

MANHEIM CENTRAL SCHOOL DISTRICT

SECTION: FINANCES

TITLE: INVESTMENTS

ADOPTED: May 23, 1995

REVISED: November 26, 2002

	<p style="text-align: center;">609. INVESTMENTS</p> <p>1. Definitions</p> <p>Short-term - an obligation with a maturity of three hundred ninety seven (397) days or less from the time the investment is made.</p> <p>Long-term - an obligation with a maturity exceeding four (4) years from the time the investment is made.</p> <p>Mid-range - an obligation with a maturity between short-term and long-term.</p> <p>Credit risk - the risk of loss of principal or interest due to the failure of the issuer of the obligation.</p> <p>Interest rate risk - the risk that the market value of the investment will fall due to changes in general interest rates.</p> <p>Nationally recognized rating agency - Moody's Investors Service; Standard & Poor's; Veribanc, Inc.; or a similar nationally recognized rating agency.</p> <p>Investment Officer - The Treasurer, Business Administrator, or other officer designated by the Board to have responsibility for management of the district's annual investment plan. At any time another Investment Officer has not been designated by the Board, or the designated Investment Officer is unavailable, the Treasurer shall have authority to act as Investment Officer.</p> <p>Repurchase Agreement - A written agreement under which the district agrees to buy, hold for a specified time, and sell back at a future date, securities which are permitted investments under this policy.</p> <p>2. Authority</p> <p>All district funds shall be invested in accordance with this policy and a School Board approved annual investment plan. This includes all funds which are property of the district or held by the district as fiduciary, including the general fund, the cafeteria fund, bond proceeds, capital reserve funds, and all other such funds. However, this</p>
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<p>3. Guidelines</p>	<p>policy shall not cover class or activity funds maintained under School Code § 511 or other funds which are not property of the district. Legal authority and rules pertaining to this policy include: School Code, 24 P.S. §§ 440, 440.1, 493, 511, 521, 621, 622, 623, 624, 625; Local Government Unit Debt Act, 53 Pa. C.S.A. §§ 8221 and 8224; Fiscal Code, 72 P.S. § 3836-1 et seq; Intergovernmental Cooperation Act, 53 Pa. C.S.A. § 2301 et seq.</p> <ol style="list-style-type: none"> 1. <i>Investment Objectives</i> - The primary objectives of district investment activities shall be, in priority order: <ol style="list-style-type: none"> a. Legality - Investments shall be made in accordance with applicable laws. b. Safety - Safety of principal shall never be compromised. Preservation of principal shall be ensured through minimizing credit risk and interest rate risk, and by thorough investigation and knowledge of all investment providers and professionals. c. Liquidity - Investments shall remain sufficiently liquid to meet all anticipated cash flow requirements. d. Yield - Investments shall be made with the objective of attaining a market-average rate of return throughout budget and economic cycles, taking into account credit risk and maturities. e. Diversification - Investments shall be diversified by: (1) Avoiding concentration in obligations of a specific issuer (excluding U.S. Treasury securities). (2) Continuously investing a portion of the portfolio in readily available funds such as local government investment pools, money market mutual funds, or bank accounts subject to immediate withdrawal. f. Minimize Uninvested Balances - Investments shall be made so as to minimize uninvested balances. The district cash flow plan will be used to ensure that investments are made as early as possible, and that maturities are consistent with cash flow requirements. 2. <i>Pooling of Funds</i> - Except for cash in certain restricted funds, to the extent beneficial for investment purposes, the district will consolidate cash balances from various funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
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3. *Investment Officer, Investment Advisor, Treasurer, and Board Responsibilities -*

- a. The Board will each year designate an Investment Officer.
- b. The Investment Officer shall each year per Annual Investment Plan below prepare for approval by the Board a written annual investment plan.
- c. The Board delegates to the Investment Officer responsibility to prepare, implement and manage the annual investment plan, and to implement this investment policy and recommend changes to this investment policy.
 - 1) The primary responsibilities of the Investment Officer under this policy are to: (a) prepare, implement and manage the annual investment plan per section 5 below; (b) prepare monthly investment reports for Board approval per section 6 below; (c) investigate and qualify investment providers and professionals per section 7 below; (d) select investments per sections 8 and 9 below; (e) ensure investments are made and held in proper form per section 10 below; (f) for deposits that are not federally insured, ensure collateral is provided per section 11 below; (g) ensure disclosures are made per section 12 below; (h) ensure legal counsel review of investment arrangements per section 13 below; (i) generally to ensure compliance with this investment policy; and (j) recommend changes to this investment policy.
 - 2) The Investment Officer may obtain assistance from investment providers and professionals in fulfilling some or all of these responsibilities. The Investment Officer may use information provided by investment providers or professionals in preparing the annual investment plan or periodic investment reports per sections 5 and 6 below. Similarly, the Investment Officer may rely on services of investment providers and professionals in fulfilling other requirements of the annual investment plan and this investment policy. However, the Investment Officer shall remain responsible for the adequacy of the information and services to fulfill the requirements of this policy.

d. Generally, all decisions concerning approval of specific investments shall be made by the Investment Officer, and an investment advisor should not be granted investment discretion. However, as an exception, the district may grant limited investment discretion to an investment advisor in one or both of the following ways:

- 1) As part of a cash management program, the district may give to a financial institution authority to sweep excess district funds into a designated pool or investment.
- 2) As a part of a cash management program, the district may give a financial institution limited investment discretion subject to the following limitations: (a) The district will provide the financial institution with its cash flow requirements, and investments will be made so as to provide liquid funds consistent with cash flow requirements. (b) The district will provide a list of permissible investments, including type of investment, any special criteria for permissible investments in each category, and requirements for reporting specific investments to the district. (c) Investments to which this discretion applies will be limited to maturities of ninety (90) days or less from the time the investment is made.

Prior to a grant of limited investment discretion under this subsection (d), district legal counsel shall review the documents granting the investment discretion.

e. An Investment Officer other than the Treasurer shall have no authority to transfer district funds except for transfers from a district account or investment to another district account or investment in the name of the district, and except as otherwise expressly authorized by the Board for purposes unrelated to investments

f. If not acting as Investment Officer, the Treasurer shall regularly consult with the Investment Officer and review the investments made on behalf of the district by the Investment Officer.

g. All investments must be either approved by the Board in advance, or approved at a Board meeting as soon as possible after the investment is made.

4. *Bonding* - The Treasurer and Investment Officer shall be bonded in an amount approved by the Board.

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| | <p>5. <i>Annual Investment Plan</i> - The Investment Officer will submit an annual investment plan to the Board for approval within sixty (60) days after adoption of the annual budget. The annual investment plan may be amended at any time by Board approval, and shall include: (1) The individual designated as Investment Officer. (2) Depository institutions, or minimum criteria for depository institutions, approved for investment of district funds. (3) Repurchase agreement providers, or minimum criteria for repurchase agreement providers, approved for investment of district funds. (4) Brokers approved for purchase or sale of district investments. (5) Custodians approved for safekeeping of district investments. (6) Investment advisors or managers approved for district use. (7) Any external cash management program to be used by the district. (8) Local government investment pools approved for investment of district funds. (9) Money market mutual funds approved for investment of district funds. (10) Specific types of investments approved for investment of district funds, including U.S. government obligations, any specific agencies of the U.S. government the obligations of which will be permitted for investments based on backing by the full faith and credit of the U.S. government, and any specific agencies of the U.S. government the obligations of which will be permitted for short-term investments without backing by the full faith and credit of the U.S. government. (11) District cash flow plan for the fiscal year. (12) General explanation of the types and maturities of investments intended for various district funds. (13) The Investment Officer's plan for continuing education on investments. (14) The amount of the bond for the Treasurer and Investment Officer. (15) Assurance that the Investment Officer has carefully investigated all investment providers and professionals presented for approval. (16) Other information determined appropriate by the Investment Officer or requested by the Board.</p> <p>6. <i>Monthly Investment Reports</i> - The Investment Officer shall submit reports to the Board for approval monthly, including: (1) Amount invested from various district funds and accounts. (2) Types and amounts of each investment, including maturities and rates of return. (3) Investments made since the previous investment report. (4) Custodian holding each investment. (5) Comparison of rates of return to benchmarks where appropriate benchmarks are available. (6) Assurance that the investments are consistent with the annual investment plan and any exceptions to this assurance. (7) Assurance that the district is currently complying with all provisions of this investment policy and any exceptions to this assurance. (8) Any requested amendments to the annual investment plan or this investment policy. (9) If any amendment includes a new investment provider or professional, assurance that the Investment Officer has carefully investigated the new provider or professional. (10) Other information determined appropriate by the Investment Officer or requested by the Board.</p> |
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7. *Due Diligence Qualification and Annual Review of Investment Providers and Professionals -*

- a. It is of utmost importance that the district have thorough knowledge of all investment providers and professionals serving the district. Selection of depository institutions, repurchase agreement providers, brokers, custodians, investment advisors or managers, local government investment pools, and money market mutual funds will be based on legality, performance, quality of service, experience, reputation, integrity, creditworthiness, capitalization, and other relevant factors. The district will deal only with those having substantial experience and a high level of capitalization.
- b. The Investment Officer will carefully investigate all investment providers and professionals before starting a business relationship or engaging in an initial transaction, and will further review and investigate all providers and professionals at least annually. The Investment Officer will require submission of qualification information as part of the initial investigation, and updated information as part of the annual review.
- c. All depository institutions (except for fully insured deposits), custodians, repurchase agreement providers, brokers, investment advisors or managers, and local government investment pools, shall be required to submit: (1) Their rating, if any, from a nationally recognized rating agency. (2) Their most recent audited annual financial statements. (3) Information concerning any fidelity bonds, errors and omissions insurance, and any other insurance available to protect the district against possible loss, including names of insurance companies, coverage limits, and scope of coverage. (4) Information concerning the internal and external audit procedures applicable to investments, collateral, or investment services. (5) If a depository institution or custodian, a written statement that the institution is “well capitalized” as defined in applicable federal regulations. (6) Other information requested by the district. For depository institutions with a high rating from a nationally recognized rating agency, other information submissions may be waived.
- d. Brokers shall be required to submit evidence of SIPC membership, applicable regulatory agency registrations for firm and individual, and NASD and Pennsylvania Securities Commission disciplinary information and affiliations for the prior three (3) years. SIPC membership should also be confirmed through the SIPC website. Registrations, disciplinary history and affiliations should also be confirmed through the NASD and Pennsylvania Securities Commission websites or by telephone to these agencies.

- e. Investment advisors and managers shall be required to submit applicable regulatory agency registrations, SEC and Pennsylvania Securities Commission disciplinary information for the prior three (3) years, and a written acknowledgment of receipt of and agreement to comply with this policy and knowledge of legal requirements applicable to school district investments. Registrations and disciplinary information should also be confirmed through the SEC and Pennsylvania Securities Commission websites or by telephone to these agencies.
- f. Local government investment pools shall be required to submit copies of the trust or other documents establishing the pool and defining the structure and management of the pool, and a comprehensive information statement describing the pool.
- g. Money market mutual funds shall be required to submit an up to date prospectus of the fund and evidence of rating in the highest category by a nationally recognized rating agency.
- h. Depository institutions are limited to financial institutions insured by FDIC or another U.S. government instrumentality. For deposits not fully insured by federal insurance, minimum requirements are that depository institutions shall have equity (capital stock and surplus) of not less than \$50,000,000; shall be “well capitalized” as defined in applicable federal regulations; and shall have a high rating from a nationally recognized rating agency. In addition, the Investment Officer shall determine, based on review of the information provided by the depository institution and other appropriate investigation, that the depository institution is financially sound and subject to appropriate internal and external audit.
- i. For deposits fully insured by federal insurance, the district will either limit deposits to institutions qualifying under subsection (h) for uninsured deposits, or alternatively will establish minimum qualification criteria for depository institutions and a screening method for ensuring compliance with the criteria.

	<ul style="list-style-type: none">j. As to custodians, Pennsylvania law applicable to custodians for deposit collateral limits such custodians to banks or trust companies. Custodians for collateral, or for any investment, shall be limited to banks or trust companies. Custodians shall be “well capitalized” as defined in applicable federal regulations. Custodians shall either have equity (capital and surplus) of not less than \$50,000,000 and a high rating from a nationally recognized rating agency; or alternatively custodians shall provide from a holding company that has equity of not less than \$50,000,000 and a high rating and that owns the custodian, written assurance that if at any time the custodian should have insufficient assets to meet any obligation to the school district, the holding company will provide adequate capital to the custodian to enable it to meet all obligations to the school district. In addition, the Investment Officer shall determine, based on review of the information provided by the custodian and other appropriate investigation, that the custodian is financially sound and subject to appropriate internal and external audit.k. Repurchase agreement providers shall have equity (capital stock and surplus) of not less than \$50,000,000, and shall have a high rating from a nationally recognized rating agency. In addition, the Investment Officer shall determine, based on review of the information provided by the repurchase agreement provider and other appropriate investigation, that the repurchase agreement provider is financially sound and subject to appropriate internal and external audit.l. Investments may be made in a money market mutual fund only to the extent the fund is rated in the highest rating category by a nationally recognized rating agency and meets all other requirements set forth in Appendix A.m. Investments may be made in a local government investment pool only to the extent either rated in the highest category by a nationally recognized rating agency, or pool investments are limited to securities rated in the highest category by a nationally recognized rating agency and deposits with a depository institution insured by FDIC or another U.S. government instrumentality.n. The district shall not invest in a money market mutual fund or local government investment pool until the legality of investment in the fund or pool has been approved by district legal counsel.o. Further qualification requirements for specific investments or entities may be developed for approval by the Board and included as part of the annual investment plan.
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8. *Permitted Investments* - District funds will be invested only in investments authorized under School Code § 440.1 as set forth in Appendix A - Permitted Investment Guidelines. Repurchase agreements are permitted only according to the guidelines set forth in Appendix B - Repurchase Agreement Guidelines. Certificates of deposit are permitted only according to the guidelines set forth in Appendix C - Certificate of Deposit Guidelines. Funds may be invested through a local government investment pool subject to approval by district legal counsel of the legality of the district making investments through the pool. The same limitations apply to bond proceeds as apply to all other funds; no additional investments are permitted for bond proceeds.
9. *Selection of Investments* - The Investment Officer or investment advisor where practical shall obtain competitive bids for deposits or securities. If competitive bids are not obtained for securities, prior to making an investment the Investment Officer or investment advisor will obtain written confirmation of price markup.
10. *Investment Ownership Records, Security Purchases, Securities Custody, and Monthly Reports* -
 - a. All deposits and other investments will be made in the name of the district.
 - b. All security purchases will be made through a "delivery versus payment" transaction in which the district pays for the securities after the securities are delivered to the district custodian.
 - c. Securities will be held by a custodian specified in the annual investment plan. There shall be a written custodian agreement. The agreement should generally include the following and other normal and appropriate terms: (1) The custodian shall send written confirmations to the district upon receipt of securities and send monthly reports to the district listing securities held for the district and other appropriate information. (2) Securities may be held in book entry form, or registered in a name other than the district to the extent required by the custodian's regular system for holding customer securities. However, the records of the custodian shall in all events designate that the custodian is holding the securities as custodian and that the district is the owner. (3) The custodian is prohibited from granting a security interest or other lien in or on the securities. (4) The custodian shall remain fully responsible to the district for delivery or transfer of the securities or proceeds of the securities upon sale or transfer by the district, without limitation because of the manner in which ownership of the securities is registered or for any other reason. (5) The district at any time may withdraw the investments or other property held by the custodian. In such event, any securities will be registered, as directed by the

district, in the name of, and all funds shall be transferred to, the district or another custodian designated by the district. (6) The custodian's internal and external auditors shall audit the custodian's custodial accounts as part of a regular audit process. (7) If the custodian agreement is a blanket custodian agreement (set up for application to multiple investors), there should be a clause indicating the right of the district to make direct requests to and claims against the custodian, and the custodian should acknowledge in writing the custodian's direct obligations to the district.

- d. The custodian will provide the district with monthly reports of securities held for the district.

11. *Collateral for Deposits* -

- a. Except for deposits fully insured by federal insurance, depository institutions shall provide collateral for all district deposits in accordance with applicable law.
- b. For mid-range and long-term deposits, the Investment Officer should consider requiring a pledge of specific collateral pursuant to an agreement approved by district legal counsel.
- c. Pooled collateral is permitted in accordance with the requirements of applicable law and subject to the following additional requirements:
 - 1) Prior to making any deposit secured by pooled collateral, the depository institution shall provide the district with a written commitment documenting the collateral pledge. The commitment should include the following and other normal and appropriate terms: (a) A statement of the district funds secured by the pool. (b) Identification of the custodian holding the pooled collateral and prohibition against change of the custodian unless advance written notice is given to the district, including the identity of the new custodian. (c) A copy of the current custodian and pledge agreement between the bank and the custodian holding the pooled collateral. (d) A statement of the minimum requirements for assets in the security pool. (e) A statement that the pool is pledged solely for the benefit of public bodies maintaining with the institution deposit accounts secured by the pool of pledged assets. (f) A statement of the minimum excess collateral coverage, measured by market value, maintained by the institution over the amount of all public deposits secured by the pool. (g) Authorization of immediate withdrawal of all district funds together with accrued interest, without any penalty for early withdrawal, if the excess

collateral coverage falls below the specified minimum excess collateral coverage. (h) A requirement that the institution maintain daily records of public deposits and collateral maintained in the pool for public deposits. (i) A requirement that the institution make reports to the district on deposits and collateral on request by the district, including in the report the total amount of public funds on deposit and the total amount and market value of collateral in the pool to secure such public deposits. (j) A requirement that the pooled collateral arrangements comply in all respects with applicable law.

- 2) The Investment Officer shall make periodic requests for collateral reports from all depository institutions. Reports should be requested at the inception of any deposit arrangement and at predetermined intervals thereafter.

12. Ethics/Disclosures/Fees -

- a. The Investment Officer shall disclose in writing to the Board any material conflict of interest or material potential conflict of interest which exists because of personal relationships or personal business activity between the Investment Officer and any depository institution, broker, investment advisor, or other investment provider or professional serving the district. The Investment Officer shall refrain from any personal business activity that could impair ability to make impartial decisions in managing the annual investment plan.
- b. All depository institutions, repurchase agreement providers, brokers, and investment advisors and managers shall disclose in writing to the district: (1) any fees or other compensation paid to or received from a third party with respect to any district investment; and (2) any ownership of, by, or by a parent corporation which owns, any other depository institution, broker, investment advisor, or other investment provider or professional which does business with the district.

13. Legal Counsel - District legal counsel shall be requested to review investment agreements; documents establishing relationships with depository institutions, repurchase agreement providers, brokers, custodians, investment advisors, and local government investment pools; and other documents as appropriate to ensure compliance with this policy and applicable law. Legal counsel need not review documents relating to opening standard bank accounts, specific certificates of

deposit, or specific security transactions. However, legal counsel should be requested to review any unusual documents or circumstances and any other information as the Investment Officer deems appropriate. The rules set forth in this investment policy may be modified or waived with written approval by district legal counsel.

14. *Independent Audit* - All investment transactions shall be subject to annual audit by the district's independent auditors. The audit shall include but not be limited to, as deemed necessary by the auditors, verification of amounts and records of all transactions; verification with depository institutions, issuers, local government investment pools, custodians or others as to investment amounts and terms; verification that investments are of the type authorized by this policy; and verification that values are properly reported at year end and on monthly investment reports that report values. The audit shall also include a review of internal controls, including separation of transaction authority from accounting and record keeping; custodian arrangements and agreements; transaction confirmations; record keeping; and other issues deemed appropriate by the auditors. The auditors shall be required as part of the annual engagement to express an opinion concerning whether the district complied with all provisions of this policy during the fiscal year and at fiscal year end.