

Adopted: Nov. 19, 2014

*MSBA/MASA Model Policy 705 Charter
Orig. 1995 (as ISD Policy)*

Revised: June 29, 2016

Nov. 29, 2023 (replaced existing 7.8, 7.9, 7.10, 7.11)

Orig. 2022 (as Charter Policy)

BLUESKY CHARTER SCHOOL POLICY No. 7.8 INVESTMENTS

I. PURPOSE

The purpose of this policy is to establish guidelines for the investment of charter school funds.

II. GENERAL STATEMENT OF POLICY

The policy of this charter school is to comply with all state laws relating to investments and to guarantee that investments meet certain primary criteria.

III. SCOPE

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

IV. AUTHORITY; OBJECTIVES

- A. The funds of the charter school shall be deposited or invested in accordance with this policy, Minnesota Statutes chapter 118A, and any other applicable law or written administrative procedures.
- B. The primary criteria for the investment of the funds of the charter school, in priority order, are as follows
 - 1. Safety and Security. Safety of principal is the first priority. The investments of the charter school 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 Finance Manager/CFO of the charter school is designated as the investment officer of the charter school and is responsible for investment decisions and activities under the direction of the school board and finance committee. The investment officer shall operate the charter school's investment program consistent with this policy. The investment officer 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 officer shall avoid any transaction that could impair public confidence in the charter school.

VI. STANDARD OF CONDUCT

The standard of conduct regarding charter school 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 charter school. 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 officer shall routinely monitor existing investments and the contents of the charter school's investment portfolio, the available markets, and the relative value of competing investment instruments.

VIII. INTERNAL CONTROLS

The investment officer, Superintendent and Treasurer shall have the authority to move funds from the checking account and the investment account. The investment team shall request dual authorization for fund movement to reduce the risk of misappropriation of assets. The internal controls are 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 investment team shall provide an update of investment performance at least annually and shall present the investment balances separately on the monthly financial statements for Board review.

IX. PERMISSIBLE INVESTMENT INSTRUMENTS

The charter school may invest its available funds in those instruments specified in Minnesota Statutes sections 118A.04 and 118A.05, as these sections may be amended from time to time, or any other law governing the investment of charter school 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. The charter school shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.
 - 1. Allowed Investment types and allocation of total investable assets:
 - a. Money Markey up to 100% of Investments
 - b. Certificates of Deposit up to 100% of Investments with no more than 50% having a maturity of greater than 24months as of year-end.

XII. QUALIFIED INSTITUTIONS AND BROKER-DEALERS

- A. The charter school shall authorize investments through Old National Bank and its affiliates. No Broker Dealers are authorized.

XIII. SAFEKEEPING AND COLLATERALIZATION

- A. All investment securities purchased by the charter school 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 Minnesota Statutes section 118A.06. The institution or dealer shall issue a safekeeping receipt to the charter school 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 Minnesota Statutes section 118A.03 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. The charter school 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 finance committee shall be provided a quarterly report that shall include data on investment instruments being held as well as any narrative necessary for clarification.
- B. The finance committee shall report to the full board quarterly that it reviewed the investment statements at its regularly scheduled meeting.
- 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 school board shall annually designate one or more official depositories for charter school funds, currently the Board designates Old National Bank. The charter school and the depository shall each comply with the provisions of Minnesota Statutes section 118A.03 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.

XVI. ELECTRONIC FUNDS TRANSFER OF FUNDS FOR INVESTMENT

The charter school may make electronic fund transfers for investments of excess funds upon compliance with Minnesota Statutes section 471.38.

Legal References:

Minn. Stat. § 118A.01 (Definitions)
Minn. Stat. § 118A.02 (Depositories; Investing; Sales, Proceeds, Immunity)
Minn. Stat. § 118A.03 (When and What Collateral Required)
Minn. Stat. § 118A.04 (Investments)
Minn. Stat. § 118A.05 (Contracts and Agreements)
Minn. Stat. § 118A.06 (Safekeeping; Acknowledgements)
Minn. Stat. § 356A.06, Subd. 7 (Investments; Additional Duties)
Minn. Stat. § 471.38 (Claims)
Minn. Stat. § 471.6175 (Trust for Postemployment Benefits)

Cross References:

MSBA/MASA Model Policy 703 (Annual Audit)
Minnesota Legal Compliance Audit Guide for School Districts Prepared by the Office of the State Auditor