

Operational Services

Revenue and Investments

Revenue

The Superintendent or designee is responsible for making all claims for property tax revenue, State Aid, special State funds for specific programs, federal funds, and categorical grants that assist the educational program.

Money that is not required for current operations should be invested. Investments shall be made by the treasurer or appropriate staff in the Business office, under the supervision of the Superintendent, and in accordance with Illinois State Statutes. The Superintendent or his designee shall be the chief investment officer or treasurer who is responsible for establishing internal controls and written procedures for the operation of the investment program.

The standard of prudence shall be used when making investment decisions. The superintendent or his designee shall use the judgment and care under the circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as its probable income.

Investment Policy and Objectives

The School District's investment activities are governed by the following policy and objectives:

Policy

It is the policy of the District to invest all funds under the treasurer's control in a manner which will provide the highest investment return using authorized investments, while meeting the district's daily cash flow demands and in conformance with all state statutes governing the investment of public funds.

This policy shall apply to all investments entered into on or after the effective date of this policy. Until the expiration of investments made prior to the effective date of this policy, such investments shall continue to be governed by the policies in effect at the time such investments were made.

This policy shall be available to the public at the district Administrative Office.

Objective

The primary objective in the investment of District funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the District and providing the highest investment return using authorized investments.

1. **Safety.** The safety of principal is the foremost objective of the investment program. District investments shall be undertaken in a manner that seeks to ensure preservation of capital of portfolio.
2. **Liquidity.** The investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements, which might be reasonably projected.
3. **Return on Investment.** The investment portfolio shall be designed to obtain the highest available return, taking into account investment risk constraints and cash flow needs.
4. **Diversification.** The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, specific issuer, or a specific class of securities. The treasurer shall seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions, issuers, and broker/dealers.

Authorized Investments

As of effective date of this policy, the list of authorized investments shall include those authorized by Illinois State Statutes, including Section 2 of the Public Funds Investment Act (30 ILCS 235/2).

Funds may be invested as follows:

1. In bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, that are guaranteed by the full faith and credit of the United States of America as to principal and interest;
2. In bonds, notes, debentures, or other similar obligations of the United States of America, its agencies or its instrumentalities; agencies of the United States of America includes: (i) any entity authorized to issue debt under the Farm Credit Act of 1971 and Acts thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation, and (iii) any other agency created by Act of Congress.
3. In 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 Savings and Loan Act of 1985 (205 ILCS 105/1-1 et seq.), any savings bank as defined by the Savings Bank Act 205 ILCS 1001 et seq.) and any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.);
4. In dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.
5. In short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if: (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and that mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations, and (iii) no more than one-third of the District's funds may be invested in short term obligations of corporations;
6. In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in Section 22.5 of the Deposit of State Moneys Act (15 ILCS 520/22.5), and to agreements to repurchase such obligations.
7. In a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17) or in a fund managed, operated and administered by a financial institution.
8. In Bankers' acceptances of banks whose senior obligations are rated in the top two rating categories by two national rating agencies and maintain the rating during the term of the investment;
9. In the Illinois School District Liquid Asset Fund Plus;
10. In interest bearing bonds of any county, township, city, village incorporated town, municipality or school district. The bonds shall be registered in the name of the municipality or held under a custodial agreement at the bank. The bonds shall be rated at the time of purchase within the 4

highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

11. In short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations, the shares, or investment certificates that are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of the Superintendent or designee, the public funds so invested will be required for expenditure by the District or its governing authority;
12. In repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued there under. The government securities, unless registered or inscribed in the name of the District shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

Except for repurchase agreements of government securities that are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, no District may purchase or invest in instruments that constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of the District unless the instrument and the transaction meet all of the following requirements:

- a. The securities, unless registered or inscribed in the name of the District, are purchased through banks or trust companies authorized to do business in the State of Illinois.
- b. The treasurer, after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, that acts for the District in connection with repurchase agreements involving the investment of funds by the District. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements.
- c. A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the District on the records of the custodial bank and the transaction must be confirmed in writing to the District by the custodial bank.
- d. Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.
- e. The security interest must be perfected.
- f. The District enters into a written master repurchase agreement that outlines the basic responsibilities and liabilities of both buyer and seller.
- g. Agreements shall be for periods of 330 days or less.
- h. The treasurer informs the custodial bank in writing of the maturity details of the repurchase agreement.
- i. The custodial bank must take delivery of and maintain the securities in its custody for the account of the District and confirm the transaction in writing to the District. The custodial undertaking shall provide that the custodian takes possession of the securities exclusively for the District; that the securities are free of any claims against the trading

partner; and that any claims by the custodian are subordinate to the District's claims to rights to those securities.

- j. The obligations purchased by the District may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the Chief Investment Officer.
- k. The custodial bank shall be liable to the District for any monetary loss suffered by the District due to the failure of the custodial bank to take and maintain possession of such securities.

13. In any investment as authorized by the Illinois State Statutes and acts amendatory thereto. Paragraph 13 supersedes paragraphs 1-12 and controls in the event of conflict.

Investments may be made only in banks, savings banks, savings and loan associations, or credit unions that are insured by the Federal Deposit Insurance Corporation, unless the District enters into an agreement with the institution requiring any funds not insured to be collateralized as provided below.

Collateralization

All deposits shall be secured by instruments acceptable as defined by Sections 11 and 11.1 of the Deposit if State Moneys Act (15 ILCS 520/11, 11.1). Acceptable collateral may include:

- (i) Bonds, notes or other securities constituting direct obligations of the United States or any agency or instrumentality of the United States;
- (ii) Direct and general obligation bonds of any taxing body of any state which is payable general ad valorem taxes; and
- (iii) Third party insurance.

Safekeeping and Custody

Securities shall be held by a safekeeping agent designated by the Treasurer.

Internal Controls and Reporting

The District has a system of internal controls which are designed to prevent losses of public funds arising from fraud, employee error, misrepresentations by third parties or imprudent actions by district employees. As part of the Annual Independent Audit, these controls are reviewed which results in a report to the Board of Education.

Monthly treasurer's reports are submitted to the Board of Education noting by fund the type of investment, interest rate, purchase and maturity date, number of days maturity, investment cost and anticipated earnings. Material changes in market value of investments will be reported to the Board of Education.

Performance is measured by interest income. Amounts are presented monthly with the Treasurer's reports as a periodic review of the investment portfolio.

Authorized Broker/Dealer and Financial Institutions

Agreements with authorized brokers and dealers shall be approved by the Board of Education prior to processing any transactions. Financial institutions shall be presented to the Board of Education periodically at the Canvass of Elections.

Annually the authorized brokers or dealers shall provide to the Treasurer an annual review of financial condition and registration. More frequent reviews will be conducted if warranted.

Current audited financial statements are requires to be on file for each financial institution and broker or dealer with which the district has established a depository, trading or safekeeping relationship.

Ethics and Conflicts of Interest

The Treasurer and other individuals in policy making positions shall refrain from personal business activity that could conflict or give the appearance of conflict, with proper execution of the investment program or which could impair their ability to make impartial investment decisions and act in accordance with the “prudent person rule:”.

Statutory Compliance

This policy is adopted pursuant to the requirement of 30 ILCS 235/2.5 to have by a written investment policy adopted by the Board of Education to govern the investment of public funds by the School District.

LEGAL REF.: 30 ILCS 235/1 et seq. (Public Funds Investment Act)
 105 ILCS 5/8-7, 5/17-1, and 5/17-11.
 50 ILCS 340/1 (Investment of Municipal Funds Act)

ADOPTED: September 8, 1997

AMENDED: November 22, 1999
 November 27, 2000
 November 14, 2011