

## INVESTMENTS

It is the policy of the Board of Education to invest public funds in a manner which will provide the highest investment return with the maximum security, safety, and preservation of principal while meeting the daily cash flow demands of the School District and conforming to all applicable statutes governing the investment of public funds by an Ohio school district. The Treasurer is the investment officer for the School District, charged with the responsibility for the purchase and sale of investments and the carrying out of this Investment Policy.

### Scope

The Investment Policy applies to all financial assets of the School District, including State and Federal funds held by it. The Treasurer shall routinely monitor the contents of the School District's investment portfolio, the available markets, and relative value of competing investments and will adjust the portfolio accordingly.

### Prudence

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.

The standard of prudence to be used by the Treasurer shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Acting in accordance with this Investment Policy and exercising due diligence shall relieve the Treasurer of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to the Board in a timely fashion and appropriate action is taken to control adverse developments.

### Objectives

The primary objectives, in priority order, of the School District's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the School District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. **Liquidity:** The School District's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.
3. **Return on Investment:** The School District's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account this Investment Policy and the cash flow characteristics of the portfolio.

### **Ethics and Conflict of Interest**

Persons involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment consultants shall disclose to the Board any material financial interests in financial institutions that conduct business within the School District and any large personal financial or investment positions that could be related to, or affected by, the performance of the School District's portfolio. All employees, officers, and investment consultants to the School District shall subordinate their personal investment transactions to those of the School District, particularly with regard to the timing of purchases and sales.

### **Authorized Financial Dealers and Institutions**

The Treasurer will maintain a list of financial institutions and approved security broker/dealers selected by creditworthiness who are authorized to provide investment services and which qualify under O.R.C. §135.14(M)(1). These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 and are registered with the Ohio Department of Commerce to do business in the State.

All financial institutions and broker/dealers which desire to become qualified suppliers of investment transactions to the School District must provide the Treasurer with audited annual financial statements, proof of good standing with the Comptroller of Currency or State banking regulators or National Association of Security Dealers certification, proof of Ohio registration, and biographical and regulatory information on the persons who are the primary contact with the entity. All financial institutions, broker/dealers, and consultants, which desire to conduct investment business with the School District must sign this Investment Policy, certifying they have read it, understand it, and agree to abide by its contents.

**Authorized Investments**

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

1. United States Treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Association, Government National Mortgage Association, and Student Loan Marketing Association. All such securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of the School District, provided those deposits are properly insured or collateralized as required by law;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of securities described in paragraphs 1 and 2 of this Section and repurchase agreements secured by such obligations, provided all such investments under this paragraph 5 shall be made with a bank or savings and loan association eligible to be a depository for public funds of Ohio subdivisions and provided that any such fund meets the requirements of O.R.C. Chapter 135, including that such fund not include any investment in a "derivative";
6. Ohio's Subdivision Fund, STAROhio;
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of O.R.C. §133.14(C), with a bank or savings and loan association eligible to be a depository for public funds of Ohio subdivisions or a member of the National Association of Securities Dealers; and
8. Bankers acceptance and commercial paper notes, each with a maturity not exceeding 180 days and meeting all of the requirements of O.R.C. §135.142, but only upon specific authorization of the

Board required by law and completion of the required training by the Treasurer.

### **Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, entered into by the School District shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. Securities shall be pledged at the Federal Reserve Bank to Collateralize all repurchase agreements with financial institutions. Pledged collateral will only be released by the School District after verification that the principal and interest have been credited to the school District's account.

### **Prohibited Investment Practices**

In addition to any other prohibitions in the Revised Code, the School District shall not:

1. Contract to sell securities that have not yet been acquired on the speculation that prices will decline;
2. Make any investment in "derivatives" as defined in O.R.C. §135.14(C);
3. Invest in a fund established by another public body for the purpose of investing public money of other subdivisions unless the fund is either (a) STAROhio, or (b) a fund created solely for the purpose of acquiring, constructing, owning, leasing, or operating municipal utilities as authorized under O.R.C. §715.02 or Article XVIII, §4 of the Ohio Constitution;
4. Enter into reverse repurchase agreements;
5. Leverage current investments as collateral to purchase other assets; and
6. Invest in stripped principal or interest obligations of otherwise eligible obligations.

### **Internal Controls**

The Treasurer shall develop and maintain procedures for the operation of the School District's investment program in accordance with this Investment Policy. These procedures shall be designed to prevent loss of the School District's funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions.

### **Reporting**

The Treasurer shall maintain a current inventory of all investments including:

1. Description of each security;
2. Cost;
3. Par value;
4. Dates (beginning, settlement and maturity);
5. Rates; and
6. Seller.

The Treasurer shall also prepare and have available for inspection a list of all investments and a report on investment activity and returns.

### **Education**

The Treasurer shall participate in any beginning and/or continuing education training programs sponsored by the State Treasurer or the State Auditor in which the Treasurer is required to participate pursuant to O.R.C. §§117.44, 135.22 and 733.27. Through the Treasurer's participation in those programs, the Treasurer will develop an enhanced background and working knowledge in investment case management and ethics.

### **Non-Binding Arbitration**

The Treasurer may enter into a written investment or deposit agreement that includes a provision under which the parties agree to submit to nonbinding arbitration (but not binding arbitration) to settle any controversy that may arise out of that agreement so long as such provision meets the requirements of the Revised Code and is specifically approved by the Board.

### **Investment Policy Adoption**

This Investment Policy shall be adopted by the Board of Education and, upon adoption, filed in the office of the Auditor of State. This policy shall be reviewed on an annual basis by the Board or a committee designated by it and any modifications made thereto must be approved by the Board and, upon adoption, filed in the office of the Auditor of State.

**CERTIFICATION OF READING, UNDERSTANDING AND ACCEPTANCE**

The undersigned, \_\_\_\_\_, hereby certifies that it has read, understands and will accept and abide by this Investment Policy and the relevant provisions of the Revised Code in its dealings with the Toronto City School District, that it understands that binding arbitration provisions are not permitted and that any nonbinding arbitration provisions governing its relationship with the School District must be expressly approved by the Toronto City School District Board of Education, and that the officer executing this Certification is authorized to do so on behalf of the undersigned.

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By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_\_\_