

INVESTMENT OF FUNDS

Section 1 – Purpose

The purpose of this Policy is to set forth the investment objectives and parameters for the management of public funds of South Lyon Community Schools. This investment policy is designed to safeguard funds on behalf of the District, to assure the availability of operating and capital funds when needed, and provide an investment return competitive with comparable funds and financial market indices.

Section 2 – Scope

In accordance with The Revised School Code of Michigan, Act 451 380.622, 380.1221 and 380.1223, this investment policy applies to all cash and investments held or controlled by the Board on behalf of the District. This policy does not apply to funds related to the issuance of debt where there are other indentures in effect for such funds. Additionally, any future revenues, which have statutory investment requirements conflicting with this investment policy and funds held or controlled by Federal or State agencies (e.g., Department of Revenue), are not subject to the provisions of this policy.

Section 3 – Investment Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield.

A. Safety of Principal

The foremost objective of this investment program is the safety of the principal of funds. Investment transactions 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.

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 9 of this investment policy, and by Board approval of the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Section 7 of this investment policy.

The District will minimize Concentration of Credit 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. 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 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.

3. Foreign Currency Risk

The District is not authorized to invest in financial instruments which have this type of risk.

B. Maintenance of Liquidity

The funds shall be managed such that they are available to meet reasonably anticipated cash flow requirements.

C. Yield/Return on Investment

Investment portfolios 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. It is understood that return on investment is of secondary importance when compared to the safety and liquidity objectives described above.

Section 4 – Management of Investments

The Board shall authorize the Superintendent to appoint an Investment Officer to oversee the day-to-day management of District investments. The Investment Officer shall be responsible for transferring of appropriate funds to affect investment transactions, for the investment of operating funds, operating reserves funds, and bond proceeds, consistent with this policy and actions of the Board. 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.

Section 5 – Standards of Prudence

The standard of prudence to be used by the Investment Officer shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. 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."

Section 6 – Ethics and Conflicts of Interest

The Investment Officer shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair one's ability to make impartial investment decisions. Also, the Investment Officer shall disclose to the Board any material financial interests in Qualified Institutions that conduct business with the Board or 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.

Section 7 – Authorized Investment Institutions and Dealers

Only firms meeting one of the following requirements and approved by the Board of Education shall be eligible to serve as Authorized Institutions:

- A. The firm must comply with all of the following requirements.
 - 1. Primary and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
 - 2. Capital of no less than \$10,000,000;
 - 3. Registered as a dealer under the Securities Exchange Act of 1934;
 - 4. A member of the National Association of Securities Dealers (NASD);
 - 5. Registered to sell securities in Michigan; and
 - 6. 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; or,
- B. Public Depositories qualified in accordance with MCL 380.1221, The Revised School Code of Michigan.

All brokers, dealers and other financial institutions deemed to be Authorized Institutions shall be provided with current copies of this investment policy and shall provide in return to the Board, certification of having read, understood and agreement to comply with this investment policy.

Section 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. United States Government Securities
- B. United States Government Agencies

- C. Federal Instrumentalities (United States Government Sponsored Enterprises)
- D. Certificates of Deposit
- E. Repurchase Agreements
- F. Commercial Paper
- G. Bankers' Acceptances
- H. Registered Investment Companies (Money Market Mutual Funds)
- I. Investment pools, as authorized by the surplus funds
Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by an intermediate school district.

Section 9 – Policy Considerations

- A. Any investment held at the time of the implementation of this policy that meets the requirements of MCL 380.622, 380.1221, and 380.1223 but does not meet the guidelines of this policy, shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
- B. Amendments.
This policy shall be reviewed from time to time. The District Board of Education must adopt any changes to this policy.

Section 10 – Board Reporting

The Board of Education shall, on a monthly basis, receive a report indicating:

- The total amount invested by fund
- The rate of interest on all investments
- The maturity date of all investments
- The type of investment
- The financial institution (if applicable)

Section 11 – Automated Clearing House (ACH) Transactions

The South Lyon Community Schools District, through resolution of the Board, shall be party to an Automated Clearing House (ACH) agreement.

- A. That the Superintendent, or his/her designee, is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.
- B. That the Superintendent, or his/her designee, responsible for disbursement of funds shall submit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the

department levels serviced by payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.

- C. A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.
- D. The approval of ACH invoices before payment.
- E. Any other matters the Superintendent, or his/her designee, considers necessary.

M.C.L.A. 124.301 et seq., 129.11 to 129.118, 380.1221, 380.1223(2), 380.622

Adopted December 1, 2008