. Chapter 118A 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.

**XII. ELECTRONIC FUNDS TRANSFER OF FUNDS FOR INVESTMENT**

The school may make electronic fund transfers for investments of excess funds upon compliance with M.S. 471.38.