

EAST  
STROUDSBURG  
AREA  
SCHOOL DISTRICT

SECTION: FINANCES

TITLE: INVESTMENT OF DISTRICT FUNDS

ADOPTED: August 19, 2002

REVISED: July 17, 2006  
April 20, 2015

609. INVESTMENT OF DISTRICT FUNDS	
1. Purpose	<p>It shall be the policy of the Board to optimize its return through investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments.</p> <p>The primary objectives of investment activities, in priority order, shall be:</p> <p><b>Legality</b> - All investments shall be made in accordance with applicable laws of Pennsylvania.</p> <p><b>Safety</b> - Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk.</p> <p><b>Liquidity</b> - Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands.</p> <p><b>Yield</b> - Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.</p>
2. Authority SC 440.1, 621, 622, 623	<p>All investments of the school district made by an officer and/or employee of the school district shall be made in accordance with this policy and a Board approved investment program.</p>
3. Definitions	<p><b>Short-term</b> - any period thirteen (13) months or less.</p> <p><b>Long-term</b> - any period exceeding forty-eight (48) months' duration.</p> <p><b>Mid-range</b> - any period between short-term and long-term.</p>

<p>4. Delegation of Responsibility SC 440.1</p> <p>SC 440.1</p>	<p><b>Concentration of credit risk</b> – the risk associated with the consolidation of investments in a single pool, institution, or instrument.</p> <p><b>Custodial credit risk</b> – the risk of loss associated with consolidation of investments with a single institution where the school district may rely on the institution to hold investments on behalf of the school district or through collateral action when the instruments are not in the district name.</p> <p><b>Foreign currency risk</b> – the risk associated with investment in foreign currency that is subject to market fluctuation and associated currency conversion.</p> <p><b>Credit risk</b> - the risk of loss of principal due to the failure of the security issue or backer of the issue.</p> <p><b>Interest rate risk</b> - the risk that the market value of securities will fall due to changes in general interest rates.</p> <p><b>Investment program</b> - the specifically enumerated and Board-approved investment strategy.</p> <p>The Board shall delegate to a designated individual the responsibility to manage the school district's investment program, in accordance with written, Board-approved procedures for operation of the investment program.</p> <p>An annual review of the investment program shall be prepared by the designated individual, based upon the anticipated cash flow of all school district funds, i.e. general, capital reserve, bond, etc. The investment program shall be submitted to the Board no later than sixty (60) days after adoption of the annual budget.</p> <p>The designated individual responsible for investments shall report monthly to the Board the following:</p> <ol style="list-style-type: none"> <li>1. Amount of funds invested.</li> <li>2. Interest earned and received to date.</li> <li>3. Types and amounts of each investment and the interest rate on each.</li> <li>4. Names of the institutions where investments are placed.</li> <li>5. Current market value of the funds invested.</li> <li>6. Other information required by the Board.</li> </ol>
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<p>5. Guidelines SC 440.1</p> <p>17 C.F.R. 270</p> <p>SC 440.1</p> <p>65 P.S. 1101 et seq</p>	<p>The Board directs the Superintendent to have developed written procedures that will ensure compliance with this policy. Such procedures shall include a disclosure form for designated individuals involved in the investment process and/or required written statements for advisors and bidders.</p> <p>Investments permitted by this policy are those defined in Section 440.1 of the School Code, as amended, which are collateralized in accordance with applicable laws.</p> <p>All securities shall be purchased in the name of the school district, and custody of the securities shall be specified within the school district's investment program.</p> <p>An exception to purchases in the name of the school district is permitted for the purchase of shares of an investment company that is or conducts business voluntarily in compliance with SEC section 2a7.</p> <p>All investment advisors or bidders shall verify in writing that they have received a copy of this policy. Such written statement shall indicate that they have read and understand this policy and all applicable statutes related to school district investments, along with their intent to comply fully with these requirements.</p> <p>The school district shall require all investment advisors/bidders to submit annually any or all of the following, as appropriate:</p> <ol style="list-style-type: none"> <li>1. Audited financial statements.</li> <li>2. Proof of Financial Industry Regulatory Authority (FINRA) certification.</li> <li>3. Proof of state registration.</li> </ol> <p><u>Disclosure</u></p> <p>Designated officers and employees involved in the school district's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions.</p> <p><u>Audit</u></p> <p>The Board directs that all investment records be subject to annual audit by the school district's independent auditors.</p> <p>The audit shall include but not be limited to independent verification of amounts and records of all transactions, as deemed necessary by the independent auditors.</p>
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<p>53 Pa. C.S.A. Sec. 8001 et seq Sec. 8224</p> <p>SC218 GASB Stmt 40</p>	<p>It shall be the responsibility of the investment advisor and/or bidder to maintain necessary documents to permit independent audit of the school district's investments.</p> <p><u>Bond Proceeds</u></p> <p>Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act and applicable federal and state laws, subject to approval by the solicitor and/or bond counsel and the School Board.</p> <p>Investment transactions arising from bond proceeds shall be reported monthly to the Board, in accordance with this policy.</p> <p><u>Compliance With GAAP</u></p> <p>The following is intended to guide school district investments as limited by Section 440.1 of the School Code:</p> <ol style="list-style-type: none"><li>1. School district funds shall not be invested in foreign currency and shall not have any related risk that would require disclosure pursuant to GASB Statement 40.</li><li>2. School district investments shall limit the exposure to loss of principal due to market changes in interest rates.</li><li>3. School district investments in authorized instruments that are not backed by the "full faith and credit" of the federal or state government shall be limited to those with the highest credit rating available for such instruments issued by a recognized organization, such as Standard &amp; Poor's AAA rating.</li></ol> <p>If, after purchase, the rating of any instrument is reduced and is no longer in compliance with this policy, the individual responsible for school district investments shall replace the investment immediately upon receipt of notice of the rating change and notify the Board of the rating change, action taken and replacement investment.</p> <ol style="list-style-type: none"><li>4. When school district funds are invested in any one (1) issuer other than an external investment pool, or federal or state explicitly guaranteed investment, the amount of the investment shall be limited to five (5) percent of total funds available for investment.</li><li>5. For purposes of interest rate disclosure in the annual financial report, the method of determining interest rate risk shall be based on specific identification.</li></ol>
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