

Board Policy

Code No. 704.3

INVESTMENTS

The Investment Policy of the Bettendorf Community School District shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statements of the Bettendorf Community School District. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy.

The investment of bond funds or sinking funds shall comply not only with this investment policy, but also be consistent with any applicable bond resolution.

This Investment Policy is intended to comply with Iowa Code Chapter 12B.

School district funds in excess of current needs shall be invested in compliance with this policy. The goals of the school district's investment portfolio in order of priority are:

- To provide safety of the principal;
- To maintain the necessary liquidity to match expected liabilities; and
- To obtain a reasonable rate of return.

In making investments, the school district shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

School district funds are monies of the school district, including operating funds. "Operating funds" of the school district are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt. When investing operating funds, the investments must mature within three hundred and ninety-seven days or less. When investing funds other than operating funds, the investments must mature according to the need for the funds.

The Board authorizes the Director of Financial and Business Services to invest funds in excess of current needs in the following investments:

- Interest bearing savings, money market, and checking accounts at the school district's authorized depositories;
- Iowa Schools Joint Investment Trust Program (ISJIT);
- Obligations of the United States government, its agencies and instrumentalities;
- Certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions;
- Repurchase agreements in which underlying collateral consists of investments in government securities. The school district must take delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse repurchase agreements;
- Prime bankers' acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank. At the time of purchase no more than ten percent of the investment portfolio can be in these investments and no more than five percent of the investment portfolio can be invested in the securities of a single issuer;
- Commercial paper or other short-term corporate debt that matures within two hundred seventy days and that is rated within the two highest classifications, as established by at least one of the standard rating services, with no more than five percent at the time of purchase placed in the second highest classification. At the time of purchase no more than ten percent of the investment

portfolio can be in these investments and no more than five percent of the investment portfolio can be invested in the securities of a single issuer; and,

- An open-end management investment company registered with the federal securities exchange commission and commonly referred to as a money market mutual fund. The money market mutual fund shall use only the investments individually authorized by law for school districts.

It shall be the responsibility of the Director of Financial and Business Services to oversee the investment portfolio in compliance with this policy and the law.

It shall be the responsibility of the Director of Financial and Business Services, in conjunction with the Treasurer, to bring a contract with an outside financial advisor to invest school district funds, to advise on investments, to direct investments, to act in a fiduciary capacity or to perform other services to the Board for review and approval. When investing assets of the Bettendorf Community School District for a period longer than two (2) years, the Director of Financial and Business Services shall request competitive investment proposals for comparable credit and term investments from a minimum of three (3) investment providers. The Director of Financial and Business Services shall also provide the Board with information about and verification of the financial advisor's fiduciary bond. Contracts with financial advisors shall include a clause requiring the financial advisor to notify the school district within thirty days of any material weakness in internal structure or regulatory orders or sanctions against the financial advisor regarding the services being provided to the school district and to provide the documents necessary for the performance of the investment portion of school district audit. Contracts with financial advisors shall not be based on the performance of the investment portfolio.

The records of investment transactions made by or on behalf of the Bettendorf Community School District are public records and are the property of the Bettendorf Community School District or in the custody of a fiduciary or other third party.

The Director of Financial and Business Services shall be responsible for reporting to and reviewing with the Board at its regular meetings the investment portfolio's performance, transaction activity and current investments including the percent of the investment portfolio by type of investment and by issuer and maturities. The report shall also include trend lines by month over the last year and year-to-year trend lines regarding the performance of the investment portfolio. It shall also be the responsibility of the Director of Financial & Business Services to obtain the information necessary to ensure that the investments and the financial advisors doing business with the school district meet the requirements outlined in this policy.

It shall be the responsibility of the Director of Financial and Business Services to deliver a copy of this policy to the school district's depositories, auditor, State Auditor's office, and financial advisors doing investment business with the school district.

It will also be the responsibility of the Director of Financial and Business Services, in conjunction with the treasurer, to develop a system of investment practices and internal controls over the investment practices. The investment practices are designed to prevent losses, to document the officers' and employees' responsibility for elements of the investment process and address the capability of the management.

In addition, a copy of this Investment Policy shall be delivered to every fiduciary or third party assisting with or facilitating investment of the funds of the Bettendorf Community School District.

PROHIBITED INVESTMENTS AND INVESTING PRACTICES

Assets of the Bettendorf Community School District shall not be invested in the following:

1. Reverse repurchase agreements.
2. Futures and options contracts.

Assets of the Bettendorf Community School District shall not be invested pursuant to the following investment practices:

1. Trading of securities for speculation or the realization of short-term trading gains.
2. Pursuant to a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.

If a fiduciary or other third party with custody of public investment transaction records of the Bettendorf Community School District fails to produce requested records when requested by the Bettendorf Community School District within a reasonable time, the Bettendorf Community School District shall make not new investment with or through the fiduciary or third party and shall not renew maturing investments with or through the fiduciary or third party.

DIVERSIFICATION

Investments of the Bettendorf Community School District are subject to the following diversification requirements:

Prime bankers' acceptances:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of the Bettendorf Community School District shall be invested in prime bankers' acceptances; and
2. At the time of purchase, no more than five percent (5%) of the investment portfolio of the Bettendorf Community School District shall be invested in the securities of a single issue.

Commercial paper or other short-term corporate debt:

1. At the time of purchase, no more than ten percent (10%) of the investment portfolio of the Bettendorf Community School District shall be in commercial paper or other short term corporate debt;
2. At the time of purchase, no more than five percent (5%) of the investment portfolio of the Bettendorf Community School District shall be invested in the securities of a single issuer; and
3. At the time of purchase, no more than five percent (5%) of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification.

Where possible, it is the policy of the Bettendorf Community School District to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoid undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
2. Liquidity practices to ensure that the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury bills or cash on hand shall be used at all times.
3. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on Instruments with maturities approaching one year shall not be greater than coupon interest and Investment Income received from the balance of the portfolio.

SAFEKEEPING AND CUSTODY

All invested assets of the Bettendorf Community School District involving the use of public funds custodial agreement, as defined in Iowa Code section 12B.10C, shall comply with all rules adopted pursuant to Iowa Code section 12B.10C. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the state of Iowa.

All invested assets of the Bettendorf Community School District eligible for physical delivery shall be secured by having them held at a third party custodian. All purchased investments shall be held pursuant to a written third party custodial agreement requiring delivery versus payment and compliance with all rules set out in this Safekeeping and Custody Section.

Legal Reference: Iowa Code §§ 11.2, .6; 12.62; 12B.10; 12C; 22.1, .14; 28E.2; 257; 279.29; 283A; 285; 502.701; 633.123 (2011).

Cross Reference: 206.4 Treasurer
704 Revenue

Approved: March 18, 1996

Reapproved: April 5, 1999
March 18, 2002

Revised: November 1, 2004
December 3, 2007
February 19, 2013