

Wilson Area School District

Investment of District Funds

PURPOSE

It shall be the policy of the Board to establish objectives and parameters for the management of public funds. These objectives and parameters are designed to safeguard funds through the minimization of credit risk and interest rate risk, to assure availability of funds when needed, and provide investment return competitive with comparable funds.

The primary objective of investment activities, in priority order, shall be:

Legality – All investments shall be made in accordance with applicable laws of Pennsylvania.

Safety – Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be measured through the mitigation of credit risk and interest rate risk.

Liquidity – Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands.

Yield – Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

AUTHORITY

All investments of the school district made by an officer and/or employee of the district shall be made in accordance with this policy and a Board-approved investment program.

DEFINITIONS

Short-term – any period twelve (12) months or less

Long-term – any period exceeding forty-eight (48) months' duration

Mid-range – any period between short-term and long-term

Concentration of credit risk – the risk associated with the consolidation of investment in a single pool, institution, or instrument

Credit risk – the risk of loss of principal due to the failure of the security issue or backer of the issue

Interest rate risk – the risk that the market value of securities will fall due to changes in general interest rates

Investment program – the specifically enumerated and Board-approved investment strategy

DELEGATION OF RESPONSIBILITY

The Board shall delegate to the Business Manager the responsibility to manage the district's investment programs.

The Business Manager shall report monthly to the Board the following:

1. Amount of funds invested
2. Interest earned and received to date
3. Types and amounts of each investment and the interest rate on each
4. Names of the institutions where investments are placed
5. Current market value of the funds invested

GUIDELINES

Investments permitted by this policy are those defined in Section 440.1 PA School Code, as amended, which are collateralized in accordance with applicable laws.

All securities shall be purchased in the name of the school district, and custody of the securities shall be specified within the district's investment program.

All investment advisors or bidders shall verify in writing that they have received a copy of this policy. Such written statement shall indicate that they have read and understand this policy and all applicable statutes related to school district investments along with their intent to comply fully with these requirements.

The district shall require all investment advisors/bidders to submit annually any or all of the following, as appropriate:

1. Audited financial statements
2. Proof of National Association of Securities Dealers (NASD) certification
3. Proof of state registration

Disclosure: Designated officers and employees involved in the district's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions.

Audit: The Board directs that all investment records be subject to annual audit by the district's independent auditors.

The audit shall include, but not be limited to, independent verification of amounts and records of all transactions, as deemed necessary by the independent auditors.

It shall be the responsibility of the investment advisor and/or bidder to maintain necessary documents to permit independent audit of the district's investments.

BOND PROCEEDS

Bond proceeds shall be invested in accordance with the local Government Unit Debt Act and applicable federal and state laws. The investment balance shall be reported monthly to the Board as outlined in this policy.

COMPLIANCE WITH GAAP

The following is intended to guide district investments as limited by Section 440.1 of the PA School Code:

The district will minimize credit risk by limiting investments to the types of securities listed under Section 440.1 of the PA School Code. District investments that are not backed by the “Full Faith and Credit” of the federal or state governments shall be limited to those with the highest two credit ratings available for such instrument where the rating is issued by a recognized organization that routinely issues such ratings.

The district will minimize concentration of credit risk by diversifying the investments so the potential loss impact from any one type of security or issuer will be minimized.

The district will minimize interest rate risk by structuring the investment maturity dates to coincide with its cash operating requirements, thereby avoiding the need to sell securities in the open market. The district will not invest in instruments that have a maturity of more than 24 months.

On an annual basis, the Business Manager shall submit to the Board for approval a list of designated depositories. All district funds shall be deposited/invested in the approved depositories.