

GUIDELINES FOR INVESTMENT OF FUNDS

THE SCHOOL BOARD OF SUMTER COUNTY, FLORIDA

Cash & Investment Management Policy

1.0 PURPOSE

1.1 The purpose of this policy is to set forth the investment objectives and parameters for the management of public monies of the School Board of Sumter County, Florida (hereinafter "Board"). These policies are designed to ensure the prudent management of public monies, the availability of operating and capital funds when needed, and an investment return competitive with comparable Funds and financial market indices.

2.0 SCOPE

2.1 In accordance with F.S. 218.415, this investment policy applies to all cash and investments held or controlled by the Board with the exception of pension monies, trust funds, and monies related to the issuance of debt where there are other existing policies, resolutions or indentures in effect governing the investment of such monies. Monies held by State agencies (e.g., Department of Education) are not subject to the provisions of this policy.

3.0 DEFINITIONS

“Available Monies” means all monies available for investment exclusive of Debt Proceeds.

“Board” means the School Board of Sumter County, Florida

“Core Funds” means reserves, cash designated for projects and other operating and non-operating purposes which are not Debt Proceeds and are not expected to be expended within the immediately succeeding twelve months.

“SDBI” means the Senior Director of Business and Institutional Services of the School Board of Sumter County, Florida.

“Debt Proceeds” means Monies which are the proceeds of an issuance of a debt or lease financing.

“Fund” means a pooled investment operated by a professional investment management company.

“Money Fund Index” means weighted average return on nation’s largest money Funds as reported by iMoneyNet, Crane Data, or other nationally recognized Money Fund ranking service.

“Monies” means cash and deposits available to the Board.

“Portfolio” means investments held by the Board.

“Qualified Public Depositories” means financial institutions designated as Qualified Public Depositories (“QPD”) under Section 280.02(26) F.S.

“Rating Agency” means S&P, Moody’s or Fitch; “Rating Agencies”

“Self Insurance Funds” means monies set aside to pay for specific needs in the future based on actuarial assumptions.

“Short-term Funds” means operating Funds or other monies designated to be spent within twelve months.

“Superintendent” means School Board of Sumter County, Florida, Superintendent of Schools.

4.0 INVESTMENT OBJECTIVES

4.1 The investment objectives of the School Board of Sumter County, Florida, in order of priority, are as follows:

4.1.1 Safety of Principal

The foremost objective of this investment program is the safety of the principal of those monies within the portfolios. The investments should be structured to provide for the safety of principal and allow the Board to meet its obligations in timely manner.

4.1.2 Maintenance of Liquidity

The portfolios shall be managed in such a manner that monies are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

4.1.3 Diversification of Risk

The Boards shall diversify investments whenever possible without negatively affecting the safety of principal and liquidity characteristics. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.1.4 Investment Income

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

5.0 AUTHORITY

5.1 The Superintendent (or designee) is authorized to make transfers from financial institution to financial institution or within a financial institution for the purpose of investing or divesting School Board funds. For the purposes of this policy, the term “financial institution” has the same definition of Section 280.02(13) F.S.

5.2 The Superintendent and his/her designees are authorized and empowered for and on behalf of the Board, to a) conduct investment transactions in accounts at financial institutions as provided under “Authorized Investment Institutions and Dealers,” and b) conduct other banking/financial transactions in financial institutions designated as Qualified Public Depositories (“QPD”) under Section 280.02(26) F.S. Accounts at said institutions shall be established by two signatures of the Superintendent and the SDBI with appropriate disclosure to the Board.

5.2.1 The Superintendent shall develop administrative procedures which govern and safeguard the establishment of services, and the execution and conduct of Investment/Banking/Financial transactions to, from and between School District accounts consistent with this Policy.

5.2.2 Appropriate fidelity bonding or insurance will be maintained by the School Board to cover the SUPERINTENDENT, SDBI, and other designated staff members who are in any way involved in the movement of School Board funds from one financial institution account to another.

5.3 The Superintendent may employ an investment manager/advisor to assist in the management of the Board's investments. Such investment manager/advisor must be registered under the Investment Advisors Act of 1940.

6.0 RESERVED FOR FUTURE USE

7.0 STANDARDS OF PRUDENCE

7.1 The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the Superintendent in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "Prudent Person" rule states the following:

"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 from the investment."

7.2 While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting monies and in acquiring, retaining, managing, and disposing of investments of these monies, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the monies, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

8.0 ETHICS AND CONFLICTS OF INTEREST

8.1 Employees involved in the investment process shall 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. Also, employees involved in the investment process shall disclose to the Board any material financial interests in financial institutions that conduct business with the Board, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the Board's investment program.

9.0 INTERNAL CONTROLS AND INVESTMENT PROCEDURES

9.1 The Superintendent shall establish a system of internal controls and operational procedures that are in writing and made a part of the Board's operational procedures. The internal controls should be designed to prevent losses of monies, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees.

10.0 CONTINUING EDUCATION

10.1 The SDBI and other key designees complete at least eight (8) hours of annual continuing education classes in subjects or courses of study related to cash management and/or investment practices and products.

11.0 AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

11.1 Authorized Board staff and investment advisors shall only purchase securities (does not apply to investments authorized under "AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION" subparagraphs "15.2.6" and "15.2.7" below) from financial institutions, which are qualified as public depositories by the Treasurer of the State of Florida, or institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York, or such other financial institutions as may be recommended by the Superintendent and approved by the Board.

11.2 Authorized Board staff and investment advisors shall only enter into repurchase agreements with financial institutions that are State qualified public depositories and primary securities dealers as designated by the Federal Reserve Bank of New York.

12.0 MATURITY AND LIQUIDITY REQUIREMENTS

12.1 To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Notwithstanding anything herein to the contrary.

12.1.1 Investments of current short-term funds shall have maturities of no longer than twelve (12) months.

12.1.2 Investments of bond reserves, construction monies, and other Core Funds shall have a term appropriate to the need for monies and in accordance with debt covenants, but in no event shall exceed five (5) years.

12.1.3 In the case of monies which are construction proceeds of tax-exempt debt issues, such investments shall not exceed three (3) years.

13.0 LIMITATION ON CONCENTRATION

13.01 Notwithstanding anything herein to the contrary, at no time shall the Board's investment in any individual Fund or Pool permitted under "Authorized Investments and Portfolio Composition" exceed ten (10) percent of the total Net Asset Value of such Fund or Pool.

14.0 COMPETITIVE BID REQUIREMENT

14.1 When appropriate, feasible and practicable, the purchase and sale of investment securities shall be competitively bid. Documentation will be retained for all bids, with the winning bid clearly identified. The competitive bid requirement does not apply to investments authorized under "AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION" subparagraphs "15.2.6" and "15.2.7" below.

15.0 AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION

15.1 Investments should be made subject to the cash flow needs, such cash flows are subject to revisions as market conditions, and the Board's needs change. However, when the invested monies are needed in whole or in part for the purpose originally intended or for more optimal investments, the SUPERINTENDENT may sell the investment at the then-prevailing market price and place the proceeds into the proper account at the Board's custodian.

15.2 The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the Board. The SUPERINTENDENT shall have the option to further restrict investment percentages from time to time based on market conditions, risk, and diversification investment strategies. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment and the percentage of the portfolio said investments constituted at the time the investment was made. Investments not listed in this policy are prohibited. The following limitations shall not restrict the Board's ability to place Short-term Funds on deposit with QPDs in demand deposit accounts.

15.2.1 The Florida State Board of Administration's; Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in section 163.01 F.S.

15.2.1.1 Investment Authorization

The SUPERINTENDENT may invest in the SBA and intergovernmental governmental investment pools.

15.2.1.2 Portfolio Composition

A maximum of sixty percent (60%) of available monies may be invested in any one Investment Pool. A combined maximum of sixty percent (60%) of available monies may be invested in all such qualified Pools.

15.2.1.3 Rating Requirements

Eligible Pools shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another Rating Agency.

15.2.2 United States Government Securities including but not limited to Notes, Bills, Bonds, Strips, and State & Local Government Series securities (SLGS).

15.2.2.1 Purchase Authorization

The SUPERINTENDENT may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government.

15.2.2.2 Portfolio Composition

A maximum of 100% of available monies may be invested in the United States Government Securities.

15.2.2.3 Maturity Limitations

The maximum length to maturity of any direct investment in the United States Government Securities is five (5) years from the date of purchase.

15.2.3 United States Government Agency Securities

15.2.3.1 Purchase Authorization

The SUPERINTENDENT may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Governments agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to the following:

United States Export

- Direct obligations or fully guaranteed certificates of beneficial ownership

Farmer Home Administration

- Certificates of beneficial ownership

Federal Financing Bank

- Discount notes, notes and bonds

Federal Housing Administration Debentures

General Services Administration

United States Maritime Administration Guaranteed

- Title XI Financing

New Communities Debentures

- United States Government guaranteed debentures

United States Public Housing Notes and Bonds

- United States Government guaranteed public housing notes and bonds

United States Department of Housing and Urban Development

- Project notes and local authority bonds

15.2.3.2 Portfolio Composition

A maximum of seventy-five percent (75%) of available monies may be invested in United States Government agencies.

15.2.3.3 Limits on Individual Issuers

A maximum of forty percent (40%) of available monies may be invested in individual United States Government agencies.

15.2.3.4 Maturity Limitations

The maximum length to maturity for an investment in any United States Government agency security is five (5) years from the date of purchase.

15.2.4 RESERVED FOR FUTURE USE

15.2.5 Interest Bearing Time Deposits, Saving Accounts, or Demand Deposit Accounts

15.2.5.1 Purchase Authorization

The SUPERINTENDENT may invest, to the extent allowed by Florida law, in non-negotiable interest bearing time certificates of deposit, savings accounts and interest bearing demand deposit accounts (checking accounts) in banks organized under the laws of this state and/or in national banks organized under the laws of the United States. Eligible institutions must be members of the Federal Deposit Insurance Corporation (FDIC) and any investments/deposits must be: FDIC insured; or, secured by the Florida Security for Public Deposits Act, F.S. Chapter 280; or, collateralized with securities eligible under this policy; or, additionally insured. Additionally, the bank shall not be listed with any recognized credit watch information service.

15.2.5.2 Portfolio Composition

A maximum of forty percent (40%) of available monies may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts which are not 100% insured by the Federal Deposit Insurance Corporation (“FDIC”) but which do meet the requirements of 15.2.5.1 above. A maximum of seventy-five percent (75%) of available monies may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts which are 100% insured by the FDIC.

From time to time, the Superintendent may deposit monies in demand deposit accounts/money market accounts in banks other than the District’s primary depository bank. Any such deposits shall be subject to a maximum of thirty percent (30%) and must be secured by the Florida Security for Public Deposits Act, F.S. Chapter 280.

15.2.5.3 Limits on Individual Issuers

A maximum of fifteen percent (15%) of available monies may be deposited with any one issuer where the investment is not one hundred percent (100%) insured by the FDIC.

15.2.5.4 The of such certificates shall be consistent with the Board’s Short Term cash flow requirements and in no event shall the maximum maturity on any certificate greater than one (1) year from the date of purchase unless recommended by the Superintendent and approved by the Board in advance.

15.2.6 Money Market Funds; Securities and Exchange Commission registered money market Funds with the highest credit quality rating from a Rating Agency. The Funds must be registered and in compliance with 17 C.F.R. 270.2a-7 of the Federal Code of Regulations

15.2.6.1 Investment Authorization

The SUPERINTENDENT may invest in shares in open-end, no-load provided such Funds are

registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7.

15.2.6.2 Portfolio Composition

A maximum of sixty percent (60%) of available monies may be invested in any one registered 2a-7 Money Market Fund. A combined maximum of sixty (60%) of available monies may be invested in all registered 2a-7 Money Market Funds.

15.2.6.3 Limits of Individual Issuers

A maximum of sixty percent (60%) of available monies may be invested with any one SEC Rule 2a-7 investment mutual fund.

15.2.6.4 Rating Requirements

The mutual Funds shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another Rating Agency.

15.2.6.5 Due Diligence Requirements

A thorough review of any investment mutual fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the SUPERINTENDENT that will contain a list of questions that covers the major aspects of any investment pool/fund.

15.2.7 Investment Company Act of 1940; investments; Securities or, other interest in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940.

15.2.7.1 Investment Authorization

The SUPERINTENDENT may invest Core Funds (but not in Short-term Funds) in shares in open-end or closed-end Funds registered under the Federal Investment Company Act of 1940.

15.2.7.2 Portfolio Composition

A maximum of twenty percent (20%) of available monies may be invested in mutual Funds.

15.2.7.3 Limits of Individual Issuers

A maximum of twenty percent (20%) of available monies may be invested with any one non-SEC Rule 2a-7 investment mutual fund.

15.2.7.4 Rating Requirements

The mutual Funds shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another nationally recognized Rating Agency.

15.2.7.5 Due Diligence Requirements

A thorough review of any investment mutual fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the SUPERINTENDENT that will contain a list of questions that covers the major aspects of any investment pool/fund.

15.2.8 Other investments; permitted by the state statute and not prohibited by this Policy as may be recommended by the Superintendent and approved in advance by the Board

15.2.8.1 Investment Authorization

The SUPERINTENDENT may invest in other investments, including Municipal Securities rated Aa/AA or higher, permitted by the state statute with approval of the Board.

15.2.8.2 Portfolio Composition

A maximum of ten percent (10%), or such other amount as authorized by the Board, of available monies may be invested in other investments permitted by the state statute.

15.2.8.3 Due Diligence Requirements

A thorough review of any other investment permitted by the state statute and not prohibited by this Policy is required prior to investing, and on a continual basis.

16.0 PERFORMANCE MEASUREMENTS

16.1 In order to assist in the evaluation of the portfolio's performance, the Board will use performance separate benchmarks for short-term, long-term, and government securities portfolios. The use of benchmarks will allow the Board to measure its returns against other investors in the same markets.

16.1.1 The SBA LGIP, and Money Fund Index or the weighted average performance of the ten (10) largest prime funds will be used as benchmarks as compared to the portfolios' net book value rate of return for current short-term funds. Short-term funds invested in government and agency securities shall be compared against comparable indices.

16.1.2 Investment performance of Funds designated as Core Funds and other non-operating monies that have a longer-term investment horizon will be compared to an index comprised of U.S. Treasury or government securities. The appropriate index will have a duration and asset mix that approximates the portfolios and will be utilized as a benchmark to be compared to the portfolios total rate of return.

16.1.3 Investment advisors will report performance on both book value and total rate of return basis and compare results to the above-stated benchmarks.

17.0 REPORTING

17.1 The Superintendent shall provide the Board with quarterly investment reports. Schedules in the quarterly report should include the following:

17.1.1 A listing of individual securities held at the end of the reporting period

17.1.2 Percentage of available monies represented by each investment type

17.1.3 Coupon, discount, or earning rate

17.1.4 Average life or duration and final maturity of all investments

17.1.5 Par value, and market value

17.2 On an annual basis, the Superintendent shall prepare a report on all invested monies. The annual report shall provide all, but not limited to, the following: a complete list of all invested monies, name or type of security in which the monies are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment.

17.3 The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

18.0 THIRD-PARTY CUSTODIAL AGREEMENTS

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by, the Board should be properly designated as an asset of the Board. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other State or territory of the United States which has a branch or principal place of business in the State of Florida as defined in F.S. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Superintendent (or designee) and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

The custodian shall provide the SUPERINTENDENT with safekeeping receipts that provide detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

19.0 MASTER REPURCHASE AGREEMENT

The SUPERINTENDENT (or designee) shall be required to have a fully executed master repurchase agreement from all approved banking institutions and securities dealers' transacting repurchase agreements. All repurchase agreement transactions shall adhere to the requirements of the master repurchase agreement.

20.0 INVESTMENT POLICY ADOPTION

The investment policy shall be adopted by Board resolution. The Superintendent shall review the policy annually and the Board shall approve any modification made thereto.