

SECTION: BUSINESS

TITLE: Investment

**Wissahickon School
District
Ambler, Pennsylvania 19002**

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REVISED:

I. Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities of the Wissahickon School District (the “District”). All funds will be invested in accordance with the District’s Investment Policy.

II. Authority

Legal authority and rules pertaining to this policy include: 24 P.S. 4-440.1, 493, 511, 621-625, known as the Public School Code; Fiscal Code, 72 P.S. Section 3836-1 et. seq.

III. Scope

It is intended that this Policy cover all funds and investment activities under the direction of the District.

IV. Prudence

Investments shall be made with judgment and care — under circumstances then prevailing— which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio.

V. Objectives

The primary objectives, in priority order, of the District’s investment activities shall be:

- A. Legality. Investments shall be made in accordance with applicable laws.

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- B. Safety. Safety of principal is the foremost objective of the investment program. The District's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
- C. Liquidity. The District's investment portfolio will remain sufficiently liquid to enable the District to meet its cash flow requirements.
- D. Return On Investment. The District's investment portfolio shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

VI. Delegation of Authority

The management responsibility for the investment program is hereby delegated to the Business Administrator and/or Treasurer who shall monitor and review all investments for consistency with this Investment Policy. No person may engage in an investment transaction except as provided under the limits of the Policy. The District may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the Policy and such other written instructions as are provided.

VII. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

VIII. Internal Controls

The District shall establish a set of internal controls which shall be documented in writing. The internal controls will be reviewed by the District and with the District's independent auditor.

IX. Permitted Investments

The following are the only permitted investments for District funds:

1. Obligations issued by the U.S. Government and its agencies which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
2. U.S. government agency and instrumentality obligations that have a

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liquid market with a readily determinable market value and a remaining maturity of not more than 397 days at time of purchase;

3. Deposits in savings accounts or time deposits or share accounts of institutions, to the extent such deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund.
4. To the extent that such deposits described in paragraph 3 exceed amounts covered by federal deposit insurance, approved collateral, as provided by law, shall be pledged by the depository. These financial institutions are to be approved annually by the Board:
 - a. Collateral will be pledged in the name of the District
 - b. The market value of collateral will be at least 102% of such deposits in excess of FDIC insurance
 - c. Collateral will be valued at least monthly by an independent pricing service. It is the responsibility of the financial institution to provide the District with the market value of the collateral.
 - d. Collateral will be held by a third-party custodian bank on the District's behalf.
 - e. Financial institutions and the District will complete a collateral agreement describing Act 72 compliance and required reporting to the District.
5. Obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
6. Repurchase agreements not to exceed 397 days whose underlying purchased securities consist of the U.S. Treasury obligations or U.S. government agency and instrumentality obligations as outlined above;
7. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, provided that the following are met:
 - a) Such investment companies must restrict their investments to those listed in paragraphs 1-6 hereof,

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- b) The investment company is managed so as to maintain the value of its shares at a constant net asset value in accordance with federal regulations relating to money market funds-(17 C.F.R. 270 2a-7).
 - c) The investment company is rated in the highest category by a nationally recognized rating company.
8. Local government investment pools, either state-administered or developed through intergovernmental agreement legislation, provided:
- a. The local government investment pool is rated in the highest tier (such as Standard & Poors AAA G or M or equivalent) by a nationally recognized rating agency;
 - b. The local government investment pool restricts investments to those listed in paragraphs 1-7 hereof;
9. Any other investments expressly permitted by the Pennsylvania School Code or any amendments to the Pennsylvania School Code.

Restrictions

Unless otherwise specifically permitted by the Board, an investment must also comply with the following restrictions:

- 1. Unless covered by federal deposit insurance, the aggregate amount of deposits in any financial institution shall not exceed the lesser of two-tenths of 1% of the assets of that institution or \$20,000,000. This restriction does not apply to funds invested in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Financial institutions will be required to submit financial information certifying compliance with this restriction no less than annually while doing business with the District.
- 2. The aggregate amount invested in registered money market mutual funds or local government investment pools shall not exceed 10% of the outstanding shares of the fund or pool.
- 3. All securities shall be purchased in the name of the District and the securities shall be held by a 3rd Party custodian bank on the District's behalf.

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Bond Proceeds shall be invested in accordance with the Local Governmental Unit Debt Act and applicable federal and state laws, subject to approval of the solicitation and/or binding contract and the School District. Except where further restricted by bond covenants and indentures, all investments listed in Section IX of this Investment Policy are permitted investments for funds related to the proceeds of a specific bond issue, including project or construction funds, capitalized interest, debt service, and any other related funds.

Due to the unique nature of Bond Proceeds investments, the following investments are also permitted, except where further restricted by bond covenants and indentures:

- A. U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value and a remaining maturity of not more than two years at time of purchase;
- B. Repurchase agreements with an average maturity commensurate with the expected spending schedule of the funds, and whose underlying purchased securities consist of the U.S. Treasury obligations or U.S. government agency and instrumentality obligations as outlined above and in Section IX of this Investment Policy;

XI. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the District to meet all projected obligations. For operating funds, the maximum weighted average maturity will be no more than six months at any point in time and the maximum maturity of any individual investment will be 397 days from purchase date to maturity date. For reserve funds, the maximum weighted average maturity will be no more than two and a half years at any point in time and the maximum maturity of any individual investment will be five years from purchase date to maturity date. Scholarship and other similarly designated funds shall be invested such that the final maturity will be suitable to the expected life of the designated fund.

XII. Reporting Requirements

Monthly investment reports shall be submitted to the District after each month end. The

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reports shall include, at a minimum, the following information for each individual investment

- Description of investment instrument
- Interest rate or yield to maturity
- Purchase Date
- Maturity Date
- Purchase Price
- Par Value
- Discount or premiums, if any
- Accrued interest to date
- Overall portfolio yield based on cost
- Market value of security

XIII. Safekeeping and Custody

The assets of the District shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. All securities, including collateralized securities such as repurchase agreements, shall be purchased using the delivery vs. payment procedure.

XIV. Performance Standards

Investments of District funds shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the District. Short-term operating funds and other funds that must maintain a high degree of liquidity will be compared to the return on the three-month U. S. Treasury Bill. Reserve fund investments and other funds that have a longer-term investment horizon will be compared to an index of U. S. Treasury securities having a similar duration or other appropriate benchmark.

XV. Compliance with GAAP

The following is intended to guide District investments as limited by Section 440.1 of the School Code.

1. District funds shall not be invested in foreign currency and shall have no related risk that would require disclosure pursuant to GASB Statement 40.
2. District investments in authorized instruments that are not backed by the “full faith and credit” of the federal or state governments shall be limited to those with the highest credit rating available for such instruments, where the rating is

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issued by a recognized organization that routinely issues such ratings. If, after purchase, the rating of any instrument is reduced and no longer in compliance with this policy, the individual responsible for district investments shall advise the board at the earliest opportunity of such action and make recommendations for altering investments.

3. 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.

XVI. Investment Advisors

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 Financial Industry Regulatory National Association (FINRA) certification.
3. Proof of state registration.
4. Provide annually the rating from a recognized rating agency.
5. SEC Form ADV Part II (for investment advisors).