

In accordance with the State of Wisconsin Statutes the School District of Abbotsford shall maintain a set of procedures for the investment of School District funds that includes the following elements:

1. A listing of authorized investments.
2. The standard of care that must be maintained by the persons investing the public funds.
3. Investment and diversification guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio.
4. Guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral.
5. 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 district.
6. Performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the school district's investment portfolio.
7. Appropriate periodic review of the investment portfolio, its effectiveness in meeting the school district's needs for safety, liquidity, rate of return, and diversification, and its general performance.
8. At least quarterly written reports of investment activities for submission to the Board of Education and the Superintendent, including information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date.
9. A procedure for the selection of investment advisors, money managers, and financial institutions.
10. A policy regarding ethics and conflicts of interest.

The Finance Committee of the School District shall establish and submit any necessary procedures for the Board's approval and shall periodically review and propose needed amendments thereto. Such procedures and this policy shall be

kept available at all times for public review at the School District's administrative offices.

## **INVESTMENT OF SCHOOL DISTRICT FUNDS**

### **A. Scope**

This investment procedure applies to all funds of the District, with the exception of those funds with dedicated district policies. (Reference: Policy 662.4). These funds are accounted for in the District's annual financial report and include all current funds, and any other funds that may be created from time to time. All transactions involving the District's funds and related activity of any funds shall be administered in accordance with the provisions of this procedure.

### **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 of 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.
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 investment officers shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the District, the Board, the Finance Committee, School Treasurer, District Administrator, or the District Bookkeeper.

### **C. Investment Instruments**

The District may invest its funds in those instruments permissible under Wisconsin Statutes. The District has chosen to limit its allowable investments to those instruments listed below:

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 credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in the State of Wisconsin.

3. Certificates of deposit that are insured by an insurer having a claims paying rating which is in the highest or 2nd highest rating category assigned by a nationally recognized rating agency.

4. Commercial paper meeting 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 classifications by at least two of the three standard rating services (Standard and Poor's, Moody's and Fitch Investors Service).
- d) The total investment in any one corporation cannot exceed 10% of the corporation's outstanding obligations.

5. The Wisconsin State Treasurer's Local Government Investment Pool, and

6. The Wisconsin School District Liquid Asset Fund.

7. 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.

8. Investment products that are considered as derivatives are specifically excluded from approved investments.

9. The district will annually solicit bids for depository functions of the district and acceptance will be based on rate of return and other factors determined by the board. Proceeds from the student activity account and general Fund 10 receipts may not be subject to an annual bid process. All attempts will be made to conduct business with the local institutions first. Proof of collateral will be required for those deposits over the FDIC designated amounts.

#### **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 may be revised periodically by the Board upon recommendation of the Finance Committee. The diversification shall be as follows:

- a) Up to 100% of C.1 and C.5.
- b) Up to 90% of C.2. and C.3
- c) Up to 75% of, C.4 and C.6

#### **E. Collateralization**

1. It is the policy of the District to require that time deposits in excess of FDIC insurable limits are secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Proof of collateral is mandatory for those deposits in excess of the Federal Deposit Insurance Corporation's limits for public entities. Any amount above the \$500,000.00 insured amount must be backed by collateral assignment provided by the institution of holding.
2. Eligible insurers must have a claims paying rating in the highest or 2nd highest rating category assigned by a nationally recognized rating agency.
3. Eligible collateral instruments are any investment instruments acceptable under Wisconsin Statutes. 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.
4. Safekeeping of Collateral
  - a) Third party safekeeping is required for all collateral. To accomplish this, the securities must be held 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
  - b) Safekeeping will be documented by an approved written agreement between the Board of Education 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 must be approved by the Board upon recommendation of the Finance Committee, 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 of 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 Board of Education 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

- 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. All potential depositories must qualify as a public depository under Wisconsin investment statutes. In addition, the School District of Abbotsford 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 Treasurer 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 Board on an annual

basis. Fees for services shall be substantiated by a monthly account analysis.

- e) Each financial institution acting as a depository for the District must enter into a depository agreement with an authorized school district official 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 will be Board approved upon recommendation of the Finance Committee and must:

- a) provide wire transfer and deposit safekeeping services;
- b) maintain appropriate federal and state registrations for the type of business in which they are engaged;
- c) provide an annual audit upon request;
- d) 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 of Program**

1. The following individuals are authorized by the Board to conduct wire transfers, authorize the release of pledged collateral, and to execute any documents required under this procedure with prior Board Approval:

- a) District Bookkeeper
- b) District Superintendent

These documents include:

- 1) Wire Transfer Agreement
- 2) Depository Agreement
- 3) Safekeeping Agreement
- 4) Custody Agreement

2. Management responsibility for the investment program remains with the Board upon recommendation of the Finance Committee. The Board may enter into an agreement with an independent financial management service to serve the district in an advisory capacity and management of investment of district funds (See G,3). 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 will be engaged by normal auditing procedures and practices. Such procedures shall include delegation of authority to persons responsible for the execution 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. Only those designated by the Board may execute transactions defined above.

3. The wording of agreements necessary to fulfill the investment responsibilities shall be reviewed periodically by the Finance Committee and may utilize the recommendation of legal counsel and auditors for their consistency with District policy and State law These agreements include but not limited to:

- a) Wire Transfer Agreement
- b) Depository Agreement
- c) Safekeeping Agreement
- d) Custody Agreement

4. The Board 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 shall require a secondary authorization. Only those designated by the Board have authorization.

## **I. Performance**

The Board's goals on investments is 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 investments authorized by the Board will strive to earn an average rate of return equal to or greater than the U.S. Treasury Bill rate for a given period of time for the average weighted maturity of the District's investments.

#### **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.

#### **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 District Bookkeeper shall submit to the Board of Education and the Superintendent a monthly investment report that 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**

The Finance Committee shall review this procedure from time to time. The Finance Committee will periodically report to the board 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.

First Reading: February 18, 2008  
Board Adoption: March 17, 2008