

CHESTER COUNTY INTERMEDIATE UNIT 24

SECTION: FINANCES

TITLE: INVESTMENT OF FUNDS

ADOPTED: MARCH 16, 2011

REVISED: JUNE 17, 2015

<p>1. Purpose</p> <p>2. Authority SC 440.1, 621, 622, 623</p> <p>3. Definitions</p>	<p style="text-align: center;">609. INVESTMENT OF FUNDS</p> <p>It shall be the policy of the Board to optimize its return through investment of cash balances in such a way as to minimize noninvested balances and to maximize return on investments.</p> <p>The primary objectives of investment activities, in priority order, shall be:</p> <p>Legality - All investments shall be made in accordance with applicable laws of Pennsylvania.</p> <p>Safety - Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk.</p> <p>Liquidity - Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated.</p> <p>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.</p> <p>All investments of the Intermediate Unit made by an officer and/or employee shall be made in accordance with this policy.</p> <p>Short-term - any period thirteen (13) months or less.</p> <p>Long-term - any period exceeding forty-eight (48) months' duration.</p> <p>Mid-range - any period between short-term and long-term.</p> <p>Concentration of credit risk - the risk associated with the consolidation of investments in a single pool, institution, or instrument.</p>
---	---

<p>4. Delegation of Responsibility SC 440.1</p> <p>SC 440.1 72 P.S. Sec. 3836 et seq</p>	<p>Credit risk - the risk of loss of principal due to the failure of the security issue or backer of the issue.</p> <p>Custodial credit risk - the risk of loss associated with consolidation of investments with a single institution where the Intermediate Unit may rely on the institution to hold investments on behalf of the Intermediate Unit or through collateral action when the instruments are not in the Intermediate Unit's name.</p> <p>Foreign currency risk - the risk associated with investment in foreign currency that is subject to market fluctuation and associated currency conversion.</p> <p>Interest rate risk - the risk that the market value of securities will fall due to changes in general interest rates.</p> <p>Investment program - the specifically enumerated and Board-approved investment strategy.</p> <p>The Board shall delegate to a designated individual the responsibility to manage the Intermediate Unit's investment program, in accordance with written, Board-approved rules and procedures for operation of the investment program.</p> <p>The designated individual responsible for investments shall report monthly to the Board the following:</p> <ol style="list-style-type: none"> 1. Amount of funds invested. 2. Anticipated interest on investments. 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, if applicable. 6. Collateralization of deposits exceeding insurance limits. 7. Other information required by the Board. <p>The Board directs the Executive Director or designee to establish administrative regulations that will ensure compliance with this policy, including a disclosure form for designated individuals involved in the investment process and/or required written statements for advisors and bidders.</p>
--	---

<p>5. Guidelines SC 440.1</p> <p>17 CFR Part 270</p> <p>SC 440.1</p> <p>65 Pa. C.S.A. Sec. 1101 et seq</p> <p>Pol. 619</p>	<p>Investments permitted by this policy are those defined in law, which are collateralized in accordance with applicable laws.</p> <p>All securities shall be purchased in the name of the Intermediate Unit, and custody of the securities shall be specified within the investment program.</p> <p>An exception to purchases in the name of the Intermediate Unit is permitted for the purchase of shares of an investment company that is or conducts business voluntarily in compliance with applicable law.</p> <p>All investment advisors or bidders shall verify in writing that they have received a copy of this Board policy. Such written statement shall indicate that they have read and understand this policy and all applicable laws related to Intermediate Unit investments, along with their intent to comply fully with these requirements.</p> <p>The Intermediate Unit shall require all investment advisors/bidders to submit annually any or all of the following, as appropriate:</p> <ol style="list-style-type: none"> 1. Audited financial statements. 2. Proof of Financial Industry Regulatory Authority (FINRA) certification. 3. Proof of state registration. 4. Rating from a recognized rating agency. <p><u>Disclosure</u></p> <p>Designated officers and employees involved in the Intermediate Unit’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.</p> <p><u>Audit</u></p> <p>The Board directs that all investment records be subject to annual audit by the Intermediate Unit’s independent auditors.</p> <p>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.</p>
--	---

<p>53 Pa. C.S.A. Sec. 8001 et seq</p>	<p>It shall be the responsibility of the investment advisor and/or bidder to maintain necessary documents to permit independent audit of the Intermediate Unit's investments.</p>
<p>SC 218, 440.1 GASB Stmt 40</p>	<p><u>Bond Proceeds</u></p> <p>Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act and applicable federal and state laws, subject to approval by the solicitor and/or bond counsel and the Board.</p> <p>Investment transactions arising from bond proceeds shall be reported monthly to the Board, in accordance with policy.</p> <p><u>Compliance With GAAP</u></p> <p>The following is intended to guide Intermediate Unit investments as limited by law:</p> <ol style="list-style-type: none">1. Intermediate Unit funds shall not be invested in foreign currency and shall have no related risk that would require disclosure pursuant to GASB Statement 40.2. Intermediate Unit investments shall limit the exposure to loss of principal due to market changes in interest rates.3. Intermediate Unit investments in authorized instruments that are not backed by the "full faith and credit" of the federal or state government shall be limited to those with the highest two (2) credit ratings available for such instruments issued by a recognized organization. <p>If, after purchase, the rating of any instrument is reduced and no longer in compliance with Board policy, the individual responsible for Intermediate Unit investments shall make appropriate adjustments and advise the Board at the earliest opportunity.</p> <ol style="list-style-type: none">4. When Intermediate Unit funds are invested in any one (1) issuer other than designated depository accounts (which includes external investment pools), and securities issued or explicitly guaranteed by the U.S. Government, owned directly by the Intermediate Unit, the amount of the investment shall be unlimited, but the Board shall be notified of such investment monthly.5. For purposes of interest rate disclosure in the annual financial report, the method of determining interest rate risk shall be based on weighted average maturity.

<p>SC 440.1 72 P.S. Sec. 3836 et seq</p>	<p><u>Protection Of Bank Balances In Excess Of FDIC Limits</u></p> <p>When Intermediate Unit cash is deposited in an authorized depository, if the cash balance exceeds the insurance limits, Intermediate Unit funds shall be collateralized pursuant to law.</p> <p>The collateral shall be limited to investments authorized by law.</p> <p>It shall be the responsibility of the Director of Administrative Services or designee to verify with the depository the value of the instrument(s) based on the instrument being “marked to market.”</p> <p>Verification of the value of the collateral instrument(s) shall occur no less than quarterly.</p> <p>Following a review of valuation, the Director of Administrative Services or designee may request an additional review by the Intermediate Unit’s investment advisors or financial consultant, and shall require additional collateral if the existing collateral has declined in value and exposes the Intermediate Unit to potential loss of principal. The Board shall be advised of the status of the valuation review and any additional collateral at the first meeting following the review.</p> <p>References:</p> <p>School Code – 24 P.S. Sec. 440.1, 621, 622, 623, 971</p> <p>Local Government Unit Debt Act – 53 Pa. C.S.A. Sec. 8001 et seq.</p> <p>Public Officials and Employee Ethics Act – 65 Pa. C.S.A. Sec. 1101 et seq.</p> <p>Security of Public Deposits – 72 P.S. Sec. 3836 et seq.</p> <p>Investment Companies, Title 17, Code of Federal Regulations – 17 CFR Part 270</p> <p>Governmental Accounting Standards Board, Statement No. 40</p> <p>Board Policy – 000, 619</p>
--	---