A. Authority for Cash Management and Investments

The responsibility for establishing and authorizing investment policies for Blue Valley USD #229 resides with the Board of Education. The Treasurer, in cooperation with the Director of Accounting and Auditing and his/her designee, shall be responsible for the establishment and implementation of administrative procedures and investment practices that conform to and carry out the policies and objectives of the Board of Education. The standard of prudence to be used by investment staff shall be the prudent person standard and shall be applied in the context of managing an overall portfolio. Investment staff, acting in accordance with written procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual investment’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

B. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with, or give the appearance of conflicting with, the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any interests in financial institutions with which they conduct business. 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 personal investment transactions with the same individual or firm with whom business is conducted on behalf of the Blue Valley School District.
C. Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the school district's assets are protected from loss, theft or misuse. A system of internal controls shall be documented in writing and shall be reviewed annually by the district's financial auditors. The internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the District. Controls deemed most important shall include:

- Discovery of collusion
- Separation of duties
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of bearer-form securities
- Clear delegation of authority to subordinate staff members
- Specific limitations regarding security losses and remedial action
- Confirmation of telephone transactions for investment and wire transfers
- Development of a wire transfer agreement with lead banks or third party custodians
- Limitation of the number of authorized investment staff
- Written documentation of investment transactions and strategies.

D. Delivery vs. Payment

All trades, where applicable, will be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

E. Authorized Financial Institutions and Broker/Dealers

A list will be maintained of financial institutions and broker/dealers authorized to provide investment services. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- Audited financial statements
- Proof of Financial Industry Regulatory Authority (FINRA) certification
- Proof of state registration
- Proof of appropriate insurance
- Completed broker/dealer questionnaire
- Certification of having read and understood the Blue Valley School District's investment policy and procedure documents.
F. Authorized Investments (Excluding Bond Funds and Note Proceeds)

As permitted by Kansas Statutes Annotated 12-1675, the District may invest funds in the following investment vehicles:

1. **Temporary notes or no-fund warrants issued by the District**
2. **Commercial bank time deposits including those purchased through a Certificate of Deposit Account Registry Service (CDARS), open accounts or certificates of deposit with maturities of not more than two years.** If no office of a commercial bank is located within the Blue Valley School District, then the investment may be made in commercial banks which have offices in the counties in which the District is located.
3. **Savings and loan association time certificates of deposit with maturities of not more than two years.** If no office of a savings and loan association is located within the Blue Valley School District, then the investment may be made in savings and loan associations which have offices in the counties in which the District is located.
4. **Repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks.** If financial institutions within the District and/or Johnson County do not offer an interest rate equal to or greater than the equivalent yield for United States government securities having a maturity date, as published in the Wall Street Journal, nearest the maturity date of the repurchase agreements under consideration, then repurchase agreements may be entered into with financial institutions which have offices in the State of Kansas; or as otherwise provided by Kansas law.
5. **United States treasury bills or notes with maturities not exceeding two years.** Such investment transactions shall only be conducted with financial institutions located within the State of Kansas, the Federal Reserve Bank of Kansas City, Missouri, primary government securities dealers which report to the market report division of the Federal Reserve Bank of New York, or with broker-dealers who are registered in compliance with the requirements of section 15C of the Securities Exchange Act of 1934.
6. **The Kansas State Municipal Investment Pool**
7. **Multiple municipal client investment pools managed by the trust departments of commercial banks which have offices located in the county in which the District is located, as provided by Kansas law.**

G. Authorized Bond and Note Proceeds Investments

As permitted by Kansas Statutes Annotated 10-131, the District may invest bond funds both in the investment vehicles listed in Section F above, as well as in the following:

1. Obligations of the Federal National Mortgage Association, federal home loan banks or the Federal Home Loan Mortgage Corporation;
2. Repurchase agreements collateralized by direct obligations of the United States
government or any agency thereof;
3. Investment agreements with, or other obligations of, a financial institution, which at the time of investment are rated in either of the three highest rating categories by Moodys Investors Service or Standard and Poors Corporation;
4. Investments in shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities in direct obligations of the US government or any agency thereof or obligations of the Federal National Mortgage Association, federal home loan banks or Federal Home Loan Mortgage Corporation;
5. Receipts evidencing ownership interests in securities or portions thereof in direct obligations of the US government or any agency thereof or obligations of the Federal National Mortgage Association, federal home loan banks or the Federal Home Loan Mortgage Corporation;
6. Municipal bonds or other obligations issued by any municipality of the State of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which are general obligations of the municipality issuing the same; or
7. Bonds of any municipality of the State of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust under escrow agreement with a bank, of direct obligations of the United States government or any agency thereof, or obligations of the Federal National Mortgage Association, federal home loan banks or the Federal Home Loan Mortgage Corporation.

H. Safekeeping and Collateralization

All investment security purchases by the District shall be held in third-party safekeeping. The District shall maintain a listing of the specific instruments, rates, maturities and other pertinent information. In terms of collateralization, the following precepts will apply:

1. Securities pledged to secure the deposits of the District must be deposited with a bank, trust company, or national bank authorized to do business in Kansas, the Federal Reserve Bank of Kansas City, the Federal Home loan Bank of Topeka or the State Treasurer. Such securities must be deposited under a joint custody receipt and must equal at least 105% of the market value of the secured deposits.
2. No securities pledged may be left for safekeeping in any bank, trust company or national bank which is owned directly or indirectly by any parent corporation of the depository bank, or with any bank, trust company or national bank having common controlling shareholders, having a common majority of the board of directors or having common directors with the ability to control or influence directly or indirectly the acts or policies of the bank, state or federally chartered savings and loan association, or federally chartered savings bank securing public deposits.
3. Certificates of deposit shall be collateralized as required by Kansas statute for any amount exceeding FDIC coverage.
4. Collateral underlying repurchase agreements is limited to US government and agency obligations which are eligible for wire transfer to the District’s safekeeping agent through the Federal Reserve System.
5. Collateral is valued at current market plus interest accrued through the date of valuation. Repurchase agreement collateral must be maintained at the following
minimum level, with respect to repurchase agreement par value plus accrued interest:

<table>
<thead>
<tr>
<th>US Treasury Securities</th>
<th></th>
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<tbody>
<tr>
<td>1 Year or Less</td>
<td>101%</td>
</tr>
<tr>
<td>1 Year to 5 Years</td>
<td>102%</td>
</tr>
<tr>
<td>5 Years or More</td>
<td>103%</td>
</tr>
</tbody>
</table>

I. Investment Reporting

The Treasurer shall present an investment report to the Finance Committee of the Board of Education at least on a quarterly basis. This report will be prepared in a manner that will allow the Board to ascertain whether investment activities during the reporting period have conformed to the approved investment policy and will include the following:

1. A listing of individual securities held at the end of the reporting period,
2. Interest earned for the period,
3. Investment transactions for the period,
4. Earned interest yield as compared to the return on U. S. Treasury Bills,
5. Listing of investments at market value,
6. Listing of investments by maturity date, and
7. Investment categories as a percentage of the total portfolio.

J. Diversification

The District shall diversify its investment portfolio by security type and institution wherever possible in order to eliminate the risk of loss resulting from the over concentration of assets in a specific maturity, issuer or class of securities. In establishing specific diversification strategies, the following guidelines will apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.
2. Liquidity practices shall be used at all times to ensure that the next disbursement date and payroll date are covered through maturing investments, marketable US Treasuries or cash on hand.
K. Competitive Bid Process

The District shall maintain a passive investment policy of accepting bids during off-peak investment periods. These bids shall be solicited through a quarterly notice to financial institutions of the districts open bid policy. During peak investment periods, at least three competitive bids shall be solicited for investment purchases. The District will accept the bid that provides the highest rate of return within the maturity required. Both yield and discount rate will be considered in this evaluation. In the case of tie bids, the Treasurer or his/her designee will make the investment award decision based upon the first high bid received. Records that document bids offered and accepted will be maintained for five years. (Examples of peak investment periods are those periods when the district is receiving a tax distribution from Johnson County or a distribution from the State of Kansas.)

L. Use of Investment Income

Income earned on idle fund investments will be credited to the Special Capital Outlay Fund or to other Special Revenue funds as approved by Kansas statute. Interest earned on Bond Fund investments will either be credited to the Debt Service Fund or the Bond Construction Fund as determined by the Superintendent.

M. Investment Procedure Updates

This investment procedure document will be reviewed on annual basis. Any changes must be approved by the Board of Education and implemented by the Treasurer and his/her designees.

Revised 7/16/18