

**BUSINESS**

**Investing**

The board of education authorizes investments of available monies from the various funds in United States Treasury Securities, Certificates of Deposit, Savings Deposit Receipts and certificates and prime-rated Commercial Paper (Prime 1 and Prime 2 rating only).

REFERENCE: MCL380.1223  
PA 291 1995: Revised School Code

Policy  
Adopted: 01-13-75  
Amended: 01-12-09  
Reviewed:

These regulations set forth the investment objectives and parameters for the management of public funds of Okemos Public Schools. They are designed to safeguard the district's funds, to assure the availability of operating and capital funds when needed, and to provide an investment return that is competitive with comparable funds and financial market indices.

1. Scope and Definitions

These regulations apply to all cash and investments held or controlled by the district, excluding funds related to the issuance of debt where there are other indentures in effect for such funds. Any future revenues that have statutory investment requirements conflicting with these regulations and/or funds held or controlled by federal or state agencies (e.g., Department of Revenue) are not subject to the provisions of these regulations.

For the purposes of these regulations, the following terms shall have the stated meaning:

“Board” means the school board of the Okemos public school district.

“Business officials” includes the Director of Finance and any authorized designee of the board, including the district's staff of finance and accounting professionals.

“District” means Okemos public school district.

“Qualified institutions” means institutions meeting the requirements of Section 6 of these regulations.

“Secondary markets” means markets routinely available to individual investors (primary markets are generally not accessible to the average investor.)

2. Investment Objectives

2.1 **Safety of Principal:** The foremost objective of the district's investment procedures is to maintain the safety of the principal of funds. Investment transaction shall be undertaken in a manner to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.

2.1.1 Credit Risk (Custodial Credit Risk and Concentration Credit Risk)

The district will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in Section 8 of these regulations and by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the district will do business in accordance with Section 6 of these regulations.

2.1.1 Credit Risk (continued)

The district will minimize concentration of risk, which is the risk of loss attributed to the magnitude of the district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

2.1.2 Investment Rate Risk

The district will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, by investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the district's cash requirements.

2.1.3 Foreign Currency Risk

The district is not authorized to invest in instruments that have this type of risk.

2.2 Maintenance of Liquidity: The district's investment funds shall be managed such that they are available to meet reasonably anticipated cash flow requirements.

2.3 Yield/Return on Investment: Investment portfolios shall be designed with the object of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. It is understood that return on investment is of secondary importance when compared to the safety and liquidity objectives described above.

3. Management of Investments

3.1 The district's Director of Finance shall oversee the day-to-day management of district investments.

3.2 The business officials shall be responsible for the transfer of appropriate funds to affect investment transactions, for the investment of operating funds, operating reserves funds, and bond proceeds, consistent with these regulations and actions of the board.

3.3 Should the board elect to select an outside investment advisor, such advisor or firm must be registered under the Investment Advisor's Act of 1940.

4. Standards of Prudence

The standard of prudence to be used by the business officials shall be the “Prudent Person” standards and shall be applied in the context of managing the overall investment transactions. The Prudent Person standard states: *“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 from the investment.”*

5. Ethics and Conflicts of Interest

5.1 The business officials shall refrain from personal business activity that could conflict with proper execution of the investment transactions, or which could impair one’s ability to make impartial investment decisions.

5.2 The business officials shall disclose to the superintendent and board any personal, material financial interests in qualified institutions that conduct business with the board of the district, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the district’s investment program.

6. Authorized Investment Institutions and Dealers

6.1 Only firms meeting the following requirements or those qualified as public depositories in accordance with MCL 380.1221 of the Revised School Code of Michigan, shall be eligible to serve as authorized institutions:

- A. Primary and regional dealers that qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- B. Capital of no less than \$10,000,000;
- C. Registered as a dealer under the Securities Exchange Act of 1934;
- D. A member of the National Association of Securities Dealers (NASD);
- E. Registered to sell securities in Michigan; and
- F. The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.

6.2 All brokers, dealers and other financial institutions deemed to be authorized institutions shall be provided with current copies of these regulations and, in return, shall provide to the board certification of having read, understood and agreed to comply with their provisions.

7. Competitive Selection of Investment Instruments

The district’s business officials shall review rates from at least two (2) brokers or financial institutions on all purchases of short-term investment instruments on the secondary market in accordance with Michigan law. Overnight sweep investment instruments shall not be subject to the provisions of this section of these regulations.

8. Authorized Investments and Portfolio Composition

Investments and depositories are restricted to those complying with MCL 380.622, 380.1221 and 380.1223. These include:

A. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state;

B. Certificates of deposit issued by a state or national bank, savings account of a state or federal savings and loan association, or federally insured certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state; and

C. Prime commercial paper rated A-1, A-2, P-1, P-2, F-1, or F-2 at the time of purchase and maturing not more than 270 days after the date of purchase.

D. Registered investment companies (Money Market Mutual Funds)

E. Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL129.111 to 129.118, composed entirely of instruments that are legal for direct investment by an intermediate school district.

9. Maturity and Liquidity Requirements

9.1 Maturity Guidelines. Securities purchased shall have a final maturity of five (5) years or less from the date of purchase. The overall weighted average duration of the entire portfolio shall be less than three (3) years.

9.2 Liquidity Requirements. The district's business officials shall determine the approximately amount of funds required to meet the day-to-day expenditure needs of the district. All balances in the depository bank shall be maintained in either an interest-bearing account in an account that receives interest earnings credit.

10. Reporting.

Performance reports shall be prepared at least annually for the board of education that shall include securities in the portfolio by class or type, income earned, and market value as of the reporting date. The annual report shall provide all, but not be limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested (purchase price), the maturity date, interest income, maturity value and the interest/discount rate on each investment.

Regulations: January 12, 2009