MONTGOMERY COUNTY INTERMEDIATE UNIT #23

SECTION: FINANCES

TITLE: INVESTMENT OF INTERMEDIATE

UNIT FUNDS

ADOPTED: MAY 26, 2010

REVISED:

609. INVESTMENT OF INTERMEDIATE UNIT 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 SC 440.1, 621, 622, 623 All investments of the Intermediate Unit made by an officer and/or employee of the Intermediate Unit shall be made in accordance with this policy and a Board-approved investment program.

3. Delegation of Responsibility SC 440.1 The Board shall delegate to a designated individual the responsibility to manage the Intermediate Unit's investment program, in accordance with written, Board-approved procedures for operation of the investment program.

The Board directs the Executive Director to have developed written procedures that will ensure compliance with this policy. Such procedures shall include a disclosure form for designated individuals involved in the investment process and/or required written statements for advisors and bidders.

4. Guidelines SC 440.1

Investments permitted by this policy are those defined in Section 440.1 of the School Code, as amended, which are collateralized in accordance with applicable laws.

All securities shall be purchased in the name of the Intermediate Unit, and custody of the securities shall be specified within the Intermediate Unit's investment program.

An exception to purchases in the name of the Intermediate Unit is permitted for the purchase of share of an investment company that is or conducts business voluntarily in compliance with applicable law.

SC 440.1

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 Intermediate Unit investments, along with their intent to comply fully with these requirements.

Disclosure

65 Pa. C.S.A. Sec. 1101 et seq

Designated officers and employees involved in the Intermediate Unit'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.

Bond Proceeds

53 Pa. C.S.A. Sec. 8001 et seq

Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act and applicable federal and state laws, subject to approval by the solicitor and/or bond counsel and the Board.

Investment transaction arising from bond proceeds shall be reported monthly to the Board, in accordance with this policy.

Compliance With GAAP

SC 971 GASB Stmt 40 The following is intended to guide Intermediate Unit investments as limited by Section 440.1 of the School Code:

- 1. Intermediate Unit funds shall not be invested in foreign currency and shall not have any related risk that would require disclosure pursuant to GASB Statement 40.
- 2. Intermediate Unit investments shall limit the exposure to loss of principal due to market changes in interest rates.
- 3. Intermediate Unit 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 Intermediate Unit investments shall advise the Board at the earliest opportunity of such action and make recommendations for altering investments.

- 4. When Intermediate Unit 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 Intermediate Unit), 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.

References:

School Code – 24 P.S. Sec. 440.1, 621, 622, 623, 971

Local Government Unit Debt Act – 53 Pa. C.S.A. Sec. 8001 et seq.

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

Governmental Accounting Standards Board, Statement No. 40

Board Policy – 619