

OPERATIONAL SERVICES

REVENUE AND INVESTMENTS - INVESTMENTS

Investment Objectives

Money which is not required for current operations should be invested. Investments shall be made by the appropriate staff in the Treasurer's office, under the supervision of the Superintendent.

The School District's investment activities shall be governed by the following specific objectives:

1. Safety of Principal - Every District investment will be made with safety as the primary and over-riding concern. Each investment transaction shall ensure that the loss of capital, whether from credit or market risk, is avoided.
2. Liquidity - Maturity and marketability aspects of District investments should tie in directly with the anticipated cash flow needs of the District.
3. Rate of Return - A secondary objective should be to seek the highest returns on District investments consistent with preservation of principal and prudent investment principles.
4. Public Trust - The Board and District officials should avoid any investment transaction or practice which in appearance or fact might impair public confidence in the Board's stewardship of public funds.
5. Local Issues - The Board shall invest in local financial institutions when it is practical and advantageous to do so.

Allowable Investment Instruments

Various instruments, including the following, may be used by the District for investment purposes:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. Bonds, notes, debentures or other similar obligations of the United States of America or its agencies. The term "Agencies" includes:
 - A. Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Farm Credit Banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and acts amendatory thereto;

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- B. The Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation; and
 - C. Any other agency created by an Act of Congress.
3. Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, which bank shall be insured by the Federal Deposit Insurance Corporation.
4. Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 provided that:
- A. Such obligations are rated at the time of purchase at one of the three highest grades established by at least two standard rating services and which mature no later than 180 days from the date of purchase;
 - B. Such purchases do not exceed 10% of the Corporation's outstanding obligations; and
 - C. No more than one-third of the District's funds may be invested in short-term obligations of corporations.
5. Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph 1 or 2 above and to agreements to repurchase such obligations.
6. Repurchase agreements of government securities having the meaning set out in the Federal Government Securities Act of 1986 which includes securities which are direct obligations of, or obligations guaranteed to principal or interest by, the United States of America, securities which are issued by or guaranteed by a corporation in which the United States has a direct or indirect interest and which are designated by the Secretary of the Treasury for exemption or securities issued by any corporation, the securities which are designated by statute as exempt securities within the meaning of the laws administered by the Securities and Exchange Commission. Such repurchase agreements shall meet the following requirements:

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- A. Repurchase agreements shall be for a period of three hundred thirty (330) days or less; and
 - B. Parties shall be limited to banks authorized to do business in the State of Illinois.
7. Shares or any other forms of securities legally issuable by savings banks or a savings and loan association incorporated by the laws of the State of Illinois, provided the shares or other investment certificates of such savings institution are insured by the Federal Deposit Insurance Corporation.
 8. The Illinois Treasurer's Investment Pool.
 9. The Illinois School District Liquid Asset Fund Plus.
 10. Funds managed, operated and administered by a bank or subsidiary of a bank or a bank holding company, provided that the portfolio of any such fund is limited to investments which meet the criteria set forth in paragraphs 1 through 7 above.

Selection of Financial Institutions

Investments made in banks and savings and loan associations must be insured by the FDIC or FOLIC.

Qualifications

No bank or savings and loan shall be designated a depository for or otherwise hold District funds unless it has furnished the Board with such information or documentation as may be required by state or federal law.

Collateral Requirements

All amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized by securities eligible for District investment or any other high quality interest bearing security rated at least AA by one or more reputable agencies including Standard & Poors, Moody's, or Fitch. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. None of the securities pledged shall mature prior to the maturity of the corresponding deposit. Reductions in principal of the collateral through periodic amortization is acceptable provided the remaining collateral equals or exceeds minimum acceptable levels. Acceptable securities include U.S. Treasury and Agency

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bills, notes and bonds, mortgage backed pass-throughs, CMO non-support tranches, corporate and municipal bonds. Collateral will be held by a third party, such as the Federal Reserve Bank or a reputable bank other than the depository for the benefit of the District, pursuant to a fully executed custodial or escrow agreement, provided that such agreement be in writing, approved by the Board of Directors of the depository institution or its loan committee, which approval shall be recorded in the minutes of the Board or committee, and which has been, continuously, from the time of its execution, an official record of the depository. Verbal confirmation or written evidence of collateral on deposit with the third party shall be provided prior to investment by the District. Release of collateral or its proceeds will be permitted only on verbal or written authorization of the District.

Investment Portfolio Reporting Requirements

At such time as may be requested by the Board, the Superintendent and/or Treasurer shall make a formal report to the Board. That report should address portfolio performance, any compliance problems with this policy, and describe investments by type, issuer, interest rate, maturity and collateral. Detailed reports may be made more often to the Finance Committee.

Investment Policy Review

The District may undertake a review of the investment policy and procedures drawing on resources available in the District.

LEGAL REF.: Illinois Public Funds Investment Act, Sec. 2 and 6 (30 ILCS 235/2 and 235/6);
Illinois School Code, Sec. 8-7 (105 ILCS 5/8-7).

Adopted: March 10, 1983
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