

# Math and Science Academy

Adopted: April 2007  
Revised: April 14, 2009  
Revised: March 4, 2010  
Revised: February 3, 2011  
Revised: November 21, 2016

Revised: January 22, 2019

## 705 INVESTMENTS

*[Note: The provisions of this policy substantially reflect legal requirements.]*

### I. PURPOSE

The purpose of this policy is to establish guidelines for the investment of The Math and Science (MSA) funds.

### II. GENERAL STATEMENT OF POLICY

The policy of this MSA is to comply with all state laws relating to investments and to guarantee that investments meet certain primary criteria.

### III. SCOPE

This policy applies to all investments of the surplus funds of the MSA, district, regardless of the fund accounts in which they are maintained, unless certain investments are specifically exempted by the BOD through formal action.

### IV. AUTHORITY; OBJECTIVES

- A. The funds of MSA shall be deposited or invested in accordance with this policy, Minn. Stat. Ch. 118A and any other applicable law or written administrative procedures.
- B. The primary criteria for the investment of the funds of MSA, in priority order, are as follows
  - 1. Safety and Security. Safety of principal is the first priority. The investments of MSA shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
  - 2. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable, and debt service.

3. Return and Yield. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

## **V. DELEGATION OF AUTHORITY**

- A. The Board of Director (BOD) Treasurer and Director are designated as the investment officers of MSA and are responsible for investment decisions and activities under the direction of the BOD. The investment officer shall operate MSA's investment program consistent with this policy. The investment officer may delegate certain duties to a designee or designees but shall remain responsible for the operation of the program.
- B. All officials and employees that are a part of the investment process shall act professionally and responsibly as custodians of the public trust and shall refrain from personal business activity that could conflict with the investment program or which could reasonably cause others to question the process and integrity of the investment program. The investment officer shall avoid any transaction that could impair public confidence in MSA.

## **VI. STANDARD OF CONDUCT**

The standard of conduct regarding MSA investments to be applied by the investment officer shall be the "prudent person standard." Under this standard, the investment officer shall exercise that degree of judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, investing not for speculation and considering the probable safety of their capital as well as the probable investment return to be derived from their assets. The prudent person standard shall be applied in the context of managing the overall investment portfolio of MSA. The investment officer, acting in accordance with this policy and exercising due diligence, judgment, and care commensurate with the risk, shall not be held personally responsible for a specific security's performance or for market price changes. Deviations from expectations shall be reported in a timely manner and appropriate actions shall be taken to control adverse developments.

## **VII. MONITORING AND ADJUSTING INVESTMENTS**

The investment officer shall routinely monitor existing investments and the contents of MSA investment portfolio, the available markets, and the relative value of competing investment instruments.

## **VIII. INTERNAL CONTROLS**

The investment officer shall establish a system of internal controls which shall be documented in writing. The internal controls shall be reviewed by the BOD and shall be annually reviewed for compliance by MSA independent auditors. The internal controls shall

be designed to prevent and control losses of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions by officers, employees, or others. The internal controls may include, but shall not be limited to, provisions relating to controlling collusion, separating functions, separating transaction authority from accounting and record keeping, custodial safekeeping, avoiding bearer form securities, clearly delegating authority to applicable staff members, limiting securities losses and remedial action, confirming telephone transactions in writing, supervising and controlling employee actions, minimizing the number of authorized investment officials, and documenting transactions and strategies.

## **IX. PERMISSIBLE INVESTMENT INSTRUMENTS**

MSA may invest its available funds in those instruments specified in Minn. Stat. §§ 118A.04 and 118A.05, as these sections may be amended from time to time, or any other law governing the investment of MSA. The assets of an other postemployment benefits (OPEB) trust or trust account established pursuant to Minn. Stat. § 471.6175 to pay postemployment benefits to employees or officers after their termination of service, with a trust administrator other than the Public Employees Retirement Association, may be invested in instruments authorized under Minn. Stat. Ch. 118A or § 356A.06, Subd. 7. Investment of funds in an OPEB trust account under Minn. Stat. § 356A.06, Subd. 7, as well as the overall asset allocation strategy for OPEB investments, shall be governed by an OPEB Investment Policy Statement (IPS) developed between the investment officer, as designed herein, and the trust administrator.

## **X. PORTFOLIO DIVERSIFICATION; MATURITIES**

- A.** Limitations on instruments, diversification, and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years.
- B.** MSA shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.
  - 1. The investment officers shall make sure the Board is aware of what investments comprise the school's portfolio.
  - 2. Investment maturities shall be scheduled to coincide with projected MSA cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets. The maturities selected shall provide for stability of income and reasonable liquidity.

## **XI. QUALIFIED INSTITUTIONS AND BROKER-DEALERS**

- A.** MSA shall maintain a list of the financial institutions that are approved for investment purposes.
- B.** Prior to completing an initial transaction with a broker, MSA shall provide to the broker a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with Minnesota statutes governing the investment of public funds. The broker must annually acknowledge receipt of the statement of investment restrictions and agree to handle MSA's account in accordance with these restrictions. MSA may not enter into a transaction with a broker until the broker has provided this annual written agreement to MSA. The notification form to be used shall be that prepared by the State Auditor. A copy of this investment policy, including any amendments thereto, shall be provided to each such broker.

## **XII. SAFEKEEPING AND COLLATERALIZATION**

- A.** All investment securities purchased by MSA shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minn. Stat. § 118A.06. The institution or dealer shall issue a safekeeping receipt to MSA the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.
- B.** Deposit-type securities shall be collateralized as required by Minn. Stat. § 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.
- C.** Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. MSA may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than \$1,000,000.

## **XIII. REPORTING REQUIREMENTS**

The investment officers shall generate periodic reports that shall include data on investment instruments being held as well as any narrative necessary for clarification.

## **XIV. DEPOSITORIES**

The BOD shall annually designate one or more official depositories for MSA funds. The treasurer or the director of MSA may also exercise the power of the BOD to designate a depository. The BOD shall be provided notice of any such designation by its next regular

meeting. MSA and the depository shall each comply with the provisions of Minn. Stat. § 118A.03 and any other applicable law, including any provisions relating to designation of a depository, qualifying institutions, depository bonds, and approval, deposit, assignment, substitution, addition, and withdrawal of collateral.

## **XV. ELECTRONIC FUNDS TRANSFER OF FUNDS FOR INVESTMENT**

MSA may make electronic fund transfers for investments of excess funds upon compliance with Minn. Stat. § 471.38.

***Legal References:*** Minn. Stat. § 118A.01 (Public Funds; Depositories and Investments)  
Minn. Stat. § 118A.02 (Authorization for Deposit and Investment)  
Minn. Stat. § 118A.03 (Depositories and Collateral)  
Minn. Stat. § 118A.04 (Investments)  
Minn. Stat. § 118A.05 (Contracts and Agreements)  
Minn. Stat. § 118A.06 (Delivery and Safekeeping)  
Minn. Stat. § 356A.06, Subd. 7 (Authorized Investment Securities)  
Minn. Stat. § 471.38 (Claims)  
Minn. Stat. § 471.6175 (Trust for Postemployment Benefits)