SCHOOL POLICIES
HOPKINS SCHOOL DISTRICT 270
1001 HIGHWAY 7
HOPKINS, MINNESOTA 55305

DISTRICT CODE: 705
DEPOSITORY OF FUNDS AND INVESTMENTS

Policy reflects Minnesota statute and aligns with other District 270 policies.

I. PURPOSE

The purpose of this policy is to establish guidelines for revenue generation, revenue management and the investment of School District funds.

II. GENERAL STATEMENT OF POLICY

The Board will designate and approve certain legally permissible financial institutions as depositories for District funds. A depository must be capable of furnishing any of the kinds of temporary investments permitted by statute.

III. SCOPE

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

IV. OBJECTIVES

A. The funds of the School District must be deposited or invested in accordance with this policy, and any other applicable law or written governmental agency administrative procedures.

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

1. Safety and Security. Safety of principal is the first priority. The investments of the School District will be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.

2. Liquidity. The funds will 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 will 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 director of Business Services is designated as the investment officer of the School District and is responsible for investment decisions and activities under the direction of the School Board. The investment officer will operate the School District's investment program consistent with this policy. The investment officer may delegate certain duties to a designee or designees, but will remain responsible for the operation of the program.

B. Officials and Employees

All officials and employees that are a part of the investment process will act professionally and responsibly as custodians of the public trust, and will 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 will avoid any transaction that could impair public confidence in the School District.

C. Standard of Conduct

The standard of conduct regarding School District investments to be applied by the investment officer will be the "prudent person standard." Under this standard, the investment officer will exercise that degree of judgment and care, under the circumstances then prevailing, that 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 must be applied in the context of managing the overall investment portfolio of the School District. The investment officer, acting in accordance with this policy and exercising due diligence, judgment and care commensurate with the risk, will not be held personally responsible for a specific security's performance or for market price changes. Deviations from expectations must be reported in a timely manner and appropriate actions must be taken to control adverse developments.

VI. QUALIFIED INSTITUTIONS AND BROKER-DEALERS

A. The School District must 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 District will provide to the broker a written statement of investment restrictions that will 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 School District may not enter into a transaction with a broker until the broker has provided this annual written agreement to the School District. The notification form to be used will be the State Auditor's form. A copy of this investment policy, including any amendments thereto, must be provided to each authorized broker.

C. Any financial institution authorized to do business in Minnesota and can legally provide for investments so permitted by statute may be designated a depository of District funds by the School Board. Such designation must take place at the organizational meeting. However, the Board may, from time to time, designate additional depositories, or remove such designation.

D. Those financial institutions in other states and which provide any of the same investments as those that can be provided by Minnesota institutions may also be designated depositories.

VII. DEPOSITORIES

The School District and the depository will each comply with the provisions of Minnesota statute 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.

Depository of Funds

A. The Board may either directly designate a given financial institution as a depository or may indirectly so designate by accepting as depositories those legally authorized institutions which may, from time to time, be utilized by an investment placement service, of which the Board has approved, such as the Minnesota School District Liquid Asset Fund PLUS (MSDLAF). The District must have the right to request the removal of any depository from the list of those so approved.

B. The School District will minimize deposit Custodial Credit Risk, which is the risk of loss of failure of the depository bank (or credit union), by obtaining collateral or bond for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

C. The District must not invest in any institution which, at the time of investment, is in a negative net worth position.

D. Depositories must furnish confirmation documents within seven (7) business days of investment, to include copies of any CD, safekeeping receipts, and/or wire transfer confirmations.

E. Depositories must provide the District with financial reports as may be deemed necessary or appropriate.

F. Authorized financial institutions musat agree to all terms and conditions herein stated prior to being designated a depository.

G. Upon approval by the Board, the District may invest surplus funds in those depositories in such instruments as appropriate to circumstances and as authorized by statute.

VIII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

A. Permissible Investment Instruments

The School District may invest its available funds in those instruments specified by Minnesota statute as these sections may be amended from time to time, or any other law governing the investment of School District funds.

B. Before the School District invests any surplus funds in a specific investment instrument, a competitive bid or quotation process must be utilized. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, quotations or bids must be requested for instruments that meet the maturity requirement. If no specific maturity is required, a market trend analysis, which includes a yield curve, will normally be used to determine which maturities would be most advantageous. Quotations or bids will be requested for various options with regard to term and instrument. The School District will accept the quotation or bid which provides the highest rate of return within the maturity required and within the limits of this policy. Generally all quotations or bids will be computed on a consistent basis, i.e., a 360-day or a 365-day yield. Records will be kept of the quotations or bids received, the quotations or bids accepted and a brief explanation of the decision that was made regarding the investment. If the School District contracts with an investment advisor, bids are not required in those circumstances specified in the contract with the advisor.

IX. INVESTMENT OF DISTRICT FUNDS

A. Those investments are allowable which are specified by statute or as amended, in accordance with the statutes for deposit and security provisions.

B. Those institutions with which the District will make repurchase agreements shall be required to sign the Public Securities Association Master Repurchase Agreement prior to placement of funds. A Federal Reserve Collateral Account will be established for the safekeeping of securities pledged for repurchase agreements.

C. The District will attempt, as far as possible, to secure investments which are insured or registered or for which the securities are held by the District or its agent in the District's name.

D. A minimum of two financial institutions will be solicited for quotations prior to any investment of District funds.

E. At no time shall more than 25% of the total portfolio be invested in repurchase agreements.

F. The assets of an other postemployment benefits (OPEB) trust or trust account established pursuant to Minn. Stat. to pay postemployment benefits to employees or officers after their termination of service, with a trust administrator other than the Public Employees Retirement Association, may be invested in instruments authorized under Minn. Stat.. Investment of funds in an OPEB trust account under Minn. Stat., as well as the overall asset allocation strategy for OPEB investments, must be governed by an OPEB Investment Policy Statement (IPS) developed between the investment officer, as designated here in, and the trust administrator.

X. SAFEKEEPING AND COLLATERALIZATION

A. All investment securities purchased by the School District will be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any federal reserve bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined by statute. The institution or dealer must 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. The School District will eliminate investment Custodial Credit Risk by permitting brokers that obtained investments for the School District to hold them only to the extent there is SIPC and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage’s must be transferred to the School District’s custodian.

C. Deposit-type securities will be collateralized as required by Minnesota statute for any amount exceeding federal deposit coverage.

D. Repurchase agreements will 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.

E. The District will not deposit funds that are at any time uninsured or under collateralized.

F. Substitutions of collateral will be permitted, but will not lessen the collateralization requirements.

G. Releases of collateral may be made only with the approval of the Treasurer or clerk of the School Board.

XI. MONITORING AND ADJUSTING INVESTMENTS

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

XII. INTERNAL CONTROLS

The investment officer will establish a system of internal controls that will be documented in writing. The internal controls must be reviewed by the School Board and will be annually reviewed for compliance by the School District's independent auditors and the Board Audit Committee. The internal controls must 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. The internal controls may include, but are not limited to, provisions relating to controlling collusion, separating functions, separating transaction authority from accounting and record keeping, custodial safekeeping, avoiding bearer form securities, clearly delegating authority to applicable staff members, limiting securities losses and remedial action, confirming telephone transactions in writing, supervising and controlling employee actions, minimizing the number of authorized investment officials, and documenting transactions and strategies.

XIII. PORTFOLIO DIVERSIFICATION: MATURITIES

A. Limitations on instruments, diversification and maturity scheduling will depend on whether the funds being invested are considered short-term or long-term funds. All funds will normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years.

B. The School District must diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.

C. The investment officer will prepare and present a report to the School Board for review and approval. The report will specify the maximum percentage of the School District's investment portfolio that may be invested in a single type of investment instrument, such as U.S. Treasury Obligations, certificates of deposit, repurchase agreements, banker's acceptances, commercial paper, etc.

D. Investment maturities will be scheduled to coincide with projected School District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments will be timed according to anticipated need. Within these parameters, portfolio maturities will be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected will provide for stability of income and reasonable liquidity.

XIV. REPORTING REQUIREMENTS

A. The investment officer will generate transaction reports for management purposes. In addition, the School Board will be provided a monthly report that will include data on investment instruments being held as well as any narrative necessary for clarification.

B. The report shall also summarize changes in investment instruments and asset allocation strategy approved by the investment officer for an OPEB trust in the most recent quarter.

C. Within ninety (90) days after the end of each fiscal year of the School District, the investment officer will prepare and submit to the School Board a comprehensive annual report on the investment program and investment activity of the School District for that fiscal year.

D. If necessary, the investment officer will establish systems and procedures to comply with applicable federal laws and regulations governing the investment of bond proceeds and funds in a debt service account for a bond issue. The record keeping system must be reviewed annually by the independent auditor or by another party contracted or designated to review investments for arbitrage rebate or penalty calculation purposes.

XV. ELECTRONIC FUNDS TRANSFERS

A. The District will comply with the provisions of statute, as amended, with respect to electronic funds transfers.

B. The District will make use of electronic funds transfers and depository transfer check plans to the greatest extent possible to maximize interest revenues and to minimize excess cash balances at the same time minimizing accounting and asset management costs.

Adopted: April 25, 1985

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