



# **TOLEDO CITY SCHOOL DISTRICT**

## **Administrative Policy for Investment and Cash Management Activity**

**Adopted: February 16, 2016**

## TABLE OF CONTENTS

Purpose and Scope.....	3
Prudence.....	4
Objectives and Guidelines.....	4
Investment Authority.....	5
Investment Advisors.....	7
Other Investment Responsibilities.....	8
Permissible Investments.....	9
Investment Criteria.....	11
Maturity.....	13
Depositories, Brokers, Dealers and Investment Advisors.....	14
Safekeeping and Custody.....	14
Bid Monitoring.....	16
Sale of Securities .....	17
Investment Selection.....	17
Prohibited Investments.....	17
Reporting.....	18
Internal Control.....	20
Accounting Issues.....	20
Cash Management Practices.....	21
Ethical Standards.....	22
Training and Education.....	22
Amendments to Policy.....	22
Filing Requirements.....	23
Non-Binding Arbitration .....	23
Policy Adoption.....	23
Definitions and Glossary .....	24
Exhibits:	
Exhibit A: Employee Certification.....	30
Exhibit B: Depository/Bank/Broker/Dealer Certification.....	31
Exhibit C: Finance Committee Review and Approval.....	32
Exhibit D: Association of Public Treasurers Certification.....	33
Exhibit E: Legal Opinion.....	34
Exhibit F: Cross References.....	35
Exhibit G: Request for Information from Broker Dealer .....	37

## PURPOSE AND SCOPE

The purpose of this Administrative Policy for Investment and Cash Management Activity is to set forth the policies that are to govern the investment and cash management activities of the Toledo City School District (the District). These policies have been adopted by, and may only be changed by, the Treasurer, with the approval of the Finance Committee or the Board of Education.

The public funds of the District are to be deposited and invested in a manner designed to (i) ensure the preservation of capital, (ii) meet the daily liquidity and cash flow demands of the District for operating and capital costs, and (iii) provide an investment return competitive with financial market benchmarks established by the District, and (iv) be consistent with all applicable statutes, rules and regulations governing the investment of interim moneys by an Ohio school district. Any practice not clearly authorized by these policies is prohibited. Effective cash management is recognized as essential to good fiscal management. An active cash management program and sound investment practices will be pursued to take advantage of investment returns as a viable and material source of revenue to the District for all funds involved. The District's portfolio of deposits and investments will be designed and managed in a prudent and professional manner responsive to the public trust and in compliance with all applicable statutes governing the deposit and investment of public funds by an Ohio school district and Auditor of State requirements. In that design and management, the Treasurer will take into consideration Government Finance Officers Association guidelines and Association of Public Treasurers of the United States & Canada policy review criteria.

These policies apply to the deposit and investment of all interim moneys of the District, including, without limitation, all State and Federal funds held by it and moneys accounted for in the following funds:

<u>FUND DESCRIPTION</u>	<u>FUND NUMBER</u>
General	001
Bond Retirement	002
Permanent Improvement	003
LFI Building	004
Food Services	006
Special Trust	007
Endowment	008
Classroom Facilities Project Construction	010
Vocational Rotary	011
Public School Support	018
Employee Benefits	024
Workers' Compensation	027
School Facilities Commission Maintenance	034
Student Managed Activity	200
District Managed Student Activity	300
Auxiliary Services	401

These policies do not in any way govern the investment or management of (i) the pension assets of District employees managed and administered by the State Teachers Retirement System or the School Employees Retirement System; (ii) the annuity assets of District employees managed and administered by various outside financial vendors; or (iii) the assets of any present or future community school sponsored, sanctioned or approved by the Board of Education.

Chapter 135 of the Ohio Revised Code, the Uniform Depository Act, generally governs the investment and depository practices of the District. These policies are intended to complement the law and provide guidance for District personnel when administering daily cash management and investment practices. Any conflict that may exist between the applicable authority, limitations and requirements of Chapter 135 of the Revised Code and this policy and those provided in grant or other agreements entered into by the District shall be resolved by relying on the more restrictive authority, limitations and requirements.

Unless the context requires otherwise, terms and phrases with initial capital letters used in this Policy and not otherwise defined shall have the meanings set forth in the Definitions and Glossary attached hereto.

## PRUDENCE

The standard of prudence to be used by the Treasurer and by the members of the Treasurer's staff in the deposit and investment of public moneys shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The "prudent person" standard states:

"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."

Acting in accordance with these investment policies and exercising due diligence shall relieve the Treasurer and members of the Treasurer's staff of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to the Board in a timely fashion and appropriate action is taken to control adverse developments. All participants involved in the process shall act responsibly as custodians of the public trust.

## OBJECTIVES AND GUIDELINES

The primary objectives, in priority order, of the District's depository, cash management, and investment activities and practices shall be:

**Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to limit both credit and interest rate risks and to ensure the preservation of capital in the overall portfolio.

**Liquidity:** The District's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

**Return on Investment:** The District's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account these policies and the cash flow characteristics of the portfolio.

In pursuing those objectives, the District will follow the guidelines and principles set forth below:

- The District will deposit and invest its interim public moneys only in the types of deposits and investments that are both (i) permitted for Ohio school districts under Chapter 135 of the Revised Code or other applicable statutes and (ii) permitted for the District under these policies.
- The District will seek to be fully invested every day.
- The District will structure its portfolio so that deposits or investments mature or are otherwise available to meet cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity.
- The District will diversify its investment portfolio so that there is not an undue concentration in any one type of investment or in the aggregate deposits made with a Depository or the aggregate investments made in securities of an issuer and no single investment or class of investments can have a disproportionate impact on the total portfolio.

- The District will compare its returns to indices of securities having similar maturities and characteristics. The results will be reported not less than quarterly to the Finance Committee.
- The District will require all Depositories to sign a Collateral Security Agreement and, on a monthly basis, will monitor each Depository's (i) collateral for deposits of the District's public funds (ii) Bauer Financial Rating and (iii) FDIC Capital Measures.
- The District will encourage the use of electronic funds transfers of tax and other revenues to the District to expedite their receipt and enhance investment-earning potential.
- The District will manage bank, broker, dealer, and advisor relations to obtain the most cost-effective services.
- The District will execute transactions on a "delivery-versus-payment" basis, with the securities being delivered to the Treasurer or a Custodian, except that (i) if the securities are not represented by a certificate, payment shall be made only upon the District's receipt of confirmation of transfer from the Custodian and (ii) delivery of purchased securities that are the subjects of Overnight Repurchase Agreements is not required if those securities are held in trust for the District by the Depository from which they are purchased.
- The District will utilize a competitive process when purchasing investments.
- District officials will remain current on changing industry practices and recommend to the Treasurer and the Finance Committee amendments to these policies to incorporate improved efficiencies to our present operating practices.

### **INVESTMENT AUTHORITY**

The Treasurer is the investment officer for the District, charged with the responsibility for the purchase and sale of investments, the making of deposits and the carrying out of these policies.

The Treasurer's specific responsibilities in the investment process include:

- Meeting and maintaining State certification and licensing requirements;
- Formulating and developing the District's investment program and strategies;
- Establishing and maintaining procedures and internal control systems for the operation of the District's investment program. Those procedures and systems shall be designed to reduce, to the greatest extent practicable, the risk of a loss of District funds due to fraud, error, misrepresentation, market changes or imprudent actions. Those procedures and systems may include the delegation of authority to the District employees on his staff responsible for cash management, wire transfer, and investment activities, as set forth herein;
- Supervising the District employees on his staff engaged in depository, cash management and investment activities;
- Presenting information as to the status and results of investment activities at monthly Board meetings;
- Liaison with the Finance Committee and the Board of Education;
- Formulating and presenting necessary Board resolutions relating to depository, cash management, and investment activities;

- Developing and obtaining approval of amendments to these policies.

The Treasurer may, at any time, call a meeting of the Finance Committee to seek approval for matters beyond the scope of these policies.

The Treasurer may delegate to the Director of Treasury Management the responsibility for the implementation of the District's investment program and to either the Assistant Treasurer or Director of the Office of Management and Budget the authority to perform defined cash management, wire transfer, and investment activities, as follows:

**Director of Treasury Management:**

The Director of Treasury Management shall be responsible for making investment and cash management decisions on a daily basis, monitoring the portfolio, and implementing the District's investment program and strategies on behalf of the Treasurer. The Director of Treasury Management's specific responsibilities include:

- Managing bank, broker, dealer and investment advisor relations;
- Maintaining safekeeping of security arrangements;
- Monitoring compensation, collateral requirements and the FDIC Capital Measures and Bauer Financial Ratings of the District's Depositories;
- Daily cash accounting and wire transfer activity;
- Ensuring compliance with all Board-approved policies and resolutions; applicable local, state and federal statutes and these policies;
- Maintaining necessary investment records;
- Preparing all investment transaction notices and reports;
- Liaison with the Treasurer.

**Assistant Treasurer and/or Director of the Office of Management and Budget:**

In the event of an absence, the Treasurer, and the Director of Treasury Management with the approval of the Treasurer, may delegate to the Assistant Treasurer full authority with regard to cash management, wire transfer and investment activities.

In the event of an absence, the Treasurer, and the Director of Treasury Management and the Assistant Treasurer, with the approval of the Treasurer, may delegate to the Director of the Office of Management and Budget limited authority with regard to cash management, wire transfer and investment activities.

The authority to release District securities and/or moneys in accordance with these policies may be communicated to the appropriate institution by the Treasurer, the Assistant Treasurer, the Director of Treasury Management, or the Director of the Office of Management and Budget. Wire and security discretion for each individual listed will be in accordance with any limitation of authority referred to in these policies and any other agreements then in effect with Depository institutions with which the District transacts business. Each person who effects a transaction on behalf of the Treasurer must sign **Exhibit A** to these policies certifying his or her awareness and understanding of the same.

No person may engage in an investment transaction for the District except as provided under the terms of these policies and the procedures established by the Treasurer.

The Treasurer, Assistant Treasurer, Director of Treasury Management, and Director of the Office of Management and Budget shall be bonded in amounts appropriate to their levels of responsibility and in accordance with any applicable laws.

### **INVESTMENT ADVISORS**

The Treasurer, with prior approval from the Board, and in accordance with Section 135.14(N) of the Revised Code may employ the services of one or more external investment advisors. Any such advisor must be authorized to act as an "investment adviser" in accordance with Section 1707.141(A)(1) or (2) of the Revised Code and possess experience in public funds investment management, specifically in the area of state and local government portfolios or (ii) an "eligible institution" as defined in Section 135.03 of the Revised Code (generally a financial institution qualified to serve as a depository of public moneys of political subdivisions of the State).

The primary responsibilities of any such investment advisor will be to:

- Assist the Treasurer in all aspects of overseeing the District's investment portfolio;
- Provide recommendations for an appropriate deposit and investment allocation plan and investment strategies, consistent with the objectives, guidelines and constraints outlined in this policy;
- Provide recommendations regarding selection of particular investments and other investment choices;
- Monitor the performance of all assets in the portfolio;
- Determine whether the portfolio is balanced in accordance with these policies;
- Prepare and present quarterly portfolio performance and asset allocation reports to the District and make recommendations with respect to any necessary rebalancing of the portfolio;
- Meet with the Finance Committee not less than annually for a full portfolio review;
- Provide due diligence information for the District's external auditors;
- Communicate, as necessary, with the District;
- Recommend changes to these investment policies and future investment strategies;
- Disclose all fees or other forms of compensation in writing to the District;
- Notify the District sixty (60) days in advance of changes to the agreed-upon fee structure;
- Never deviate from this policy.

Any such advisor will be selected through a competitive request for proposal process and will be required to sign a certificate in the form attached as Exhibit B to these policies certifying its awareness and understanding of the same.

The Treasurer will negotiate and, with the Board's approval, enter into an agreement with any such advisor setting forth, among other matters, specific instructions concerning the District's objectives, risk parameters,

allowable investments, allowable strategies, the required reporting procedures, performance expectations, benchmarks. Any such agreement will be signed by the Treasurer, Superintendent, and the President of the Board.

### **OTHER INVESTMENT RESPONSIBILITIES**

The Treasurer shall prepare and distribute to the Board of Education monthly a list of all investments and a report on investment activity and returns.

The Treasurer and the Treasurer's staff will routinely monitor applicable statutes governing the investment of public funds of an Ohio school district, recommendations made by the Auditor of State's Office and changes in recommended investment and cash management practices published by the Government Finance Officers Association, the Association of Public Treasurers of the United States and Canada, and the Ohio Association of School Business Officials; and request that the Finance Committee approve the amendment of these policies as circumstances dictate.

#### **Board of Education:**

The Board of Education shall be responsible for the following:

- Adoption of resolutions designating and establishing active and interim Depository relationships.
- Adoption of resolutions authorizing and approving agreements for investment advisory services.
- Approval, by an affirmative vote of not less than two-thirds of its members, of any resolution or resolutions authorizing the Treasurer to invest public funds of the District in Commercial Paper and/or Bankers Acceptances.
- Monthly review and approval of all investments and investment transactions and cash management activity.
- Annual review of the Commercial Paper/Banker's Acceptance reports to be submitted to the Superintendent of Public Instruction and the Auditor of State pursuant to Section 135.142(D) of the Revised Code.

#### **Finance Committee:**

The Finance Committee, for investment purposes, shall consist of two Board members, the Treasurer, and the Superintendent. The Finance Committee's responsibilities shall include the following:

- Monthly review of investments and investment transactions and cash management activity prior to Board approval.
- Quarterly review of the Treasury Management Report.
- Meeting not less than annually with any investment advisor retained to provide services to the District.
- Annual review of the Commercial Paper/Banker's Acceptance reports to be submitted to the Board and the Superintendent of Public Instruction and the Auditor of State pursuant to Section 135.142(D) of the Revised Code.



- Review and approval of amendments to these policies as evidenced with the signatures of the Chairperson and Vice Chairperson on **Exhibit C**.
- Provide updates to the Board of Education as necessary.

## **PERMISSIBLE INVESTMENTS**

The Treasurer shall invest and deposit the interim moneys of the District in the following types of securities and deposits:

**United States Treasury Securities:** Bills, notes, bonds or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.

**Federal Agency Securities:** Bonds, notes, debentures, or any other obligations or securities issued by any United States federal government agency or instrumentality. All such securities purchased must be direct issuances of federal government agencies or instrumentalities and, at the time of purchase, rated by at least one Rating Agency in one of its "A" categories or a higher category. Such obligations and securities include, but are not limited to obligations and securities of:

- a. **Federal Farm Credit Banks (FFCB)**
- b. **Federal Home Loan Banks (FHLB)**
- c. **Freddie Mac (FHLMC)**
- d. **Fannie Mae (FNMA)**
- e. **Government National Mortgage Association (GNMA)**

**Interim Deposits:** Certificates of deposit in eligible institutions that have applied for interim moneys of the District as provided in Section 135.09 of the Revised Code and been designated by the Board of Education as Depository banks of the District. These time certificates are issued against moneys deposited in a financial institution for a definite time period at a stated rate of interest, issued on an interest bearing basis with original maturities of 7 days and longer. The maturity date of a certificate of deposit may not extend beyond the date that depositories are approved to hold interim funds of the District. Alternatively, interim monies may be deposited in savings or deposit accounts, including but not limited to, passbook accounts of eligible institutions that have applied for interim moneys of the District as provided in Section 135.09 of the Revised Code and been designated by the Board of Education as Depository banks of the District.

**State of Ohio Securities:** Bonds and other obligations of the State of Ohio.

**Municipal Obligations:** Bonds and other obligations of political subdivisions of the State of Ohio that are (i) payable from general revenues of the political subdivision, (ii) backed by the full faith and credit of the political subdivision, (iii) at the time of purchase, rated at the time of purchase in one of the three highest classifications, without regard to gradation, for obligations with comparable terms and security by at least one Rating Agency, (iv) purchased through a registered broker or dealer and (v) a part of, but **not** all of, an issue of the issuing subdivision.

**Ohio Subdivisions Fund (STAROhio):** The Ohio subdivision fund as provided in Section 135.45 of the Revised Code, a statewide investment pool managed by the Treasurer of the State of Ohio and offered exclusively to political subdivisions.

**Repurchase Agreements:** Overnight Repurchase Agreements and Term Repurchase Agreements meeting the requirements of Section 135.14(E) of the Revised Code and these policies. Under these

agreements, the District purchases, and the financial institution or dealer agrees unconditionally to repurchase, specified United States Treasury or Federal Agency Securities.

**Commercial Paper (C.P.):** Commercial Paper Notes that, at the time of purchase, are obligations (A) issued by an entity that is defined in Section 1705.01(D) of the Revised Code, has assets exceeding \$500 million and a long-term rating in an "A" category or better (and with a "stable" or better industry outlook) by at least one Rating Agency and (B) (i) rated in the highest classification for commercial paper established by at least two Rating Agencies, (ii) mature within 270 days after the purchase date, and (iii) have a value less than or equal to 10% of the aggregate value of all of the outstanding commercial paper notes of the issuing entity. .

**Bankers' Acceptances (B.A.):** Bankers acceptances that, at the time of purchase, (A)(i) are of a bank that is Well Capitalized bank that is insured by the FDIC and (ii) has long-term rating in an "A" category or better (and with a "stable" or better industry outlook) by at least one Rating Agency and (B)(i) are rated in the highest classification for bankers' acceptances by at least two Rating Agencies, and (ii) mature within 180 days after the purchase date.

**No-Load Money Market Mutual Funds:** No-Load Money Market Mutual Funds purchased through a Depository of the District that (i) are registered as investment companies under the "Investment Company Act of 1940" (54 Stat. 789, 15 U.S.C.A. 80a-1 to 80a-64, (ii) properly registered for sale in the State of Ohio, (iii) rated in the highest letter rating category by at least one NRSRO, (iv) consist exclusively of (A) United States Treasury Securities, (B) Federal Agency Securities, and (C) Repurchase Agreements secured by United States Treasury Securities and/or Federal Agency Securities and (v) do not include any investment in a "derivative" within the meaning provided in Section 135.01(O)(3) of the Revised Code.

## INVESTMENT CRITERIA AND RESTRICTIONS

At the time of purchase, each investment and deposit, and each type of investment and deposit, will be subject to the following restrictions specified by security type:

<u>Security Type</u>	<u>Maximum Maturity</u>	<u>Maximum Par Value Per Investment</u>	<u>Aggregate Maximum % Of Total Portfolio</u>
United States Treasury Securities	5 Years*	5% of Total Portfolio	100.00%
Federal Agency Securities	5 Years*	5% of Total Portfolio	100.00%
Callable Securities	5 Years*	5% of Total Portfolio	25.00%
STAROhio	N/A	N/A	100.00%
Overnight Repurchase Agreements	Next Business Day	5% of Total Portfolio	50.00%
Term Repurchase Agreements	30 Days	5% of Total Portfolio	25.00%
Commercial Paper **	270 Days	5% of Total Portfolio	30.00%***
Bankers Acceptances**	180 Days	5% of Total Portfolio	30.00%***
Certificates of Deposit	2 Years	5% of Total Portfolio	50.00%
State of Ohio Securities	5 Years*	1% of Total Portfolio	20.00%****
Municipal Obligations	5 Years*	1% of Total Portfolio	20.00%****
No-Load Money Market Mutual Funds	Next Business Day	N/A	25.00%

\* Unless matched to a specific obligation or debt of the District. See "Maturity"

\*\*The District shall not purchase Commercial Paper or Banker's Acceptances unless (i) the Treasurer has completed additional training pursuant to Section 135.142 of the Revised Code and (ii) the Board of Education has adopted, by an affirmative vote of at least two-thirds of its members, a resolution authorizing the Treasurer to invest in Commercial Paper or Bankers' Acceptances, as applicable.

\*\*\* The 30% maximum percent of total portfolio is for Commercial Paper Notes and Banker's Acceptances combined. At the time of purchase, the District's combined holdings of Commercial Paper Notes and Banker's Acceptances will not exceed 30% of the Total Portfolio and no more than 5% of the District's total portfolio is invested Commercial Paper Notes or Bakers Acceptances of any one issuer .

\*\*\*\* The District shall not purchase Municipal Obligations, unless (i) the Treasurer has completed additional training pursuant to Section 135.14(B)(4)(d) of the Revised Code, (ii) the District's combined holdings of State of Ohio Securities and Municipal Obligations will not exceed 20% of the Total Portfolio, and (iii) no more than 5% of the District's total portfolio is invested in obligations of any one issuer.

In addition to those restrictions:

No more than ten percent (10%) of the District's total portfolio will be invested in Certificates of Deposit of any one Depository at any one time. District funds invested in interim deposits of a Depository may not exceed thirty percent of the Depository's assets. The maximum maturity of a Certificate of Deposit will be the lesser of two (2) years or the date of expiration of the current depository agreement for interim funds.

Only collateralized, non-negotiable Certificates of Deposit, from a Depository approved to hold interim funds, will be considered for purchase. All Certificates of Deposit shall be collateralized as provided in Section 135.18 or 135.181 of the Revised Code and the District's Collateral Security Agreement with the Depository. A surety bond is acceptable as collateral for District deposits if the surety bond is issued by a corporate surety (i) licensed by the State of Ohio and authorized to issue surety bonds in the State pursuant to Chapter 3929 of the Revised Code, (ii) qualified to provide surety bonds to the federal government pursuant to 96 Stat. 1047 (1982), 31 U.S.C.A. 9304 and (iii) rated in the highest class by a Rating Agency. **Failure of a Depository to enter into a Collateral Security Agreement with the District will preclude the Depository from the District's Certificate of Deposit bid list.**

As to investments in Repurchase Agreements:

- A signed Master Repurchase Agreement or specific written Repurchase Agreement containing all of the provisions required by Section 135.14(E) of the Revised Code shall govern the repurchase transaction.
- Securities subject to any Repurchase Agreement must have a maturity of five years or less.
- Securities that are the subject of a Repurchase Agreement must be free and clear of any lien.
- The District will only enter into Overnight Repurchase Agreements with designated Depositories for its interim or active funds.
- The market value of securities subject to an Overnight Repurchase Agreement must be at least 102% of the principal value of the Overnight Repurchase Agreement.
- Securities that are the subject of an Overnight Repurchase Agreement may be held by a Custodian or may be held in trust for the District by the Depository from which they are purchased
- No more than ten percent (10%) of the District's total portfolio will be invested in Term Repurchase Agreements of any one Depository at any one time.
- Securities that are the subject of a Term Repurchase Agreement must be held by a Custodian acting solely as agent for the District, and such Custodian must not be the seller under the Repurchase Agreement.
- The market value of securities subject to a Term Repurchase Agreement must be at least 102% of the principal value of the Term Repurchase Agreement and holding period interest of the transaction and must be marked to market daily. If the market value of the securities falls below the prescribed levels during the duration of the Term Repurchase Agreement, the Depository with which the District has contracted shall be required to

deliver additional securities to bring the transaction back to full collateralization.

No more than five percent (5%) of the District's total portfolio will be invested in Commercial Paper in any one issuer at any one time. The District will not invest in Asset Backed Commercial Paper Programs.

No more than five percent (5%) of the District's total portfolio will be invested in Banker's Acceptances of any one bank at any one time.

No more than five percent (5%) of the District's total portfolio will be invested in Municipal Obligations of any single issuer.

The minimum number of offers required for each security purchased by the District is three (3) with all offers being documented and retained for audit purposes.

## **MATURITY**

Maintenance of adequate liquidity to meet the cash flow needs of the District is essential. Accordingly, to the extent possible, the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities will be consistent with the known cash requirements of the District in order to minimize the forced sale of securities prior to maturity.

No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the District, the District will not directly invest in securities with a maturity date more than five (5) years from the date of settlement.

For purposes of this Investment Policy, assets of the District will be segregated into three categories based on expected liquidity needs and purposes: short-term operating moneys; the core portfolio; and bond proceeds.

**Short-Term Operating Moneys:** Assets categorized as short-term moneys will be invested in permitted investments maturing in twelve (12) months or less. Because of difficulties inherent in accurately forecasting cash flow requirements, a portion of the portfolio will be continuously invested in readily available funds (such as No-Load Money Market Mutual Funds, Overnight Repurchase Agreements, demand savings deposit accounts or StarOhio) to ensure appropriate liquidity is maintained to meet ongoing obligations.

**Core Portfolio:** The operating fund core portfolio will be invested in permitted investments with a stated maturity of not more than five (5) years from the date of settlement. To manage the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed two (2) years.

**Bond Proceeds:** Proceeds from the sale of bonds and notes will be invested in compliance with the specific requirements of this policy and applicable bond or note covenants. In no case, will bond or note proceeds be invested in securities with a term to maturity that exceeds the expected disbursement date of those moneys.

Bond proceeds applied to escrow funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

When purchasing a security with call features, the final maturity must be five (5) years or less from the settlement date. The call date is **not** considered to be the final maturity date.

## DEPOSITORIES, BROKERS, DEALERS AND INVESTMENT ADVISORS

The Treasurer will maintain a list of Depositories, brokers, dealers and investment advisors authorized to provide banking, investment and cash management services to the District.

The District will purchase securities only from the following:

- Depositories.
- Members of the Financial Industry Regulatory Authority (FINRA) (formerly the National Association of Securities Dealers)) that are affiliates of Depositories.
- An approved list of no more than four (4) broker-dealers that are not Depositories or affiliates of Depositories. The firms must (i) qualify under Securities and Exchange Commission Rule 15c3-1 and be registered with the Ohio Department of Commerce to do business in the State of Ohio; (ii) be a member of FINRA, (iii) have no direct or indirect interest in any investment made by the District, (iv) comply with the Federal Reserve Bank of New York's capital adequacy guidelines or with the SEC Net Capital Rule, and (v) be accepted by the District pursuant to a Request for Information process described in **Exhibit G** attached hereto.

The District will enter into Overnight Repurchase Agreements only with a designated Depository.

All Depositories and broker-dealers that desire to become or remain entities from which the District will purchase securities must provide to the Treasurer annually, on or before January 1 of each year, (i) copies of their most recent audited financial statements, (ii) proof of FINRA membership and certification or, in the case of a Depository, proof that it is an entity regulated by the State Superintendent of Financial Institutions, the Comptroller of the Currency, the FDIC or the Board of Governors of the Federal Reserve System, (iii) proof of its authority to conduct business in the State of Ohio, (iv) a statement of describing any pending lawsuits materially affecting the its business, and (v) a signed acknowledgement in the form attached hereto as **Exhibit B** (certifying that they have received and read copies of these policies and the laws governing investments for the District, understand them and agree to abide by their contents).

All Depositories that desire to conduct investment business with the District must submit an Annual Disclosure of Equal Employment Opportunity (EEO) Hiring Practices as evidenced with a copy of the institution's Equal Employment Opportunity Employer Information Report filed each year with the EEO, along with a copy of any internal EEO Policy statements on behalf of the institution. The disclosure should be filed with the District no later than February of each year.

All Depositories, brokers, dealers, and advisors that desire to conduct investment business with the District must sign an acknowledgement in the form attached hereto as **Exhibit B**, certifying that they have received and read copies of these policies and the laws governing investments for the District, understand them and agree to abide by their contents.

At no time will any salesman representing a Depository, broker, dealer, or advisor(s) doing business with the District recommend or attempt to sell to the District any investment that is not an investment permitted for the interim moneys of the District under these policies or the Revised Code. Attempts to do so may exclude that firm from conducting business with the District.

## SAFEKEEPING AND CUSTODY

As set forth above, the District shall conduct all securities transactions, including transactions involving securities acquired under Repurchase Agreements entered into by the District, on a delivery-versus-payment basis, except that (i) if the securities are not represented by a certificate, payment shall be made only upon the District's receipt of confirmation of transfer from the Custodian and (ii) delivery of securities that are the subject of an Overnight Repurchase Agreement is not required provided those securities are held in trust for the District by the Depository from which they are purchased.

Except as provided above, purchased securities will be held by a Custodian designated by the Treasurer, and the safekeeping of those securities for the benefit of the District shall be evidenced by statements of activity and holdings, provided at any time upon request by the Treasurer, the Board, the Auditor of State, or an outside auditor authorized by the Treasurer or the Board..

Purchased securities shall be released by the District only upon verification that the principal and interest, or proceeds of sale of the securities, have been credited to the District's account.

Securities orders shall be placed on the basis of accepted investment practices. All purchases and sales will be transacted on a cash (same day), regular (next day) or "skip-day" settlement basis provided that payment shall be made by the District only against delivery of the securities.. A confirmation of trade for each security purchased will be provided by the Depository, broker or dealer to the District (and if, requested by the District, to one or more investment advisors providing services to the District). Each such confirmation will include information on the trade date, settlement date, par value, interest rate, discount rate, yield, maturity date, CUSIP number, cost and brief description of the security purchased. The confirmation should also show the name, address and phone number of the Depository, broker or dealer.

Written confirmations outlining details of all wire transfer and investment transactions will be reviewed for accuracy by District personnel. Any discrepancies that may exist will be remedied immediately subject to the approval of the Director of Treasury Management..

### **Custodian:**

The District will contract with a Federal Reserve Bank or branch thereof located in the State or one or more other "qualified trustees" within the meaning of Section 138.18(l) of the Revised Code for the safekeeping of securities purchased and collateral delivered. The District will approve and sign a separate agreement with each Custodian with which it conducts business. That agreement will govern all aspects of the safekeeping arrangements and reporting requirements.

The District will maintain a No-Load Money Market Mutual Fund account and/or demand deposit account with each Custodian (other than a Federal Reserve Bank or branch) to provide for the investment or deposit of otherwise idle funds. Prior review of the No-Load Money Market Mutual Fund's prospectus is required before investing moneys in any such fund. The Custodian shall provide to the Treasurer a monthly statement showing all outstanding investments held by the Custodian on behalf of the District, their cost and current market values.

### **Collateral:**

Consistent with the requirements of the Uniform Depository Law, it is the policy of the District to require collateralization of all District funds on deposit with any Depository. All District moneys in excess of the amount covered by FDIC insurance coverage must be fully collateralized and handled in accordance with each of the following:

- Revised Code, Sections 135.18 and/or 135.181;
- The District's Collateral Security Agreement;
- The applicable Depository Agreement for Active and Interim Funds;
- The applicable Collateral Security Agreement;
- The Applicable Custodian/Safekeeping Agreement; and
- Any applicable Cash Management Agreement.

In order to enable the District to present reliable claims to the Federal Deposit Insurance Corporation for securities held as collateral to secure repayment of its public moneys in the event of a liquidation or in finalizing the affairs of a Depository, the Depository Agreements entered into by the District shall require the Depository to provide to the District a security interest in the securities or pool of securities pledged by the Depository to

secure the repayment of the public moneys of the District that is (i) legally enforceable and perfected and (ii) set forth in an agreement (which may be the Depository Agreement) that has been approved by, and recorded in the minutes of, the board of directors or loan committee of the Depository, and is to be maintained continuously as an official record of the Depository. Each Depository shall be responsible for providing evidence satisfactory to the District that it has met the requirements set forth in the preceding sentence.

The District shall renew its Depository Agreements and Master Repurchase Agreements every five years.

Depository Agreements will include, but not be limited to, the following:

1. A copy of the Board's resolution seeking applications from eligible institutions authorized to hold active and interim funds for the applicable depository period.
2. A copy of the applicable resolution of the Board designating the Depository as a depository of public funds of the District for the applicable depository period.
3. Memorandum of Understanding for the Deposit of Active and Interim Funds between the Depository and the District for the applicable depository period.
4. Collateral Security Agreement between the Depository and the District for the applicable depository period.
5. A certification in the form attached hereto as Exhibit B

Any collateral pledged by the Depository to secure deposits of the District pursuant to Section 135.18 or 135.181 of the Revised Code is to be monitored monthly for adequacy of coverage and to ensure the integrity of the types of collateral provided by the Depository. On a monthly basis, the Depository will provide a report to the District which list all securities held for the District, the amount of public deposits covered by pooled collateral and the book and market values of those securities. Collateral should be viewed as an eventual asset of the District; and if delivered, would be specifically booked into the investment portfolio until proper disposition could occur.

In the event that (i) pooled collateral pledged by a Depository falls below the minimum required by the Revised Code or District policy or agreement standards, or (ii) the Depository falls below a two and one-half star (\*\*1/2) rating on the Bauer Financial Rating scale or (iii) the Depository falls below the FDIC's minimum standard for a bank that is Adequately Capitalized, the Treasurer may, in his discretion:

- Withdraw any and all deposits,
- Require delivery of additional collateral to the District's Custodian to cover any time deposit (Certificate of Deposit) and/or demand or saving account deposits currently outstanding; or
- Liquidate any time and/or demand or saving account deposits with the Depository that it feels necessary in order to become adequately collateralized.

Securities that are the subject of Overnight Repurchase Agreements may be delivered to the Treasurer or held for the District in trust by the Depository.

Securities that are the subject of Term Repurchase Agreements must be delivered against payment to a third party Custodian designated by the District for safekeeping.

### **BID MONITORING**

The District will transact all investment purchases and sales only with approved institutions. The District will maintain records of all quotations sought and received when placing investment purchases. Banks, brokers and dealers are to be notified of the dollar amount, type, length, and maturity date of the proposed investment. If there is a tie bid between one or more institutions, the District will award the winning bid by either (i) using a rotating basis for the award, or (ii) splitting the par value of the trade between two institutions as determined by



the Director of Treasury Management. Each institution that submitted a quote is then contacted with the successful bid, once placement has been finalized.

With regard to the aggregate portfolio, the District will, in its sole discretion, decide with whom to bid moneys and which instruments to purchase. The District may accept a lower bid in order to manage risk, enhance liquidity, marketability, or diversity of the aggregate portfolio or in order to remain in compliance the Investment Criteria Section of these policies. A minimum of three quotes is required for each investment purchased.

### **SALE OF SECURITIES**

While, as a general matter, no investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity, the District recognizes that under certain circumstances it may be necessary or prudent to sell previously purchased securities prior to maturity.

The sale of securities is permitted to enhance the quality of securities in the portfolio or limit the loss of principal, to reduce credit or interest rate risks, to provide additional liquidity to meet unanticipated needs, to diversify the portfolio's investment mix or to improve the rate of return. Any sale of securities, along with any associated gain or loss on the sale, will be disclosed in the monthly report of investment activity presented to the Board of Education.

### **INVESTMENT SELECTION**

The investment portfolio of the District should be structured in a manner that will provide the necessary liquidity to meet anticipated future cash flow requirements and to pay unexpected obligations as they come due. Major revenue and expenditure items will be monitored to assist in selecting future maturity dates of investment purchases.

When structuring the composition of the portfolio, it is the policy of the District to evaluate the current and anticipated interest rate environment in making investment decisions. Yield curve analysis will be employed to determine maturity time horizons most beneficial in placing moneys. Relative value analysis will be employed to compare yields within the same type of security and to compare yields between two classes of differing securities (e.g., Commercial Paper versus Federal Agency Securities). Economic forecasting will also be a factor in determining the maturities of securities purchased.

The District will attempt to obtain the necessary mix of marketable securities in its portfolio and manage that mix to ensure continual diversification of investment holdings.

### **PROHIBITED INVESTMENTS**

In addition to any other prohibitions in the Revised Code, the District shall **not**:

- Leverage current investments as collateral to purchase other investments.
- Invest in a reverse repurchase agreement or otherwise engage in security lending.
- Invest in a fund (other than STAROhio) established by another public body for the purpose of investing public moneys.
- Invest in any derivative security. For this purpose, a derivative security is defined as "a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself".

- Except as permitted by Section 133.34 of the Revised Code for refunding escrow investments, invest in stripped principal or interest obligations of otherwise eligible obligations (e.g., United States Treasury Strips).
- Invest in negotiable, brokered Certificates of Deposit such as "Yankee C.D.'s", "Eurodollar C.D.'s", and "Canadian Time Deposit Receipts (TDR's)" or any other time deposit which is not collateralized in the manner and to the extent required under Section 135.18 or 135.181 of the Revised Code.
- Invest in Small Business Loan Program products (SBA or SBIC).
- Invest in Asset Backed Commercial Paper Programs.
- Contract to sell securities that have not yet been acquired by the District for the purpose of bond price speculation (a.k.a. Selling Short).
- Invest in any other investment not permitted by State law for Ohio school districts.

### **REPORTING**

The Treasurer and the Treasurer's staff shall create and maintain the following records concerning to the cash management and investment practices of the District:

- A current list of Depositories, Custodians, brokers, dealers, and investment advisors along with related account information for each entity with which the District conducts business.
- Depository and related agreements, renewed once every five years.
- Wire transfer, signature card, electronic banking and direct deposit authorizations.
- Administrative investment and cash management policies and copies of appropriate sections of the Ohio Revised Code.
- Collateral position reports provided by each Depository to ensure adequate collateralization within the guidelines established in the District's Active, Interim, and related Agreements.
- Cash management statements summarizing Overnight Repurchase Agreement activity and collateral positions.
- A daily schedule of outstanding investments specifying the following regarding each investment:
  1. Issuer
  2. Par Value
  3. Cost
  4. Premium
  5. Market Value
  6. Security Type
  7. Coupon Rate
  8. Purchase Date
  9. Maturity Date
  10. Next Call Date
  11. Number of Days Invested
  12. Duration
  13. Interest Earned at Maturity

14. CUSIP Number
15. Bond Equivalent Yield
16. Fund

- Monthly list of outstanding investments to be submitted to the Finance Committee.
- Quarterly Treasury Management Reports to be submitted to the Finance Committee.
- Source document and trade confirmation notices for each wire transfer and investment transaction.
- A cash receipt for each investment maturity or disposition.
- Monthly report of investment activity to be submitted to the Board of Education for approval, summarizing purchases, sales, called securities, and cash management activity..
- A preferred list of Commercial Paper issuers eligible for purchase.
- An annual report of Commercial Paper and Bankers' Acceptances purchased for the fiscal year, certified by the Treasurer and submitted to the Finance Committee, the members of the Board of Education, the Auditor of State's Office, and the Superintendent of Public Instruction.
- Annual report preparation for the Comprehensive Annual Financial Report (CAFR) regarding fair market value of outstanding investments and treatment of unrealized gains or losses consistent with accounting guidelines established in GASB Statement 31.
- Annual report preparation for the Comprehensive Annual Financial Report (CAFR) regarding investment interest accruals consistent with accounting guidelines established in GASB Statement 34.
- Annual report preparation for the Comprehensive Annual Financial Report (CAFR) regarding classification of investment and credit risk consistent with accounting guidelines established in GASB Statement 40.
- Monthly Bank Analysis Statements highlighting cost of bank services and levels of required compensating balances and bank fees.
- Monthly safekeeping statements showing all investments held by each of the District's third party Custodians, the cost and market value of each security and collateral held as security for Term Repurchase Agreements.

The Treasurer and the Treasurer's staff shall obtain, review and maintain the following:

- Any other investment or cash management report requested by the Treasurer, Finance Committee, Board of Education, an external auditor or another concerned party.
- Monthly FDIC Capital Measures and monthly Bauer Financial Ratings from all Depositories with which the District conducts business.
- Copies of annual Equal Employment Opportunity (EEO) Employer Information Reports from all Depositories.

Failure of a Depository to provide requested information may result in a loss of business.

## INTERNAL CONTROL

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. At the discretion of the Treasurer and/or Finance Committee, a Cash Audit by an external auditor may be requested at any time. A Cash Audit should be considered in times of internal staff (authorized to conduct investment and banking activity) turnover. The internal controls established will be designed to prevent and control loss of District funds arising from fraud, employee error, and misrepresentations by third parties, and imprudent actions by any personnel. The internal controls should address separation of duties, delegation of authority, written documentation of telephone transactions, custodial safekeeping, and documentation of all investment transactions. The Treasurer, at his/her discretion, may contract with an independent firm to conduct a complete review of the District's investment program.

## ACCOUNTING ISSUES

### **Security Gains and Losses:**

It shall be the policy of the District to distinguish between interest earnings and securities gains or losses and to report them separately in cash financial statements of the District.

### **Marking to Market:**

Investment securities normally increase or decrease in value prior to maturity, but always mature for par value. Accounting for the increases and decreases in market value on a monthly basis better represents the underlying value of the security. Ledger adjustments for monthly changes in a security's market value are *not required*; but will be reported monthly in the Portfolio Status Report submitted to the Finance Committee. Annually, market value will be determined and disclosed in the preparation of the District's Comprehensive Annual Financial Report in accordance with Generally Accepted Accounting Principles and the Government Accounting Standards Board accounting practices.

### **Amortization of Premiums:**

When purchasing securities at a premium, future coupon payments received will first be applied to reduce the cost of any premium or to offset purchased accrued interest. Coupon payments received after the cost of the security has been reduced to par will be recorded as interest earnings.

### **Investment of Bond Proceeds:**

The District will comply with all applicable provisions of the Internal Revenue Service Code of 1986 and the Treasury Regulations (whether temporary or final) under that Code, including arbitrage rebate regulations, and bond covenants with regard to the investment of bond proceeds.

### **Interest Income Allocations:**

All interest earnings for the District will be distributed in accordance with Board Resolutions and Policy, the Ohio Revised Code and Auditor of State guidelines. The District will consolidate (pool) all available cash balances from all funds to maximize investment earnings. Investment income will be allocated to the appropriate fund based on that fund's level of participation and in accordance with Generally Accepted Accounting Principles.

Interest earnings on the investment of Bond Retirement Fund money will be credited to the General Fund.

Interest earnings on the investment of Permanent Improvement Fund money will be credited to the Permanent Improvement Fund in accordance with the directions of the Board.

Interest earnings on the investment of Food Service Fund money will be credited to the Food Service Fund in accordance to Auditor of State Bulletin 99-002.

Interest earnings on the investment of moneys in the District's Classroom Facilities Improvement Fund (Fund 010) will be credited in accordance with Ohio School Facilities Commission guidelines and Project Agreements. Interest will be credited to the Project Fund, Locally Funded Initiatives Fund and Maintenance Fund as required by Auditor of State Bulletins 99-004 and 2001-007. Annually, the District may transfer the local share of interest earnings from the Project Construction Fund to the Locally Funded Initiatives Fund in accordance with the requirements of Ohio Revised Code Section 3318.121 and Board of Education Resolution 20-2007.

Interest earnings on the investment of select State and Federal Fund money will be credited to the appropriate fund based on the level of proportionate participation of the fund in the total pool of funds. All other interest earnings on State and Federal Funds will be credited to the General Fund.

Interest credited to the respective State and Federal funds will be distributed to the special cost center and operational unit level, where appropriate.

Interest will be distributed not less than annually prior to the end of the fiscal year.

## **CASH MANAGEMENT PRACTICES**

### **Direct Deposit/Electronic Funds Transfer:**

The District will make efforts to receive all funds electronically.

Whenever possible, the District will have all revenue from local, state, and federal sources deposited directly into the District's account in STAROhio. Upon receipt, STAROhio will automatically invest the funds in the investment pool on behalf of the District at the then prevailing rates of return.

### **Cash Management Programs:**

Due to the inherent uncertainties in forecasting the cash flow requirements of the District, a portion of the portfolio will be continually invested in readily available funds such as investments in STAROhio and bank cash management products of one or more Depositories. The District shall institute a cash management program with each Depository with which it maintains accounts. Each night the Depository will automatically invest idle dollars on deposit, over and above the required compensating and target balance requirements, at the Depository in an interest bearing demand deposit, savings account, negotiable order of withdrawal account, No-Load Money Market Mutual Fund account or Overnight Repurchase Agreement, as directed by the District; or, the balances with the Depository will be non-interest bearing at the Earnings Credit Rate to offset bank fees. The use of zero balance and concentration accounts will be permitted to accomplish consolidation of District funds. Activity in cash management accounts will be reported in the Investment Activity Report to the Board once each month. Interest earnings generated from cash management activities will be credited monthly to each respective fund based on the percentage of participation. A cash management contract signed by the Treasurer of the District and the Depository is required before transacting business.

As stated above, No-Load Money Market Mutual Funds offered by designated Depositories of the District may be used as an alternative cash management product. The rate of return of the mutual fund should be greater than the available deposit account and Overnight Repurchase Agreement sweep programs to substantiate any reduction in collateralization on District deposits. See Permissible Investments and the definition of No-Load Money Market Mutual Fund in Definitions and Glossary.

### **Compensating Balances:**

Each Depository providing services to the District may permit the District to maintain compensating balances in lieu of paying fees for services provided. It shall be the practice of the District to honor any and all compensating balance requirements or invoices for services provided. It shall also be the responsibility of both the Depository and the District to monitor the level of service charges to ensure fair compensation based on District activity. Service charges are considered a negotiable item and should be reviewed not less than quarterly.

### **ETHICAL STANDARDS**

The District and all persons involved in the investment and deposit of public funds of the District are to act in accordance with all applicable sections of the Ohio Revised Code, all applicable federal statutes, any modification to those laws, and any legal opinions rendered by the District's counsel when managing the investment assets of the District. The District and such persons are also to act within all approved District policies and Board resolutions and any amendments made to those policies or resolutions.

Persons involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Further, no employee involved in the investment process shall use the authority or color of office to secure anything of value or the promise or the offer of anything of value that would create an improper influence upon the public official or employee with respect to that person's duties and responsibilities. District employees, as required, will comply fully with the reporting and disclosure requirements of Ohio Revised Code Chapter 102 regarding ethics filings.

All employees, officers and external investment advisors shall disclose to the Board any material financial interests in financial institutions that conduct business within the District and any large personal financial or investment positions that could be related to, or affected by, the compositions or performance of the District's portfolio or any investment made or recommended. All employees, officers and external investment advisors to the District shall subordinate their personal investment transactions to those of the District, particularly with regard to the timing of purchases and sales.

### **TRAINING AND EDUCATION**

The Treasurer and each member of the Treasurer's staff involved in the investment and cash management process must complete the necessary training and meet the State certification and licensing requirements before accepting their responsibilities and must maintain required certifications and licenses.

All such participants in the investment process shall also receive periodic training in investment and cash management related topics through courses and seminars offered by the State of Ohio, the Ohio Association of School Business Officials, and the Government Finance Officers Association, any subchapter of those organizations or any other professional organization. The Board shall provide the necessary fiscal support to obtain and maintain all required licenses and certifications for all such participants and appropriate periodic training and development required to perform their job responsibilities.

### **AMENDMENTS TO POLICY**

These investment and cash management policies shall supersede any existing investment policies. These policies will be enforced in conjunction with any and all resolutions and policies adopted by the Board of Education and any agreements with depository institutions, or any other binding agreements of the District. These policies and procedures shall be binding upon and shall inure to the benefit of the District and all participants and its and their respective successors, receivers, and assigns. Any amendments made hereafter must be in writing and approved by the Treasurer and by the Finance Committee or the Board of Education. Any investment made prior to the approval of these policies or amendments to these policies shall be governed by the policies in effect at the time when they were made. Liquidation of any investment not meeting the

specifications of these policies is not required if the investment was made prior to enactment or amendment of these policies and was proper when made. At maturity of the investment, such moneys will be reinvested only as provided by these policies.

These policies and any amendments will be forwarded to all banks, brokers, dealers, and investment advisors with which the District conducts business. It will be the practice of the District to share these policies and any amendments with any entity as required by law and to maintain the necessary internal control procedures to ensure safety of District assets. All investment and cash management practices will be audited by an independent outside party on an annual basis to ensure compliance with all policies and procedures.

The revision history of this Administrative Policy for Investment and Cash Management Activity is as follows:

Originally Established	September 27, 1996
Revised	August 27, 2003
Revised	March 13, 2008
Revised	April 20, 2010
Revised	June 13, 2012
Revised	April 10, 2013
Revised	January 15, 2015
Revised	July 1, 2015
Revised	February 16, 2016

### **FILING REQUIREMENTS**

Under Chapter 135 of the Revised Code, no treasurer or governing board is to make an investment or deposit, unless there is on file with the Auditor of State a written investment policy approved by the Treasurer or governing board. A written investment policy of the District was originally filed with the Auditor of State prior to September 27, 1996. A copy of this Administrative Policy for Investment and Cash Management Activity and any future amendments shall be filed with the Auditor of State within fifteen (15) days of its adoption by the Finance Committee.

If written investment policies are not filed on behalf of the District with the Auditor of State, the District shall invest interim funds only in interim deposits (Certificates of Deposit), Repurchase Agreements with approved Depositories, STAROhio, STARPlus CDARs (Certificate of Deposit Account Registry Service) Program(s) and No-Load Money Market Mutual Funds, all as defined and permitted by the Revised Code.

### **NON-BINDING ARBITRATION**

The Treasurer may enter into a written investment or deposit agreement that includes a provision under which the parties agree to submit to nonbinding arbitration (but not binding arbitration) to settle any controversy that may arise out of that agreement so long as such provision meets the requirements of the Revised Code and is specifically approved by the Board.

### **POLICY ADOPTION**

This Administrative Policy for Investment and Cash Management Activity has been approved by the Treasurer and the Finance Committee on February 16, 2016.



Ryan Stechsulte, Treasurer

## **DEFINITIONS AND GLOSSARY**

**As used in the Toledo City School District's Administrative Policy for Investment and Cash Management Activity dated February 16, 2016, words and terms with initial capital letters not otherwise defined shall have the following meanings:**



**ADEQUATELY CAPITALIZED:** Meeting FDIC's minimum standards set forth in Section 325.103(b)(2) of the FDIC's Rules and Regulations for an adequately capitalized bank. As of November 26, 2014, an adequately capitalized bank must have (i) a Total Risk-Based Capital Ratio of eight percent (8%) or greater, (ii) a Tier 1 Risk-Based Capital Ratio of four percent (4%) or greater, and (iii) a Leverage Ratio of four percent (4%) or better and not meeting the definition of a "well capitalized" bank set forth in Section 325.103(b)(1).

**ASKED:** The price at which securities are offered.

**BANKERS' ACCEPTANCE (BA):** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. Bankers' acceptances are issued by financial institutions to finance the movement of goods and services between buyer and seller, issued on a discount basis with original maturities of 30 to 180 days.

**BAUER FINANCIAL RATING:** A rating of a financial institution published by Bauer Financial, based on financial data is compiled from call report data as reported to federal regulators.

**BENCHMARK:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

**BROKER:** A broker brings buyers and sellers together for a commission.

**CALLABLE SECURITIES (or CALLABLE GOVERNMENTS):** United States Treasury and United States Federal Agency Securities that (i) mature within 5 years from the date of purchase and (ii) are subject to call (redemption) at the option of the issuer on one or more dates prior to maturity.

**CERTIFICATE OF DEPOSIT (CD):** A time

deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

**COLLATERAL:** Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** The official annual report for the School District. It includes five

combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**COMMERCIAL PAPER:** Unsecured promissory notes issued by corporations to fund short-term and interim financing needs issued on a discount or interest bearing basis with original maturities of 1 to 270 days.

**COUPON:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**CUSTODIAN:** A third party independent custodian, designated by the Treasurer, that is a Federal Reserve Bank or branch thereof located in the State or other "qualified trustee" within the meaning of Section 135.18(l) of the Revised Code.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DEBENTURE:** A bond secured only by the general credit of the issuer.

**DELIVERY VERSUS PAYMENT:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DEPOSITORY:** A bank, domestic association or savings bank that is an eligible depository for public moneys of Ohio subdivisions under Section 135.03 of the Revised Code and has been designated by the Board of Education as a depository of interim or active moneys of the District during the current depository period.

**DERIVATIVES:** (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**DISCOUNT:** The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DISCOUNT SECURITIES:** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**DURATION:** The weighted average term to maturity of a security's (or a portfolio's) cash flows, where the weights are the present value of each cash flow as a percentage to the security's (or portfolio's) price. The greater a bond or fund's duration, the greater its price volatility in response to changes in interest rates. Duration provides an estimate of a bond's percentage price change for a 1% change in interest rates. For example, the price of a bond with a duration of 2 would be expected to move 2% for every 1% move in interest rates. Duration is a helpful tool in quantitatively understanding the interest rate risk assumed when a particular bond or bond fund is purchased. However, duration does not work well with large changes in interest rates, and it assumes parallel shifts in the yield curve.

**FANNIE MAE (FNMA):** FNMA is a federal

corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. FNMA was previously known as the Federal National Mortgage Association chartered under the Federal National Mortgage Association Act of 1938.

**FDIC:** Federal Deposit Insurance Corporation.

**FDIC CAPITAL MEASURES:** The Tier One Risk-Based Capital Ratio, the Total Risk-Based Capital Ratio and the Leverage Ratio calculated by the FDIC from data submitted by the banks to the regulatory agency to monitor the financial strength of a financial institution.

**FEDERAL AGENCY SECURITIES:** Bonds, notes, debentures, or any other obligations or securities issued by any United States federal government agency or instrumentality, including but not limited to the Government National Mortgage Association, Fannie Mae, Freddie Mac, the Federal Home Loan Banks, and the Federal Farm Credit Bank.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANKS (FFCB):** A Government Sponsored Enterprise (GSE) that is a network of cooperatively-owned lending institutions that provide credit services to farmers, agricultural cooperatives and rural utilities. The FFCB's act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. Consists of the consolidated operations of the Banks for Cooperatives, Federal Intermediate Credit Banks, and Federal Land Banks.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banking services to member commercial banks, thrift institutions,

credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**FREDDIE MAC (FHLMC):** FHLMC is a United States corporation and instrument of the U.S. Government. Through its purchases of conventional mortgages, it provides liquidity to the mortgage markets, much like FNMA. FHLMC assumes and guarantees that all security holders will receive timely payment of principal and interest. FHLMC was previously known as "Federal Home Loan Mortgage Corporation.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the Federal Housing Administration (FHA), or guaranteed by the Department of Veteran Affairs (VA). The term "pass-through's" is often used to describe Ginnie Maes.

**INTERIM MONEYS:** Interim moneys as defined in Section 135.01 (F) of the Revised Code, being public moneys in the treasury of the District after the award of inactive deposits has been made in accordance with Section 135.07 of the Revised Code, which moneys are in excess of the aggregate amount of the inactive deposits as estimated by the Board prior to the period of designation of Depositories and which the Treasurer finds should not be deposited as active or inactive deposits for the reason that such moneys will not be needed for immediate use but will be needed before the end of the period of designation.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**MUNICIPAL OBLIGATIONS:** Obligations of political subdivisions of the State of Ohio which (i) are payable from general revenues of the political subdivision, (ii) are backed by the full faith and credit of the political subdivision, (iii) at the time of purchase are rated at the time of purchase in one of the three highest classifications, without regard to gradation, for obligations with comparable terms and security by at least one Rating Agency, and (v) are purchased through a registered securities broker or dealer.

**NO-LOAD MONEY MARKET MUTUAL FUND:** No load money market mutual fund as defined in Section 135.01 (O) of the Revised Code, being generally a no-load money market mutual fund that (i) is registered as an investment company under the Investment Company Act of 1940, (ii) has the highest letter or numerical rating provided by at least one NRSRO, and (iii) does not include any investment in a derivative (as defined in that Section 135.01(O)), which, in addition, complies with the diversification, quality and maturity requirements of Rule 2(a)-7 of the Securities and Exchange Commission (or any successor Rule) and has an objective of maintaining a net asset value of \$1.00 per share.

**OFFER:** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

**OVERNIGHT REPURCHASE AGREEMENT:** A Repo with a Depository that matures on the next following business day. Under these

agreements, the District purchases, and the Depository agrees unconditionally to repurchase, specified United States Treasury or Federal Agency Securities.

**PORTFOLIO:** Collection of securities held by an investor.

**RATE OF RETURN:** The annual yield obtainable on a security based on its stated interest rate and purchase price and/or its current market price, as applicable.

**Rating Agency:** Fitch Ratings, Moody's Investors Service or Standard & Poor's Ratings Service.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of specified United States Treasury or Federal Agency Securities sells these Securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The Security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

**REVISED CODE:** The Ohio Revised Code.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**STAROhio:** The Treasurer of State's State Treasury Asset Reserve of Ohio Fund, being the Ohio subdivision's fund created pursuant to Section 135.45 of the Revised Code.

**TERM REPURCHASE AGREEMENTS:** Repos with a maturity longer than the next business day but no longer than 30 days. Under these agreements, the District purchases, and the financial institution or dealer agrees unconditionally to repurchase, specified United States Treasury or Federal Agency Securities.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY MANAGEMENT REPORT:** A quarterly report of investment holdings, economic forecasts and proposed strategies submitted to the Finance Committee.

**UNIFORM DEPOSITORY LAW:** Chapter 135 of the Ohio Revised Code.

**UNITED STATES TREASURY BONDS:** Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**UNITED STATES TREASURY NOTES:** Medium-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

**UNITED STATES TREASURY SECURITIES:** Bills, notes, bonds or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.

**WELL-CAPITALIZED:** Meeting FDIC's minimum standards set forth in Section 325.103(b)(2) of the FDIC's Rules and Regulations for a well-capitalized bank. As of November 26, 2014, a well-capitalized bank must (A) have (i) a Total Risk-Based Capital Ratio of ten percent (10%) or greater, (ii) a Tier 1 Risk-Based Capital Ratio of six percent (6%) or greater, and (iii) a Leverage Ratio of five percent (5%) or better and (B) not be subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the FDIC pursuant to section 8 of the FDI Act (12 U.S.C. 1818), the International Lending Supervision Act of 1983 (12 U.S.C. 3907), or section 38 of the FDI Act (12 U.S.C. 1831o), or any regulation thereunder, to meet and maintain a specific capital level for any capital measure.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage.

- **INCOME YIELD** is obtained by dividing

the current dollar income by the current market price for the security.

- **NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**EXHIBIT A**  
**Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity**

**EMPLOYEE CERTIFICATION**

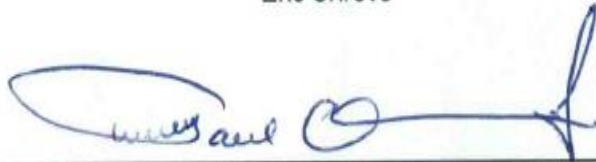
I hereby certify that I have read and understand the Administrative Policy for Investment and Cash Management Activity of the Toledo City School District dated as of February 16, 2016. I also certify that I am familiar with the Sections of the Ohio Revised Code, which govern the depository and investment activities of political subdivisions. Transactions made on behalf of the Treasurer of the Toledo City School District will be directed towards meeting the standards of the aforementioned.

The undersigned pledge due diligence in informing the Treasurer of foreseeable risks associated with all financial transactions connected to the management of the District's investment portfolio and in conducting its cash management and depository practices.



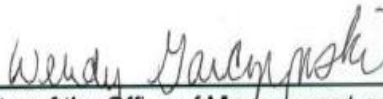
---

Assistant Treasurer  
Eric Shreve



---

Director of Treasury Management  
W. Paul Overman, Jr.



---

Director of the Office of Management and Budget  
Wendy Garczynski

February 16, 2016  
Date

**Note:** Signed Employee Certification forms will be updated with personnel changes and kept on file in the Treasurer's Division.

**EXHIBIT B**  
**Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity**  
**DEPOSITORY BANK, BROKER, DEALER, ADVISOR CERTIFICATION**  
**CERTIFICATION OF READING, UNDERSTANDING AND ACCEPTANCE**

The undersigned, \_\_\_\_\_, hereby certifies that (i) it has received and reviewed the Administrative Policy for Investment and Cash Management Activity of the Toledo City School District dated as of February 16, 2016, and the relevant provisions of the Revised Code, (ii) it accepts and agrees to comply with that Policy and those provisions in its dealings with the District, (iii) it understands that binding arbitration provisions are not permitted and that any nonbinding arbitration provisions governing its relationship with the School District must be expressly approved by the Board of Education, (iv) the officer executing this Certification is authorized to do so on behalf of the undersigned, and (v) all sales personnel of this firm dealing with the District's account have been informed of this certification and the requirements contained herein.

This firm pledges due diligence in informing the District of the foreseeable risks associated with all financial transactions connected to this firm.

Firm: \_\_\_\_\_

By Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Date: \_\_\_\_\_

**Note:** Signed Bank/Broker/Dealer Certifications with all entities which the District transacts investment business will be updated with personnel changes and kept on file in the Treasurer's Division.

**EXHIBIT C**  
**Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity**


**FINANCE COMMITTEE REVIEW AND APPROVAL**

We, the undersigned, as members of the Finance Committee, do hereby acknowledge that the aforementioned Administrative Policy for Investment and Cash Management Activity dated as of February 16, 2016, has been reviewed and approved by the Finance Committee.

  
Mr. Robert Vasquez, Chairperson, Finance Committee

  
Ms. Stephanie Eichenberg, Vice Chairperson, Finance Committee

  
Ryan Stechschulte, Treasurer

  
Dr. Romules Durant, Superintendent

February 16, 2016  
Dated

**Note:** Signed Finance Committee Review forms will be kept on file in the Treasurer's Division. The policy will be presented annually for review and approval as membership of the Finance Committee changes.



**EXHIBIT D**  
**Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity**

**ASSOCIATION OF PUBLIC TREASURERS CERTIFICATION**



ASSOCIATION OF PUBLIC TREASURERS  
UNITED STATES & CANADA  
7044 S. 13<sup>th</sup> Street • Oak Creek, WI 53154  
Telephone: 414.908.4947  
[www.aptusc.org](http://www.aptusc.org)

April 12, 2015

W. Paul Overman, Jr.  
Director of Treasury Management  
420 East Manhattan Blvd  
Toledo, OH 43608

Dear Mr. Overman:

The Association of Public Treasurers of the United States & Canada is pleased to present the Toledo City School District with the Association's Investment Policy Certificate of Excellence Award. The members of the Association's Investment Policy Certification Committee congratulate your government for its success in developing a comprehensive written investment policy that meets the criteria set forth by the Association's Investment Policy Certificate Committee.

A team of reviewers from the Investment Policy Certification Committee reviewed your Investment Policy and approved your entity's policy for the Certificate of Excellence Award.

You are cordially invited to attend the APT US & C annual conference to receive your award. Plaques are presented by the President of the Association and the Chairperson of the committee. This year, the 50<sup>th</sup> Annual Conference will be in Chicago, IL from August 16<sup>th</sup> through August 18<sup>th</sup>, 2015. We hope you will be able to attend. If not, we will get your plaque to you after the conference.

Once again, Congratulations on creating an excellent investment policy and attaining this award.

Sincerely,

A handwritten signature in black ink, which appears to read "Roger Wisecup".

Roger Wisecup, CPA, CPFA, ACPFIM  
Investment Policy Certification Committee Chairperson

**EXHIBIT E**  
**Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity**

**LEGAL OPINION**



Squire Patton Boggs (US) LLP  
4900 Key Tower  
127 Public Square  
Cleveland, Ohio 44114

O +1 216 479 8500  
F +1 216 479 8780  
squirepattonboggs.com

January 16, 2015

Matthew Cleland, Treasurer  
Board of Education  
Toledo City School District  
Thurgood Marshall Building  
420 East Manhattan Boulevard  
Toledo, Ohio 43608

**Re: Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity**

Dear Mr. Cleland:

You have asked that we review the Administrative Policy for Investment and Cash Management Activity approved by you, as Treasurer, and by the District's Finance Committee on January 15, 2015, and provide advice concerning the Policy's compliance with legal requirements applicable to the investment and deposit of interim moneys by Ohio school districts. As used herein, "interim moneys" has the meaning set forth in Section 135.01 of the Ohio Revised Code.

In rendering our advice, we have examined the Policy, a copy of which is attached to this letter, and Chapter 135 and such other provisions of the Ohio Revised Code and other law as we deemed necessary for the purpose, and we have assumed the due authorization, effectiveness and Constitutionality of all applicable provisions of the Ohio Revised Code. Based on the foregoing, we can advise that, under existing law, (i) the Policy requires that the interim moneys of the District be invested or deposited in investments or deposits that are investments or deposits permitted by Section 135.14 or other applicable provisions of the Ohio Revised Code for interim moneys of Ohio school districts, (ii) the Policy does not authorize the investment or deposit of interim moneys of the District in any investment or deposit, or in any manner, that is not authorized by Section 135.14 or other applicable provisions of the Ohio Revised Code for the investment or deposit of interim moneys of Ohio school districts, and (iii) your approval of the Policy complies with the requirement set forth in Section 135.14(O)(1) of the Revised Code that the "treasurer or governing board" of the District approve an "investment policy" for the District.

Respectfully submitted,

A handwritten signature in black ink that reads "Squire Patton Boggs (US) LLP". The signature is written in a cursive, flowing style.

**EXHIBIT F**  
**Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity Policy**

**CROSS REFERENCES**

**Legal:**

- ✦ **Chapter 135** of the Ohio Revised Code : Uniform Depository Act
- ✦ **Section 3318.121** of the Ohio Revised Code
- ✦ **Section 133.01(F)** of the Ohio Revised Code
- ✦ **Section 133.03(A)(1)** of the Ohio Revised Code
- ✦ **Section 133.29** of the Ohio Revised Code
- ✦ **Section 5705.10(E)** of the Ohio Revised Code
- ✦ **Section 1707.141(A)(1) and (2)** of the Ohio Revised Code
- ✦ **Ohio Attorney General's Opinion Number 2009-036**
- ✦ **Internal Revenue Service Code of 1986**
- ✦ **Section 1705.01(D)** of the Ohio Revised Code
- ✦ **House Bill 209** creating Sections 135.144 and 135.145 of the Ohio Revised Code
- ✦ **Senate Bill 287 amending Sections 135.14, 135.142, 135.143, 135.35 and enacting section 135.48 of the Ohio Revised Code**

**Board Policies:**

- ✦ **BCC:** Duties of the Treasurer
- ✦ **BDDC:** Agenda Preparation and Dissemination
- ✦ **DA:** Fiscal Management Goals
- ✦ **DFA:** Use of Surplus Funds
- ✦ **DFAA:** Revenues from Investments
- ✦ **DH:** Bonded Employees and Officers
- ✦ **DI:** Fiscal Accounting and Reporting
- ✦ **DIE:** Audits
- ✦ **DM:** Cash in School Buildings
- ✦ **EBCE:** Disclosure of Wrongful Conduct
- ✦ **EHA:** Data and Records Retention
- ✦ **EHA-R:** Data and Records Retention (Electronic Mail)

**Board Resolutions:**

- ✦ Resolution Providing For The Receipt of Applications From Eligible Institutions Desiring to Serve as Depositories of Active and Interim Moneys of the Toledo City School District for a Five Year Period.
- ✦ Resolution Designating Depositories of Public Moneys of the Toledo City School District for a Five Year Period.
- ✦ **Resolution 20-2007:** Authorizing the Treasurer to Transfer to a Special Construction Fund the maximum amount of Investment Earnings Attributable to the District's Contribution to the Ohio School Facilities Commission Project Permitted under Ohio Revised Code 3318.121.
- ✦ **Resolution 90-89:** Authorizing the Treasurer to Invest I Commercial Paper and Banker's Acceptances as Permitted by Amended House Bill 384.
- ✦ **Resolution 22-88:** Directing the Use of Surplus Funds and the Distribution of Earnings on Investments.

**EXHIBIT F- Toledo City School District  
Administrative Policy for Investment and Cash Management Activity Policy  
Continued**

**Auditor of State of Ohio Bulletins:**

- ✚ **AOS 2007-007:** House Bill 313 and the Certificate of Deposit Account Registry Services
- ✚ **AOS 2005-006:** GASB Statement No. 40 – Determining "Credit Rating"
- ✚ **AOS 2000-012:** No-Load Money Market Mutual Funds and Sub. S.B. 82
- ✚ **AOS 2000-011:** Investments and Deposit Changes and Sub. H.B. 473
- ✚ **AOS 1999-020:** Proper Deposit of Public Funds and Designation of Depositories for Public Money; House Bill 220.
- ✚ **AOS 1999-004:** The purpose of this Bulletin is to provide guidance regarding accounting and compliance issues related to Ohio School Facilities Commission grants/loans.
- ✚ **AOS 1998-002:** GASB Statement 31
- ✚ **AOS 1996-026:** Senate Bill 81 Questions and Answers
- ✚ **AOS 1996-017:** Investments – Continuing Education Requirements

**Reporting Requirements:**

- ✚ **Annual Commercial Paper Report :** Ohio Revised Code 135.142
- ✚ **Investment Policy Filing :** Ohio Revised Code 135.14 (O) (1)
- ✚ **Governmental Accounting Standards Board:** GASB 31, GASB 34, GASB 40

**Banking Agreements:**

- ✚ **Toledo City School District Memorandum of Understanding for Deposit of Active and Interim Funds**
- ✚ **Cash Management Activity Agreements**
- ✚ **Custodial / Safekeeping Services Agreement**
- ✚ **Signature Cards**
- ✚ **Electronic Deposit Agreements**
- ✚ **Toledo City School District Master Repurchase Agreement**
- ✚ **Toledo City School District Collateral Security Agreement**

**Organizations:**

- ✚ **Government Finance Officers Association – Best Practices and Model Investment Policy**
- ✚ **Ohio Association of School Business Officials**
- ✚ **Ohio School Board Association – Investment Policy**
- ✚ **Association of Public Treasurers of the United States and Canada – Model Investment Policy and Certificate of Excellence standards**
- ✚ **State of Ohio Treasurers Office : Center for Public Investment Management**
- ✚ **StarOhio - Investment Policy**
- ✚ **State of Ohio Treasurer – Investment Policy**
- ✚ **PFM Asset Management, LLC**
- ✚ **Squire Patton Boggs (US) LLP, Attorneys at Law**

**EXHIBIT G**  
**Toledo City School District**  
**Administrative Policy for Investment and Cash Management Activity**  
**Request for Information from Broker / Dealer**

**Statement of Position and General Requirements**

The Treasurer of the Board of Education of the Toledo City School District (hereinafter referred to as the "Treasurer") manages a multi-million dollar portfolio comprised mainly of U.S. Treasury and Agency obligations, Commercial Paper Notes and other money market instruments. The Treasurer must follow Chapter 135 of the Ohio Revised Code and the School District's Administrative Policy for Investment and Cash Management Activity.

The Treasurer maintains relationships with selected members of the broker/dealer community who understand the needs, regulations, and goals of the District designated following the completion of an evaluation process. You are invited to submit an application to be designated as a broker/dealer with which the District may enter into transactions. The Treasurer will solicit from those so designated competitive bids and offers on transactions. No transactions will be conducted with an approved broker/dealer until all paperwork required by both parties has been executed.

Personnel in the Treasurer's office will review and substantiate all information requested in the application that follows; therefore, please answer all questions as thoroughly as possible. Only complete submissions will be considered. Any false information knowingly submitted can result in the permanent exclusion of the broker from any further business dealings with the District.

## Section I Firm Information

1. Firm Name: \_\_\_\_\_  
Address \_\_\_\_\_  
Street \_\_\_\_\_  
P.O. Box \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_  
Zip Code \_\_\_\_\_

2. Headquarters Location::  
Address \_\_\_\_\_  
Street \_\_\_\_\_  
P.O. Box \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_  
Zip Code \_\_\_\_\_

3. Telephone:  
Local Office: ( ) \_\_\_\_\_  
Fax ( ) \_\_\_\_\_  
Headquarters ( ) \_\_\_\_\_  
Fax: ( ) \_\_\_\_\_

4. Is your firm headquartered in Ohio? \_\_\_\_\_  
Does your firm have an Ohio presence? \_\_\_\_\_  
How many office locations does your firm have in Ohio? \_\_\_\_\_  
How many Ohio residents does your firm employ? \_\_\_\_\_

5. What services does your firm provide to your municipal clients, in addition to the execution and the processing of securities trades? What types and level of service distinguish your firm from its competitors? What advantage would the District gain by trading with your firm?

6. If you are not a bank, please provide the following information regarding your principal banking/custodial banking relationship.

Bank Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Headquarters Location: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
Length of Relationship: \_\_\_\_\_

7. Does your firm have its own trading capabilities? (Y/N) \_\_\_\_\_

8. Does your firm have a clearing agreement with any other firm(s), which will be used in transactions with the District? (Y/N) \_\_\_\_\_

9. If so, please identify each clearing broker and their corresponding CRD#.

_____	CRD#	_____
_____	CRD#	_____
_____	CRD#	_____
_____	CRD#	_____

Settlement and Delivery Instructions:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Has a public sector client, within the last three years, notified your firm in writing that the firm representative was partially responsible for a loss on a securities transaction arising from a misunderstanding or misrepresentation of the characteristics of an instrument? (Y/N) \_\_\_\_\_

If yes, please explain.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. Please provide a statement describing the firm's capital position and any capital line or trading limits that would support or limit the entity conducting business with District.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

---

---

12. Does your firm regularly report to the Market Reports Division of the Federal Reserve Bank of New York as a "primary dealer"? (Y/N) \_\_\_\_\_

If yes, how long has your firm been a primary dealer? \_\_\_\_\_

---

## Section II Broker Information

---

1. Contact Personnel: Provide as an attachment if more space is required.  
(Note: Broker CRD# must be disclosed.)

Primary Contact

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
Email: \_\_\_\_\_  
CRD# \_\_\_\_\_  
# Years with Firm: \_\_\_\_\_

Secondary Contact

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
Email: \_\_\_\_\_  
CRD# \_\_\_\_\_  
# Years with Firm: \_\_\_\_\_

Back Office / Trade Clearing Contact

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
Email: \_\_\_\_\_  
CRD# \_\_\_\_\_  
# Years with Firm: \_\_\_\_\_

2. Provide background information concerning the account representatives listed above. Please include information on the individual's employment history as it relates to the securities industry, official licenses and certificates, the history and details of any disciplinary actions or complaints and the disposition of each, as well as the history of any arbitration or litigation, the nature of the case and the status of the disposition. Please mark this attached documentation "Attachment A," (If a FINRA Broker Check Report is available, please provide).

3. Has/have any of the representative(s) listed in No. 1 been convicted of a felony criminal offense. (Y/N) \_\_\_\_\_

If yes, please explain?



---

---

---

4. Has/have the representative(s) listed in No. 1 above been authorized by the firm to be its account representative(s)? (Y/N) \_\_\_\_\_

By whom? \_\_\_\_\_

5. If applicable, please list the name and contact information of the immediate supervisor of the account representative(s) named in your response to No. 1 above.

---

---

---

---

### **Section III                      Experience / Client Base**

---

1. Length of service to the District (yrs.) \_\_\_\_\_

Describe the extent of your experience with the District regarding investment activity. \_\_\_\_\_

---

---

---

2. Please provide the following information regarding at least four comparable clients with whom your firm and/or any of the representatives of the firm listed in Section II -No. 1 have had experience.

Client Name: \_\_\_\_\_  
Address: \_\_\_\_\_

Person to Contact: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Length of Service \_\_\_\_\_

Client Name: \_\_\_\_\_  
Address: \_\_\_\_\_

Person to Contact: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Length of Service \_\_\_\_\_

Client Name: \_\_\_\_\_  
Address: \_\_\_\_\_

Person to Contact: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_

Length of Service \_\_\_\_\_

Client Name: \_\_\_\_\_

Address: \_\_\_\_\_

Person to Contact: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Length of Service \_\_\_\_\_

## Section IV Allowable Investment Information

1. Place an "X" on the line next to each of the instruments set forth below in which you make an active market (both buy and sell).

US Treasuries	_____	Banker's Acceptances	_____
Federal Agencies	_____	Money Market Mutual Funds	_____
Commercial Paper	_____	Municipal Obligations of Ohio	_____
Notes	_____	Political Subdivisions	_____

Federal Agencies (Please specify) \_\_\_\_\_

Instrumentalities (Please specify) \_\_\_\_\_

2. Does your firm specialize in any of the instruments mentioned above? If so, please specify which ones. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. Please indicate the channels of communication with which your firm has capability regarding transmitting trade confirmations.

Secure Fax Transmission	_____
Secure Email Transmission	_____
U.S. Mail Submission	_____
Other – Please Specify	_____

## Section V Regulatory Information

1. Briefly describe any formal system for monitoring the account representative(s) listed as broker contacts, if your firm has established such a program.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

---

2. Is your firm a member of FINRA (formerly NASD)?

(Y/N) \_\_\_\_\_ CRD# \_\_\_\_\_  
If no, please explain?  
\_\_\_\_\_  
\_\_\_\_\_

3. Is your firm a member of the Securities Investor Protection Corporation (SIPC)? (Y/-IN)

\_\_\_\_\_

4. Place an "X" by each regulatory agency by which your firm is examined and/or subject to its rules and regulations.

FDIC \_\_\_\_\_ SEC \_\_\_\_\_ NYSE \_\_\_\_\_

Comptroller of Currency \_\_\_\_\_ Federal Reserve System \_\_\_\_\_

Other \_\_\_\_\_ (ex. State regulatory agency) (specify)

Multistate firms please note:

It is not necessary to include regulatory agencies that do not have jurisdiction over your firm's activities in Ohio.

5. At any point in the last five years has the firm failed to meet its net capital requirements subject to SEC rule 15C3-1 or I 5C3-3?

(Y/N) \_\_\_\_\_

If so, please provide a complete explanation of the reason(s) why marked (Attachment B).

**\*Additionally, please submit the firm's most recently available quarterly Financial and Operational Combined Uniform Single Report marked (Attachment C).**

6. (Attachment D)

Please provide publicly available financial documents filed with these agencies for the previous two (2) years:

Financial Industry Regulatory Authority (FINRA)

Securities and Exchange Commission (SEC)

New York Stock Exchange (NYSE)

Federal Deposit Insurance Corporation (FDIC)

7. (Attachment E)

Please provide your firm's Annual Disclosure of Equal Employment Opportunity (EEO) Hiring Practices as evidenced with a copy of the Equal Employment Opportunity Employer

