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# NEW TRIER TOWNSHIP HIGH SCHOOL DISTRICT 203

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Board of Education Policy 4-40R

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## PROCEDURE INVESTMENT OF SCHOOL DISTRICT FUNDS

### A. Scope

This investment procedure applies to all funds of the District. These funds are accounted for in the District's annual financial report and includes all current funds, and any other funds that may be created from time to time, except for District pension funds to the extent the deposit and investment of such funds is otherwise regulated under the Illinois Pension Code. All transactions involving the District's funds and related activity of any funds shall be administered in accordance with the provisions of this procedure and the canons of the "prudent person rule".

### B. Objectives

1. Safety of Principal - Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. To attain this objective only appropriate investment instruments will be purchased and insurance or collateral may be required to ensure the return of principal.
2. Liquidity - The District's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. Any investment with an absolute final maturity of more than four years shall require prior Board of Education approval.
3. Return on Investments - The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the risk constraints, the cash flow characteristics of the portfolio and legal restrictions for return on investments.
4. Maintaining the Public's Trust - The Treasurer and Superintendent or designee shall act responsibly as custodian of the public trust and shall

avoid any transaction that might impair public confidence in the District, the Board or the School Treasurer.

**C. Suitable and Authorized Investments**

The following investments will be permitted by this policy and as limited by the Public Funds Investment Act, 30 ILCS 235/2, where applicable.

1. 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;
2. Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
3. Certificates of deposit with federally insured institutions that are collateralized or insured at levels acceptable to the District in excess of the coverage limit provided by the Federal Deposit Insurance Corporation;
4. Any investment as authorized by the Public Funds Investment Act or the Investment of Municipal Funds Act, and Acts amendatory to those Acts;
5. Collateralized repurchase agreements which conform to the requirements stated in paragraph 2(g) or 2(h) of the Act;
6. Commercial paper meeting all the following requirements:
  - a) The corporation must be organized in the United States.
  - b) The corporation's assets must exceed \$500,000,000.
  - c) The obligations at the time of purchase must be rated within the highest classification by at least two of the four standard rating services (Standard and Poor's, Duff and Phelps's, Moody's and Fitch Investors Service).
  - d) The obligations cannot have a maturity longer than 180 days.
  - e) Not more than 33% of the total investment fund of the District can be invested in commercial paper at any time.
  - f) The total investment in any one corporation cannot exceed 10% of the corporation's outstanding obligations.
  - g) The total investment in any one corporation cannot be more than \$20 million;

7. The Illinois Public Treasurer's Investment Pool; and
8. The Illinois School District Liquid Asset Fund.

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 Federal Deposit Insurance Corporation. Investment products that are considered as derivatives are specifically excluded from approved investments, as such term is defined in the Illinois Insurance Code, 215 ILCS 5/126.2 (v),

**D. Diversification**

It is the policy of the District to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the School Treasurer. The diversification shall be as follows:

1. Up to 100% of C.1.
2. Up to 90% of C.2., C.3.
3. Up to 50% of C.4, C.5., and C.6.
4. Up to 25% in any single issuer of C.3.

**E. Collateralization**

1. It is the policy of the District to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.
2. Eligible collateral instruments are any investment instruments acceptable under the Act. The collateral must be placed in safekeeping at or before the time the District buys the investments so that it is evident that the purchase of the investment is predicated on the securing of collateral.
3. Safekeeping of Collateral
  - a) Third party safekeeping is required for all collateral. To accomplish this, the securities must be held only at one or more of the following locations:

- 1) at a Federal Reserve Bank or its branch office;
  - 2) at another custodial facility in a trust or safekeeping department through book-entry at the Federal Reserve;
  - 3) by an escrow agent of the pledging institution; or
  - 4) by the trust department of the issuing bank
- b) Safekeeping will be documented by an approved written agreement between the Treasurer and the governing board of the bank that complies with FDIC regulations. This may be in the form of a safekeeping agreement.
- c) Substitution or exchange of securities held in safekeeping for the District can be approved exclusively by the Treasurer, and only if the market value of the replacement securities is equal to or greater than the market value of the securities being replaced.

**F. Safekeeping of Securities**

1. Third party safekeeping is required for all securities and commercial paper. To accomplish this, the securities must be held only at one or more the following locations:
  - a) at a Federal Reserve Bank or its branch office;
  - b) at another custodial facility, which shall be a trust or safekeeping department through book-entry at the Federal Reserve, unless physical securities are involved; or
  - c) in an insured account at a primary reporting dealer
2. Safekeeping will be documented by an approved written agreement between the Treasurer and the holder of the securities. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.
3. Original certificates of deposits will be held by the originating bank. A safekeeping receipt will be acceptable documentation.

**G. Qualified Financial Institutions and Intermediaries**

1. Depositories - Demand Deposits

Funds shall be maintained only in financial institutions properly

designated by the Board of Education pursuant to Section 8-7 of the School Code, 105 ILCS 5/8-7, and meeting the following requirements:

- a) Any financial institution selected by the District shall provide normal banking services, including, but not limited to: checking accounts, wire transfers and safekeeping services.
- b) The District will not maintain funds in any financial institution that is not a member of the FDIC system. In addition, the Treasurer 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.
- c) To qualify as a depository, a financial institution must furnish the District with copies of the latest two statements of condition which it is required to furnish to the Comptroller of Currency as the case may be. While acting as a depository, a financial institution must continue to furnish such statements to the District within 45 days of the end of each quarter.
- d) Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the District on an annual basis. Fees for services shall be substantiated by a monthly account analysis.
- e) Each financial institution acting as a depository for District funds must enter into a depository agreement with the District that incorporates this policy by reference.

2. 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:

- a) provide wire transfer and certificate of deposit safekeeping services;
- b) be a member of FDIC system and be willing and capable of posting required collateral or private insurance for funds in excess of FDIC insurable limits and in amounts required by the District; and

- c) meet at all times the financial criteria as established in the investment procedures of the District.

3. Intermediaries

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

- a) provide wire transfer and deposit safekeeping services;
- b) 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, or other similar organization acceptable to the District;
- c) provide an annual audit upon request.
- d) maintain an office of Supervisory Jurisdiction within the State of Illinois and be licensed to conduct business in this State; and
- e) be familiar with the Board of Education's policy and accept financial responsibility for any investment not appropriate according to the policy.

H. **Management**

- 1. The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this procedure:

- a) Treasurer
- b) Superintendent or designee

These documents include:

- 1) Wire Transfer Agreement
- 2) Depository Agreement

- 4) Custody Agreement
- 3) Safekeeping Agreement
2. Management responsibility for the investment program is hereby delegated to the Treasurer and Superintendent or designee, who shall establish a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity. Such procedures shall include explicit delegation of authority to persons responsible for the execution under the direction of the Treasurer of specific financial transactions, including: investment transactions; check signing, check reconciliation, deposits, bond payments, report preparation and wire transfers. No person may engage in any investment transaction except as provided for under the terms of this policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.
3. The wording of agreements necessary to fulfill the investment responsibilities is the responsibility of the Treasurer who shall periodically review them for their consistency with District policy and State law and who shall be assisted in this function by the Superintendent or designee, District legal counsel and auditors. These agreements include but not limited to:
  - a) Wire Transfer Agreement
  - b) Depository Agreement
  - c) Safekeeping Agreement
  - d) Custody Agreement
4. The Treasurer may use financial intermediaries, brokers, and/or financial institutions to solicit bids for securities and certificates of deposit. These intermediaries shall meet the criteria set forth in Section G (3) above and shall be approved by the Board of Education.
5. All wire transfers made by the Treasurer shall require a secondary authorization by the Superintendent or designee.
6. The Treasurer shall be further authorized to enter into joint investment agreements as authorized under Section 8-7 of the School Code.

**I. Performance**

The Treasurer will seek to earn a rate of return appropriate for the type of investments being managed given the portfolio objectives defined in Section B of this document for all funds. In general, the Treasurer will strive to earn an average rate of return equal to or greater than the Treasury rate for the duration equal to the average weighted maturity of the District's investments or one year, whichever is less.

**J. 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, except as permitted under Section 3.2 of the Public Officer Prohibited Practices Act, 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

**K. Indemnification**

Investment officers and employees of the District acting in accordance with this Investment Procedure and such written operational policies as may be established by the District, and who otherwise exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for an individual security's credit risk or market changes.

**L. Reporting**

The Treasurer shall submit to the Board of Education and the Superintendent a monthly investment report which shall include information regarding securities in the portfolio by class or type, book value, income earned, and market values as of the report date. Generally accepted accounting principles shall be used for valuation purposes. The report shall indicate any areas of policy concern and planned revision of investment strategies.

**M. Amendment**

This procedure shall be reviewed from time to time by the Treasurer with regards to the procedure's effectiveness in meeting the District's needs for safety, liquidity, rate of return, diversification, and general performance. Any substantive changes will be reported to the Board of Education.

**Adopted: 4/17/94**

**Revised: 5/15/2006**

**Revised: 12/12/2011 (Second Reading)**

**Revised: 02/21/2012**