CANYONS SCHOOL DISTRICT
POLICY MANUAL

POLICY—200.4—INVESTMENT MANAGEMENT		
	POLICY NUMBER: 200.4	**ADOPTED:** **3.17.15**
	RESCINDS:	**ADOPTED:**

BOARD POLICY

1. The Board of Education establishes an Investment Policy of Canyons School District (the District) to define the parameters within which funds are to be managed. In methods, procedures and practices, the policy formalizes the framework for the District's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the District's funds. The guidelines are intended to be broad enough to allow the investment officers to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.
2. Governing Authority: The investment program shall be operated in conformance with federal, state, and other legal requirements, specifically the Utah State Management Act (Utah Code Section 51, Chapter 7, and referred hereafter as "the Act") and Rules of the State Money Management Council as well as the Board of Education (the Board) requirements.
3. Scope: This policy applies to activities of the District with regard to investing the financial assets of all funds. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the state of Utah. The covered funds, and any new funds created by the District, unless specifically exempted by the Board and this policy, are defined in the District's Comprehensive Annual Financial Report. Except for funds in certain restricted and special funds, the District commingles its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
4. The Board authorizes the Superintendent and the District Administration to develop administrative regulations consistent with this policy, subject to review and approval by the Board.

	ADMIN REG: 200.4-1	**APPROVED:** 3.17.15

ADMINISTRATIVE REGULATION—200.4-1: (Objectives; Delegation)

1. The primary objectives, in priority order, of investment activities shall be safety, liquidity, and return.
   1.1. Safety: 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 goal will be to mitigate credit risk and interest rate risk. (Does Board determine risk level?)

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

1.3. 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 of safety and liquidity needs.

2. **Delegation of Authority and Responsibilities**

2.1. The Board will retain ultimate fiduciary responsibility for investment portfolios.

2.2. The Board will be provided investment reports annually or upon request. The Board shall designate investment officers to manage the investment program.

2.3. Investment Officers**:** The Board delegates authority to manage the investment program to the Chief Financial Officer and Director of Accounting, Auditing, and Budgeting hereinafter referred to as investment officers as designated by the Board. The investment officers shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. Officers will prepare internal monthly reports and may prepare special reports when be deemed necessary. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

2.4. Investment Adviser: The District may engage the services of one or more external investment managers to assist in the management of the District's investment portfolio in a manner consistent with the entity's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered as a certified dealer by the Utah Money Management Council.

	ADMIN REG:	APPROVED:
	200.4-2	3.17.15

ADMINISTRATIVE REGULATION—200.4-2: **(**Standards of Care and Ethics**)**

1. **Prudence:** The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

   The "prudent person" standard states that,

> "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."

2. **Ethics and Conflicts of Interest:** Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the Board. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the District.

	ADMIN REG:	ADOPTED:
	200.4-3	3.17.15

<u>ADMINISTRATIVE REGULATION—200.4-3:</u> (Safekeeping and Custody)

1. Delivery vs. Payment: All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the District's safekeeping institution prior to the release of funds.
2. Third-Party Safekeeping: Securities will be held by an independent third-party safekeeping institution selected by the District. The institution, if deemed appropriate by the investment officers, may be the same as District's banking institution and selected based upon the District's purchasing and bidding requirements. All securities will be evidenced by safekeeping receipts in the Districts name. The safekeeping institution shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011.)
3. Internal Controls: Management shall establish a system of internal controls. The internal controls shall be reviewed by the audit committee, where present, and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the District.

	ADMIN REG: 200.4-4	APPROVED: 3.17.15

ADMINISTRATIVE REGULATION—200.4-4: **(**Suitable and Authorized Investments)

Investment Types and Credit Guidelines: Consistent with the Act, the following investments will be permitted by this policy and are those defined by state law. If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the District until this Policy has been amended and the amended version adopted by the Board. Typical types of securities include:

1. U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.
2. Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments
3. Bankers' acceptances;
4. Federally insured time deposits (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:
5. The amount per institution is limited to the maximum covered under federal insurance;
6. Time deposits (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with state law
7. Negotiable certificates of deposit (NCDs)
8. Fully collateralized repurchase agreements and reverse repurchase agreements with qualified depositories
9. Commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Service or Standard and Poor's, which has a remaining term to maturity of:
   - 9.1. 270 days or less for paper issued under 15 U.S.C. Sec 77c(a)(3); or
   - 9.2. 365 days or less for paper issued under 15 U.S.C. Sec 77d(2);
10. Fixed rate corporate obligations that:
    - 10.1. are rated "A" or higher or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations one of which must be Moody's Investors Service, or Standard and Poor's;
    - 10.2. are senior unsecured obligations of the issuer;
    - 10.3. are publicly traded; and
    - 10.4. have a remaining term to final maturity of 15 months or less or is subject to a hard put at par value or better, within 365 days;
11. Variable rate securities that:
    - 11.1. are rated "A" or higher or the equivalent of "A" or higher by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard and Poor's;
    - 11.2. are senior unsecured obligations of the issuer;
    - 11.3. are publicly traded;

11.4. are repriced at least semiannually; and
11.5. have a remaining term to final maturity not to exceed three years; or are subject to a hard put at par value or better, within 365 days;

12. Utah Public Treasurer Investment Fund (PTIF)

IMPORTANT NOTE: If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the investment officers shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The investment officers will apply the general objectives of safety, liquidity, yield and legality to make the decision.

	ADMIN REG: 200.4-5	APPROVED: 3.17.15

ADMINISTRATIVE REGULATION—200.4-5: (Investment Parameters)

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District shall mitigate credit risk by adopting the following:

1. Diversification: The investments shall be diversified by:
   1.1. limiting investments to avoid overconcentration in securities from a specific issuer or business
   1.2. sector (excluding U.S. Treasury securities),
   1.3. limiting investment in securities that have higher credit risks,
   1.4. investing in securities with varying maturities, and
   1.5. continuously investing a portion of the portfolio in readily available funds such as the PTIF.
2. Mitigating market risk in the portfolio: Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term/core portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:
   2.1. The District shall maintain a minimum of four months of budgeted operating expenditures in short term investments (PTIF) to provide sufficient liquidity for

expected disbursements;

2.2. The maximum percent of callable securities in the portfolio shall be 20%;

2.3. The maximum stated final maturity of individual securities in the portfolio shall be three years, in accordance with the Act.

	ADMIN REG: 200.4-6	ADOPTED: 3.17.15

ADMINISTRATIVE REGULATION—200.4-6: (Performance Standards; Evaluation; Reporting and Disclosure**)**

1. Management shall establish an annual process of independent review by the external auditor to assure compliance with this policy, the Act, and internal controls. The audit will include tests deemed appropriate by the auditor.
2. The District will comply with reporting requirements as outlined by the Money Management Council.

REFERENCES
None

FORMS
None

CANYONS BOARD OF EDUCATION

This online presentation is an electronic representation of the Canyons School District's currently adopted policy manual. It does not reflect updating activities in progress. The official, authoritative manual is available for inspection in the office of the Superintendent located at 9361 South 300 East Sandy, UT 84070.