

COMMONWEALTH CHARTER
ACADEMY

SECTION: FINANCES

TITLE: INVESTMENT OF CCA FUNDS

ADOPTED: March 16, 2016

REVISED:

609. INVESTMENT OF CCA FUNDS

§ 1. Purpose

It shall be the policy of the Board to optimize its return through investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments.

The primary objectives of investment activities, in priority order, shall be:

Legality - All investments shall be made in accordance with applicable laws of Pennsylvania.

Safety - Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk.

Liquidity - Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands.

Yield - Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

§ 2. Authority

24 P.S. § 440.1, 621,
622, 623

All investments of CCA made by an officer and/or employee of CCA shall be made in accordance with this policy

§ 3. Definitions

Short-term - any period thirteen (13) months or less.

Long-term - any period exceeding forty-eight (48) months' duration.

	<p>Mid-range - any period between short-term and long-term.</p> <p>Concentration of credit risk - the risk associated with the consolidation of investments in a single pool, institution, or instrument.</p> <p>Credit risk - the risk of loss of principal due to the failure of the security issue or backer of the issue.</p> <p>Custodial credit risk - the risk of loss associated with consolidation of investments with a single institution where the district may rely on the institution to hold investments on behalf of the district or through collateral action when the instruments are not in the district name.</p> <p>Foreign currency risk - the risk associated with investment in foreign currency that is subject to market fluctuation and associated currency conversion.</p> <p>Interest rate risk - the risk that the market value of securities will fall due to changes in general interest rates.</p> <p>Investment program - the specifically enumerated investment strategy.</p> <p>§ 4. <u>Delegation of Responsibility</u></p>
<p>24 P.S. § 440.1</p>	<p>The Board shall delegate to a designated individual the responsibility to manage the school’s investment program, in accordance with written procedures for operation of the investment program.</p> <p>An annual review of the investment program shall be prepared by the designated individual, based upon the anticipated cash flow of all school funds, i.e. general, capital reserve, bond, etc.</p>
<p>24 P.S. § 440.1 72 P.S. § 3836 et seq.</p>	<p>The designated individual responsible for investments shall report monthly to the Board the following:</p> <ol style="list-style-type: none"> 1. Amount of funds invested. 2. Interest earned and received to date. 3. Types and amounts of each investment and the interest rate on each. 4. Names of the institutions where investments are placed. 5. Current market value of the funds invested. 6. Confirmation of collateralization when deposits exceed FDIC insurance limits. <p>The Board directs the CEO or designee to establish administrative guidelines that will ensure compliance with this policy, including a disclosure form for designated</p>

	<p>individuals involved in the investment process and/or required written statements for advisors and bidders.</p>
<p>24 P.S. § 440.1</p>	<p>§ 5. <u>Guidelines</u></p> <p>Investments permitted by this policy are those defined in law, which are collateralized in accordance with applicable laws.</p>
<p>24 P.S. § 440.1</p>	<p>All securities shall be purchased in the name of Commonwealth Charter Academy, and custody of the securities shall be specified within the CCA's investment program.</p> <p>All investment advisors or bidders shall verify in writing that they have received a copy of this policy. Such written statement shall indicate that they have read and understand this policy and all applicable laws related to CCA investments, along with their intent to comply fully with these requirements.</p> <p>CCA shall require all investment advisors/bidders to submit annually any or all of the following, as appropriate:</p> <ol style="list-style-type: none"> 1. Audited financial statements. 2. Proof of Financial Industry Regulatory Authority (FINRA) certification. 3. Proof of state registration. 4. Rating from a recognized rating agency.
<p>65 Pa. C.S.A. § 1101 et seq.</p>	<p>§ 6. <u>Disclosure</u></p> <p>Designated officers and employees involved in CCA's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions.</p>
<p>Pol. 619</p>	<p>§ 7. <u>Audit</u></p> <p>The Board directs that all investment records be subject to annual audit by the independent auditors hired by the CCA.</p> <p>The audit shall include but not be limited to independent verification of amounts and records of all transactions, as deemed necessary by the independent auditors.</p> <p>It shall be the responsibility of the investment advisor and/or bidder to maintain necessary documents to permit independent audit of the school's investments.</p>

24 P.S. § 218, 440.1
GASB Stmt. 40

§ 8. Compliance with GAAP (GASB?)

The following is intended to guide CCA investments as limited by law:

1. CCA funds shall not be invested in foreign currency and shall have no related risk that would require disclosure pursuant to GASB Statement 40.
2. CCA investments shall limit the exposure to loss of principal due to market changes in interest rates.
3. CCA investments in authorized instruments that are not backed by the “full faith and credit” of the federal or state government shall be limited to those with the highest credit rating available for such instruments issued by a recognized organization.

If, after purchase, the rating of any instrument is reduced and is no longer in compliance with this policy, the individual responsible for CCA investments shall replace the investment immediately upon receipt of notice of the rating change.

4. When CCA funds are invested in any one (1) issuer other than designated depository accounts (which includes external investment pools), and securities issued or explicitly guaranteed by the U.S. Government (owned directly by the district), the amount of the investment shall be unlimited, but the Board shall be notified of such investment monthly.
5. For purposes of interest rate disclosure in the annual financial report, the method of determining interest rate risk shall be based on weighted average maturity.

§ 9. Protection of Bank Balances in Excess of FDIC Limits

When CCA cash is deposited in an authorized depository, if the cash balance exceeds the insurance limits, CCA funds shall be collateralized pursuant to law.

24 P.S. § 440.1
72 P.S. § 3836 et
seq.

The collateral shall be limited to investments authorized by law.

It shall be the responsibility of the Director of Business to verify with the depository the value of the instrument(s) based on the instrument being “marked to market.”

Verification of the value of the collateral instrument(s) shall occur monthly.

Following a review of valuation, the Director of Business may request an additional review by CCA’s investment advisors or financial consultant, and shall require additional collateral if the existing collateral has declined in value and exposes the CCA to potential loss of principal. The Board shall be advised of the status of the valuation review and any additional collateral at the first meeting following the review.

References:

School Code – 24 P.S. § 218, 440.1, 621, 622, 623

Public Officials and Employee Ethics – 65 Pa. C.S.A. § 1101 et seq.

Security of Public Deposits – 72 P.S. § 3836 et seq.

Investment Companies, Title 17, Code of Federal Regulations – 17 CFR Part 270

Governmental Accounting Standards Board, Statement No. 40

Board Policy – 619