

## INVESTMENTS

It is the policy of the Hilliard City Schools to invest public funds in a manner which provides the highest return with the maximum security while meeting the daily cash flow needs of the District and conforming to the Ohio Revised Code governing the investment of public funds.

### Scope

This investment policy applies to all financial assets of the District. These funds are accounted for in Hilliard City Schools' Comprehensive Annual Financial Report and include all funds of the District unless specifically exempted. The Treasurer is authorized to pool cash balances from the several different funds of the District for investment purposes.

### Prudence

The standard of prudence to be used by the investment officer in the context of managing the overall portfolio is the prudent investor rule which 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."

The investment officer and staff, acting in accordance with written procedures and exercising due diligence, are not held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported as soon as practical and that appropriate action is taken to control adverse developments.

### Objectives

The primary objectives, in order of priority, of Hilliard City Schools' investment activities are:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments of the District are undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.
2. Liquidity. The District's investment portfolio remains sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
3. Return on Investments. The District's investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints and the cash flow characteristics of the portfolio.

### Delegation of Authority

Authority to manage the District's investment program is derived from the Ohio Revised Code. The Ohio Revised Code delegates management responsibility for the investment program to the Treasurer.

### Ethics and Conflicts of Interest

The Treasurer and any other District employee who is involved in the investment process must 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. The Treasurer discloses to the Board any material financial interest in financial institutions that conduct business with the District, and he/she further discloses any large personal financial investment positions that could be related to the performance of the District's portfolio. The Treasurer subordinates his/her personal investment transactions to those of the District, particularly with regard to the time of purchases and sales.

### Authorized Financial Institutions and Dealers

The Treasurer maintains a list of financial institutions authorized to provide investment services.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must provide certification of having read the District's investment policy.

### Authorized Investments

The Treasurer may invest on behalf of and in the name of the District in any security specifically authorized by Ohio Revised Code. The following represents authorized investment instruments for school funds:

1. Government Securities

Bonds, notes, debentures or any other obligations or securities issued by the U.S. Treasury, federal government agencies and federal government instrumentalities including variable rate and callable variations insofar as each investment complies with the District's investment policy and ORC criteria such as final maturity, diversification, delivery, etc. All federal agency securities are direct issuances of federal government agencies or instrumentalities.

2. Certificates of Deposit and Savings Accounts

Interest bearing certificates of deposit and savings accounts in any eligible public depository as defined by Ohio Revised Code 135.03, provided that any such deposits and saving accounts are secured by collateral as prescribed in the investment policy.

3. Certificate of Deposit Account Registry Service (CDARS) and Brokered Certificates of Deposit

Per Ohio Revised Code 135.144, an interest bearing certificate of deposit, where any eligible public depository as defined by Ohio Revised Code 135.03, serves as the custodian institution. The custodian institution once it receives District funds will then invest the funds in certificates of deposit with one or more federally insured bank, savings bank, or savings and loan association, wherever located. The full amount of principal and any accrued interest of each certificate of deposit invested in this way shall be insured by federal deposit insurance. Because the entire certificate of deposit is federally insured this negates the need for pledging requirements per Ohio Revised Code 135.18 or 135.181.

4. NOW Accounts (Interest Bearing Negotiable Order of Withdrawal Accounts)

NOW accounts, Super NOW accounts or any other similar account authorized by the Federal Reserve's Depository Institutions Deregulation Committee, provided that such accounts are secured by collateral as prescribed herein.

5. Repurchase Agreements (Repo's)

Before transacting a repurchase agreement with a particular broker/dealer, a master repurchase agreement must be entered into between the District and that particular broker. Each master repurchase agreement provides for collateralization of each repurchase agreement, the market value of which shall not be less than 102% of the principal amount of each repurchase agreement plus accrued interest.

6. State and Local Government Securities\*

Any obligation of the state of Ohio or Hilliard City Schools, or general obligation debt issued by political subdivisions in the State of Ohio as allowed under section 135.14 of the Ohio Revised Code, without regard to length of maturity or interest rate as stipulated in the Ohio Revised Code, is an authorized investment instrument.

7. Investment Pools

Any investment pool created by the Treasurer of the State of Ohio and managed according to section 135.45 of the Ohio Revised Code.

8. No-Load Money Market Mutual Funds

Any no-load money market mutual fund as defined by the Ohio Revised Code.

9. Commercial Paper\*

Notes issued by any entity that is defined in division (D) of section 1705.01 of the Ohio Revised Code and has assets exceeding five hundred million dollars and all other limitations imposed by ORC 135.142.

10. Banker's Acceptances\*

Banker's acceptances of banks that are members of the federal deposit insurance corporation to which obligations both of the following apply:

- A. The obligations are eligible for purchase by the federal reserve system
- B. The obligations mature no later than 180 days after purchase.

\* No investment authorized pursuant to division (1) of this section is made, whether or not authorized by a board of education, unless the treasurer of the board of education has completed additional training for making the types of investments authorized pursuant to division (1) of this section. The type and amount of such training is approved and may be conducted by or provided under the supervision of the Treasurer of State.

Competitive Bidding

All portfolio transactions will be performed on a competitive basis when practical. Each bid or offer will be received, as close in time as possible, from three providers. Records will be maintained of the competitive process.

Safekeeping and Collateralization

If practical, investment securities purchased by the District are delivered by either book entry or physical delivery and held in third-party safekeeping by a bank designated as primary agent. In lieu of a third party agent, securities may be safekept with the dealer or bank from whom the purchase is made. The primary agent issues a safekeeping receipt to the District listing the specific instrument, rate, maturity and other pertinent information.

Collateral is required on two types of investments: certificated of deposit/bank deposits and repurchase agreements. The collateralization level is defined by the Ohio Revised Code. Collateral is limited to eligible securities or other forms of collateral as defined in ORC sections 135.18 and 135.181.

Diversification

The Treasurer diversifies the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasurer Obligations (bills, notes and bonds)	100%
U.S. Government Agency/Instrumentalities	75%
Certificates of Deposit/Bank Deposits (collateralized)	75%
CDARS/Brokered Certificates of Deposit	75%
Repurchase Agreements (repo's)	25%
State and Local Government Securities	20%
State of Ohio Investment Pools	75%
Commercial Paper/Bankers' Acceptances	25%

Diversification by Issuer

Commercial Paper/Bankers' Acceptances	5%
Certificates of Deposit/Bank Deposits	50%

No transaction needs to be executed when, through inadvertence or unusual circumstance, a maturity in the portfolio causes the percentage of a type or category of investment to exceed the diversification limits set forth above. Any transactions after such infraction work towards returning to compliance.

Maturity

To the extent possible, the Treasurer attempts to match the term to maturity of individual investments with anticipated cash flow requirements. Maturities are normally spread over a two-year range. The Treasurer, at his/her discretion, may take no more than 25% of the funds to a maximum maturity of five years from date of purchase as long as cash flow requirements allow the securities to be held to maturity. A security trading on a "When Issued" basis may be purchased if all aspects of the security and trade meet the requirements of the investment policy.

Internal Control

Compliance with policies and procedures are independently reviewed during required audits by or on behalf of the Auditor of the state of Ohio.

Performance Standards

The District's investment strategy is passive. Given this strategy, the benchmark used by the Treasurer to determine whether market yields are being achieved is the rolling average of the six-month U.S. Treasury bill. The cash management goal of the District is to earn a yield on the portfolio within 25 basis points of the rolling average of the one-year U.S. Treasury bill.

Reporting

The Treasurer is charged with the responsibility of providing reports on investment activity and returns on the pooled balance of funds. These reports are prepared on a monthly basis and submitted to the Board. The reports provide a clear picture of the status of the current investment portfolio and include the following:

1. a listing of individual securities held at the end of the reporting period by authorized investment category and
2. the percentage of the portfolio represented by each investment category.

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LEGAL REFS.: ORC 135

CROSS REF.: BCA, Board Organizational Meeting