

Adopted: October 8, 2015
Revised: _____

UMA Policy 705

705: DEPOSITS AND INVESTMENTS

I. PURPOSE

The purpose of this policy is to establish guidelines limits for the investment of Upper Mississippi Academy's (UMA) general fund.

II. GENERAL STATEMENT OF POLICY

It is the policy of UMA to comply with all state laws relating to deposits and investments and to guarantee that they meet certain primary criteria.

III. SCOPE

This policy applies to all investments of the surplus funds of UMA, regardless of the fund accounts in which they are maintained, unless certain investments are specifically exempted by the BOD through formal action.

IV. AUTHORITY; OBJECTIVES

- A. The funds of UMA shall be deposited or invested in accordance with this policy, Minn. Stat., and any other applicable law or written administrative procedures.
- B. The primary criteria for the investment of the funds of UMA, in priority order, are as follows
 - 1. Safety and Security. Safety of principal is the first priority. The investments of UMA shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
 - 2. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
 - 3. Return and Yield. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

V. DELEGATION OF AUTHORITY

- A. The UMA Board of Directors (BOD) Treasurer and UMA Director are designated as the investment officers of UMA and are responsible for investment decisions and activities under the direction of the UMA BOD. The investment officers shall

operate the UMA's investment program consistent with this policy. The investment officers may delegate certain duties to a designee or designees, but shall remain responsible for the operation of the program.

- B. All officials and employees that are a part of the investment process shall act professionally and responsibly as custodians of the public trust, and shall refrain from personal business activity that could conflict with the investment program or which could reasonably cause others to question the process and integrity of the investment program. The investment officers shall avoid any transaction that could impair public confidence in the UMA.

VI. STANDARD OF CONDUCT

The standard of conduct regarding UMA investments to be applied by the investment officer shall be the "prudent person standard." Under this standard, the investment officer shall exercise that degree of judgment and care, under the circumstances then prevailing, that persons of prudence, discretion and intelligence would exercise in the management of their own affairs, investing not for speculation and considering the probable safety of their capital as well as the probable investment return to be derived from their assets. The prudent person standard shall be applied in the context of managing the overall investment portfolio of the UMA. The investment officer, acting in accordance with this policy and exercising due diligence, judgment and care commensurate with the risk, shall not be held personally responsible for a specific security's performance or for market price changes. Deviations from expectations shall be reported in a timely manner and appropriate actions shall be taken to control adverse developments.

VII. MONITORING AND ADJUSTING INVESTMENTS

The investment officers shall routinely monitor existing investments and the contents of the UMA investment portfolio, the available markets and the relative value of competing investment instruments.

VIII. INTERNAL CONTROLS

The investment officer shall establish a system of internal controls which shall be documented in writing. The internal controls shall be reviewed by the BOD and shall be annually reviewed for compliance by the UMA's independent auditors. The internal controls shall be designed to prevent and control losses of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions by officers, employees or others. The internal controls may include, but shall not be limited to, provisions relating to controlling collusion, separating functions, separating transaction authority from accounting and record keeping, custodial safekeeping, avoiding bearer form securities, clearly delegating authority to applicable staff members, limiting securities losses and remedial action, confirming telephone transactions in writing,

supervising and controlling employee actions, minimizing the number of authorized investment officials, and documenting transactions and strategies.

QUALIFIED INSTITUTIONS AND BROKER-DEALERS

The BOD shall annually designate qualified institutions and brokers to manage the invested funds. Prior to completing an initial transaction with a broker, UMA shall provide to the broker a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with Minnesota statutes governing the investment of public funds. The broker must annually acknowledge receipt of the statement of investment restrictions and agree to handle the UMA account in accordance with these restrictions. UMA may not enter into a transaction with a broker until the broker has provided this annual written agreement to UMA. The notification form to be used shall be that prepared by the State Auditor. A copy of this investment policy, including any amendments thereto, shall be provided to each such broker.

IX. PERMISSIBLE INVESTMENT INSTRUMENTS

UMA may invest its available funds in those instruments specified in Minn. Stat., as these sections may be amended from time to time, or any other law governing the investment of UMA funds.

X. PORTFOLIO DIVERSIFICATION; MATURITIES

- A. Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years.
- B. UMA shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.
 - 1. The investment officer shall prepare and present a table to the BOD for review and approval. The table shall specify the maximum percentage of the school district's investment portfolio that may be invested in a single type of investment instrument, such as U.S. Treasury Obligations, certificates of deposit, repurchase agreements, banker's acceptances, commercial paper, etc. The approved table shall be attached as an exhibit to this policy and shall be incorporated herein by reference.
 - 2. The investment officer shall prepare and present to the BOD for its review and approval a recommendation as to the maximum percentage of the total investment portfolio that may be held in any one depository. The approved recommendation shall be attached as an exhibit or part of an

exhibit to this policy and shall be incorporated herein by reference.

3. Investment maturities shall be scheduled to coincide with projected UMA cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

XI. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Before UMA invests any surplus funds in a specific investment instrument, a competitive bid or quotation process shall be utilized. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, quotations or bids shall be requested for instruments which meet the maturity requirement. If no specific maturity is required, a market trend analysis, which includes a yield curve, will normally be used to determine which maturities would be most advantageous. Quotations or bids shall be requested for various options with regard to term and instrument. UMA will accept the quotation or bid which provides the highest rate of return within the maturity required and within the limits of this policy. Generally all quotations or bids will be computed on a consistent basis, i.e., a 360-day or a 365-day yield. Records will be kept of the quotations or bids received, the quotations or bids accepted, and a brief explanation of the decision that was made regarding the investment. If UMA contracts with an investment advisor, bids are not required in those circumstances specified in the contract with the advisor.

XII. QUALIFIED INSTITUTIONS AND BROKER-DEALERS

- A. UMA shall maintain a list of the financial institutions that are approved for investment purposes.
- B. Prior to completing an initial transaction with a broker, UMA shall provide to the broker a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with Minnesota statutes governing the investment of public funds. The broker must annually acknowledge receipt of the statement of investment restrictions and agree to handle UMA's account in accordance with these restrictions. UMA may not enter into a transaction with a broker until the broker has provided this annual written agreement to the UMA. The notification form to be used shall be that prepared by the State Auditor. A copy of this investment policy, including any amendments thereto, shall be provided to each such broker.

XIII. SAFEKEEPING AND COLLATERALIZATION

- A. All investment securities purchased by UMA shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent

may be any federal reserve bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minn. Stat. The institution or dealer shall issue a safekeeping receipt to the UMA listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

- B. Deposit-type securities shall be collateralized as required by Minn. Stat. for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.
- C. Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. UMA may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than \$1,000,000.

XIV. REPORTING REQUIREMENTS

- A. The investment officer shall generate daily and monthly transaction reports for management purposes. In addition, the BOD shall be provided a monthly report that shall include data on investment instruments being held as well as any narrative necessary for clarification.
- B. The investment officer shall prepare and submit to the BOD a quarterly investment report that summarizes recent market conditions, economic developments, and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter and describe the investment portfolio in terms of investment securities, maturities, risk characteristics, and other features. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the past quarter. Each quarterly report shall indicate any areas of policy concern and suggested or planned revisions of investment strategies. Copies of the report shall be provided to UMA's auditor.
- C. Within ninety (90) days after the end of each fiscal year of UMA, the investment officer shall prepare and submit to the BOD a comprehensive annual report on the investment program and investment activity of the UMA for that fiscal year. The annual report shall include 12-month and separate quarterly comparisons of return and shall suggest revisions and improvements that might be made in the investment program.
- D. If necessary, the investment officer shall establish systems and procedures to comply with applicable federal laws and regulations governing the investment of bond proceeds and funds in a debt service account for a bond issue. The record keeping system shall be reviewed annually by the independent auditor or by

another party contracted or designated to review investments for arbitrage rebate or penalty calculation purposes.

XV. DEPOSITORIES

The BOD shall annually designate one or more official depositories for UMA funds. The BOD treasurer or the Director of UMA may also exercise the power of the BOD to designate a depository. The BOD shall be provided notice of any such designation by its next regular meeting. UMA and the depository shall each comply with the provisions of Minn. Stat. and any other applicable law, including any provisions relating to designation of a depository, qualifying institutions, depository bonds, and approval, deposit, assignment, substitution, addition and withdrawal of collateral

ELECTRONIC FUNDS TRANSFER OF FUNDS FOR INVESTMENT

UMA may make electronic fund transfers for investments of excess funds upon compliance with Minn. Stat.