

	<b>ABERDEEN SCHOOL DISTRICT</b>	<b>NEPN Code: DFA</b>
	<b>POLICIES AND REGULATIONS</b>	

**Fiscal Management**

**Investing**

**1. SCOPE**

This policy applies to the investment of all funds of the Aberdeen School District. Except for funds held in trust or special funds that are otherwise specifically provided for, the Aberdeen School District will consolidate the balances from all funds to maximize investment earnings and meet the liquidity requirements of the School District subject to the primary objective of providing security of principal. Investment income will be allocated to the various funds based on their respective participation of capital in the overall portfolio in accordance with generally accepted accounting principles.

**2. POLICY**

Pursuant to SDCL 4-5-8 it is the policy of the Aberdeen School District to invest idle public funds in a manner to meet the daily cash flow demands of the School District with the primary objectives, in priority order, being: a) Safety of Principal b) Liquidity and c) Return on Investments.

**A) Safety of Principal**

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate the following risks.

**1. Credit Risk**

The School District will minimize credit risk, which is the risk of loss due to the failure of the investment issuer or backer, by limiting the portfolio to the types of investments listed in section 5. Authorized and Suitable Investments of this policy and diversifying the investment portfolio to diminish the impact of potential losses from any one type of investment or from any one individual issuer.

**2. Interest Rate Risk**

The School District will minimize interest rate risk, which is the risk that the market value or securities in the portfolio will fall due to changes in market interest, by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

**3. Concentration Risk**

The School District will minimize Concentration of Credit Risk, which is the risk of loss due to having a significant portion of resources invested in a single issuer, by diversifying the investment portfolio as described in section 9. Diversification so that the impact of potential losses from any one type of security or issuer will be minimized. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

**4. Custodial Credit Risk**

The School District will minimize Custodial Credit Risk for deposits, which is the risk that in the event of the failure of a depository financial institution the deposits or collateral securities that are in the possession of an outside party would not be able to be recovered, as addressed in section 6. Collateralization.

The School District will minimize Custodial Credit Risk for investments, which is the risk that in the event of the failure of the counterparty to a transaction the value or collateral securities that are in the possession of an outside party would not be able to be recovered, as addressed in section 10. Safekeeping and Custody.

**B) Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

**C) Return**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of the portfolio is limited to relatively low risk investments in anticipation of earning a fair return relative to the risk being assumed.

**3. DELEGATION OF AUTHORITY**

Authority to manage the investment program is granted to the Director of Finance, who shall refrain from personal business activity that could impair his/her ability to make impartial decisions. The Director of Finance acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of investments are carried out in accordance with the terms of this policy.

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.

In case of extended leave of absence, the School Board shall appoint a replacement Officer.

**4. AUTHORIZED FINANCIAL DEALER AND INSTITUTION**

- The School Board shall designate the official depositories of the Aberdeen School District at its annual meeting held at the first meeting of July of each year.

**5. AUTHORIZED AND SUITABLE INVESTMENTS**

The Aberdeen School District is empowered by statute to invest in the following types of securities:

- Interest bearing checking accounts
- Savings accounts
- United States Treasury bills, bonds and notes (SDCL 4-5-6)
- United States Government Agencies (SDCL 4-5-6)  
Securities issued by government-sponsored enterprises (GSEs) or federally related institution that are guaranteed directly or indirectly by the US Government. Securities directly guaranteed by the government. Securities issued by other GSEs may be allowable.
- Certificates of Deposit (CDs)\* (SDCL 13-16)  
Certificates of Deposit (CDs) purchased through CDARS® (Certificate of Deposit Account Registry Service) (SDCL 4-5-6.1)\*
- Money Market Mutual Funds – open-end, no-load (SDCL 4-5-6)  
Mutual and money market funds that invest in US Treasury securities or securities issued by GSEs or federally related institutions that are guaranteed directly or indirectly by the US Government.
- Repurchase Agreements fully collateralized by allowable securities (SDCL 4-5-6)
- Local Government Investment Pool (SD FIT)
- Investments in direct obligations of counties, municipalities and school districts or in bonds issued

by state authorities pursuant to the conditions listed in SDCL 4-5-6.2

\*When investing in Certificates of Deposit (CDs) public funds will be invested at the highest rate of interest possible after attempting to secure three (3) quotes.

The above listed authorized deposits will be kept in banks in South Dakota as required by SDCL 13-16-15.

Also review SDCL 13-16-18.

## **6. COLLATERALIZATION**

In accordance with the SDCL 4-6A and 51A-10-9 Qualified Public Depositories will furnish collateral in the sum equal to one hundred percent (100%) of the public deposit accounts that exceed deposit insurance. The financial institution shall submit a copy of their collateralization report to the Director of Finance.

SDCL 4-6A-3 requires that collateral be segregated by each depository in such manner as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

## **7. REPORTING**

The Director of Finance shall prepare an investment report not less than quarterly that provides a clear picture of the status of the current investments.

## **8. INTEREST EARNED**

The interest earned from investments shall be credited to the general fund, except food service and agency funds. (SDCL 4-5-9)

## **9. DIVERSIFICATION**

It is the policy of the Aberdeen School District to reduce overall risks while attaining average market rates of return by diversifying its investments.

- Investment maturities will be staggered in such a manner that all investments will not come due at the same time. Unless matched with specific cash flow, the School District will not directly invest in securities maturing more than five years from the date of purchase.
- At least 100% of the investable funds shall be accessible for use by the School District in one week's notice.

## **10. SAFEKEEPING AND CUSTODY**

### **Internal Controls**

The Director of Finance shall establish a system of internal controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third-parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the entity.

**ADOPTED:** February 12, 2001

**REVIEWED:** July 10, 2006

**REVISED:** October 24, 2011

**REVISED:** February 8, 2016