Fridley Public Schools
A World-Class Community of Learners

705 Investment of School District Funds

I. PURPOSE

The purpose of this policy is to establish guidelines for the investment of all public funds of Fridley Public Schools.

II. GENERAL STATEMENT OF POLICY

The policy of this school district is to comply with all state laws relating to investments and to guarantee that investments meet certain primary criteria.

III. SCOPE

This policy applies to all financial assets of Fridley Public Schools. The School's funds are defined in the School's Annual Financial Report and include the General fund, Special Revenue funds, Debt Service funds, Capital Projects fund, Internal Service fund, Trust and Agency funds and any new funds created by the School, unless specifically exempted by the School Board through resolution. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. OBJECTIVES

The objective of this policy is to establish standards for governing the investment of the funds of the School District. These funds will be invested in accordance with this policy and applicable Minnesota Statutes . All officials and employees that are part of the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the School District. The primary criteria for the investment of the funds of the school district, in priority order, are as follows:

A. Safety of Principal

Investments of the School District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that losses on individual securities do not exceed the income within the entire portfolio.

B. Liquidity

The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable, and debt service.

C. Return on Investment

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. STANDARD OF CONDUCT

A. Prudence

The prudent person standard shall be applied to the management of the portfolio. These standard 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 expected income to be derived." Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

B. 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, 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.

C. Delegation of Authority

The Director of Finance is designated as the Investment Officer of the school district and is responsible for investment decisions and activities. The Investment Officer shall operate the school district's investment program consistent with this policy. The investment officer may delegate certain duties to a designee or designees, but shall remain responsible for the operation of the program. The Investment Officer shall maintain written administrative procedures, monitor diversification and risk as well as a system of controls to regulate the activities of subordinate officials.

D. Internal Controls

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School 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.

The Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points: control of collusion, separation of transaction authority from accounting and record-keeping, custodial safekeeping, avoidance of bearer form securities, clear delegation of authority to subordinate staff members, and written confirmation of transactions for investments and wire transfers.

VI. QUALIFIED FINANCIAL INSTITUTIONS

The school district shall maintain a list of the financial institutions that are approved for investment purposes. Prior to completing an initial transaction with a broker, the school district 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 district's account in accordance with these restrictions. 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.

A. Depositories – Demand Deposits

1. Any financial institution selected by the District shall provide normal banking services, including, but not limited to: checking accounts, wire transfers and safekeeping services.

2. The District will not maintain funds in any financial institution that is not a member of the FDIC (Federal Deposit Insurance Corporation) . 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.

3. To qualify as a depository, a financial institution must furnish the Treasurer with copies of the latest two statements of condition. 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.

4. 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.

5. All financial institutions acting as a depository for the District must enter into a "Depository Agreement."

B. 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:

1. Provide wire transfer and certificate of deposit safekeeping services.

2. Be a member of FDIC system and be willing and capable of posting collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the District.

3. Meet at all times the financial criteria as established in the investment procedures of the District.

C. Intermediaries

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

1. Provide wire transfer and deposit safekeeping services.

2. Be a member of a recognized U.S. Securities and Exchange Commission Self Regulatory Organization such as the New York Stock Exchange, National Association of Securities Dealers, Municipal Securities Rule Making Board, etc.

3. Provide an annual audit upon request.

4. Maintain an office within the State of Minnesota and be licensed to conduct business in this State.

5. Be familiar with the Board of Education's policy and accept financial responsibility for any investment not appropriate according to this policy.

VII. SAFEKEEPING AND COLLATERALIZATION

A. All investment securities purchased by the school district shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any federal reserve bank, its branch office, or a securities broker-dealer defined in Minnesota Statutes. The institution or dealer shall issue a safekeeping receipt to the

school district listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

B. Deposit-type securities shall be collateralized as required by Minnesota Statutesfor any amount exceeding FDIC, SAIF (Savings Association Insurance Fund), BIF (Bank Insurance Fund), FCUA (Federal Credit Union Administration), or other federal deposit coverage.

C. Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than $1,000,000.

VIII. INVESTMENT INSTRUMENTS

The District may invest in any type of security allowed by Minnesota Statutes as may be amended from time to time. The District has chosen to limit its allowable investments to those instruments listed below:

A. 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.

B. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any other investments constituting direct obligations of any bank.

C. Certificates of deposit with federally insured institutions that are collateralized or insured in excess of the FDIC limit.

D. Collateralized repurchase agreements which conform to the requirements stated in Minnesota Statutes.

E. Commercial paper meeting the following requirements:

1. The corporation must be organized in the United States or be a Canadian subsidiary.

2. The corporation’s assets must exceed $500,000,000.

3. The obligations at the time of purchase must be rated at the highest classifications by at least two of the four nationally recognized rating services. (Standard and Poor’s, Duff and Phelp’s, Moody’s, and Fitch Investor’s Service.)

4. The obligations cannot have a maturity longer than 270 days.

5. Not more than 33% of the total investment fund can be invested in commercial paper at any time.

6. The total investment in any one corporation cannot exceed 10% of the corporation's outstanding obligations.

7. The total investment in any one corporation cannot be more than $20 million.

F. 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 FDIC.

G. Investment products that are considered as derivatives are specifically excluded from approved investments.

IX. DIVERSIFICATION – MATURITIES

The investments shall be diversified by:

A. Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities.)

B. Limiting investment in securities that have higher credit risks.

C. Investing in securities with varying maturities.

D. Continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

E. Investment maturities shall be scheduled to coincide with projected school district cash flows needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues.

SCHOOL BOARD ACTION:
Adopted as Policy 705 March 21, 2006
Revised February 16, 2010
Revised October 19, 2010