

Operational Services**Revenue and Investments****Revenue – Taxes, State Aid, Federal & State Funds, Grants**

In accordance with federal and State laws and regulations, the District shall file an annual Certificate of Tax Levy, annual claim for State Aid, claims for federal funds and special State funds for such programs in which the School Board elects to participate, and categorical grants when such grants may assist in improving the educational program in the District. The Superintendent or designee is responsible for making all claims for property tax revenue, State Aid, federal and special state funds for programs, federal funds, and categorical grants. All general State Aid received shall be deposited into the Educational Fund unless otherwise designated by the School Board at the time the Board adopts its annual budget.

Revenue – Sale or Lease of Property

The School Board may sell or lease any personal property or school site, building or other real estate as provided by and in accordance with State law. The Superintendent shall notify the Board, as necessary, of any (1) District personal property no longer needed for school purposes, and (2) school sites, buildings, or other real estate that is unnecessary, unsuitable, or inconvenient, so that the Board may consider its disposition. Proceeds from any sale of personal property shall be credited to the fund from which the original purchase was made. Income from the sale of school sites, buildings or other real estate shall be used in the following order:

1. To pay the principal and interest on any outstanding bonds on the property being sold.
2. To meet any urgent district needs as determined under Sections 2-3.12 and 17-2.11 of the School Code.
3. For any purposed authorized by the School Board and for deposit into any District fund.

Revenue – Tuition

Nonresident students may be permitted to attend District schools upon payment of tuition as set by the School Board. Tuition will be paid in an amount not exceeding 110 per cent of the per-capita cost of maintaining the schools of the District for the preceding school year. The first payment shall be paid at the beginning of the first semester and the remaining shall be paid at the beginning of the second semester or as otherwise arranged. Tuition charges for a student who becomes a nonresident during a school term shall be waived for the remainder of that school term. Tuition for nonresident students attending

the schools of the District for less than the school term, and tuition for nonresident students who establish residency during a school term shall be pro-rated.

Revenue – Special Funds

The School Board may accept gifts of money for the District from individuals, philanthropic organizations, businesses and other Board approved sources to be placed in the Special Funds Account. Groups or individuals who make donations may recommend the use of the donation, but the School Board shall have final approval of all fund expenditures. The Superintendent shall serve as Director and the District Treasurer shall serve as the custodian for the Special Funds Account. Both the Superintendent and Treasurer shall be appropriately bonded. Money placed into the Special Funds Account may be invested by the School Board.

Revenue – Interest Income

Interest income from District monies may be transferred to the fund that is in most need of such interest income. Interest income earned on any funds for IMRF; Tort Immunity; Fire Prevention, Safety, Energy Conservation and School Security Purposes, and Capitol Improvements shall be restricted to its respective fund.

Investments

The Superintendent shall either appoint a Chief Investment Officer or serve as one. The Chief Investment Officer shall invest money that is not required for current operations, in accordance with this policy and State law.

The Chief Investment Officer and Superintendent shall use the standard of prudence when making investment decisions. They shall use the judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as its probable income.

Investment Objectives

The objectives for the School District's investment activities are:

1. Safety of Principal. Every investment is made with safety as the primary and over-riding concern. Each investment transaction shall ensure that capital loss, whether from credit or market risk, is avoided.

2. Liquidity. The investment portfolio shall provide sufficient liquidity to pay District obligations as they become due. In this regard, the maturity and marketability of investments shall be considered.
3. Rate of Return. The highest return on investments is sought, consistent with the preservation of principal and prudent investment principles.
4. Diversification. The investment portfolio is diversified as to materials and investments, as appropriate to the nature, purpose, and amount of the funds.

Authorized Investments

The Chief Investment Officer may invest any District funds:

1. In bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
2. In bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;

The term "agencies of the United States of America" includes: (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and Acts amendatory thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.

3. In interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
4. In short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if: (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the District's funds may be invested in short term obligations of corporations;
5. In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.

6. In short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of the School Board, the public funds so invested will be required for expenditure by the District or the School Board.
7. In dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.
8. In a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.
9. In the Illinois School District Liquid Asset Fund Plus.
10. In repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the District, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, no public agency may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of the District unless the instrument and the transaction meet the following requirements:

- a. The securities, unless registered or inscribed in the name of the District, are purchased through banks or trust companies authorized to do business in the State of Illinois.

- b. The Chief Investment Officer, after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, which acts for the District in connection with repurchase agreements involving the investment of funds by the District. The State Treasurer may act as custodial bank for the District when executing repurchase agreements.
 - c. A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the District on the records of the custodial bank and the transaction must be confirmed in writing to the District by the custodial bank.
 - d. Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.
 - e. The security interest must be perfected.
 - f. The District enters into a written master repurchase agreement, which outlines the basic responsibilities and liabilities of both buyer and seller.
 - g. Agreements shall be for periods of 330 days or less.
 - h. The Chief Investment Officer informs the custodial bank in writing of the maturity details of the repurchase agreement.
 - i. The custodial bank must take delivery of and maintain the securities in its custody for the account of the District and confirm the transaction in writing to the District. The Custodial Undertaking shall provide that the custodian takes possession of the securities exclusively for the District; that the securities are free of any claims against the trading partner; and any claims by the custodian are subordinate to the District's claims to rights to those securities.
 - j. The obligations purchased by the District may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the Chief Investment Officer.
 - k. The custodial bank shall be liable to the District for any monetary loss suffered by the District due to the failure of the custodial bank to take and maintain possession of such securities.
11. In any investment as authorized by the Public Funds Investment Act, and Acts amendatory thereto. Paragraph 11 supercedes paragraphs 1-10 and controls in the event of conflict.

Investments may be made only in banks, savings banks, savings and loan associations, or credit unions that are insured by the Federal Deposit Insurance Corporation, unless the

District enters into an agreement with the institution requiring any funds not insured to be collateralized as provided below.

Selection of Depositories, Investment Managers, Dealers, and Brokers

The Chief Investment Officer shall establish a list of authorized depositories, investment managers, dealers and brokers based upon the creditworthiness, reputation, minimum capital requirements, qualifications under State law, as well as a long history of dealing with public fund entities. The Board will review and approve the list at least annually.

In order to be an authorized depository, each institution must submit copies of the last 2 sworn statements of resources and liabilities or reports of examination, which the institution is required to furnish to the appropriate state or federal agency. Each institution designated as a depository shall, while acting as such depository, furnish the District with a copy of all statements of resources and liabilities or all reports of examination, which it is required to furnish to the appropriate state or federal agency.

The above eligibility requirements of a bank to receive or hold public deposits do not apply to investments in an interest-bearing savings account, interest-bearing certificate of deposit, or interest-bearing time deposit if: (1) the District initiates the investment at or through a bank located in Illinois, and (2) the invested public funds are at all times fully insured by an agency or instrumentality of the federal government.

The District may consider a financial institution's record and current level of financial commitment to its local community when deciding whether to deposit funds in that financial institution. The District may consider factors including:

1. For financial institutions subject to the federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the federal Community Reinvestment Act of 1977;
2. Any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;
3. The financial impact that the withdrawal or denial of District deposits might have on the financial institution;
4. The financial impact to the District as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and

Any additional burden on the District's resources that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

Collateral Requirements

Whenever the District deposits or invests any District funds in a financial institution, the District shall require the financial institution to collateralize any funds not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer by any of the following classes of securities, provided there has been no default in the payment of principal or interest thereon:

1. Bonds, notes, or other securities constituting direct and general obligations of the United States, the bonds, notes or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, and bonds, notes or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality.
2. Direct and general obligation bonds of the State of Illinois or of any other state of the United States.
3. Revenue bonds of this State or any authority, board, commission, or similar agency thereof.
4. Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes.
5. Revenue bonds of any city, town, county or school district of the State of Illinois.
6. Obligations issued, assumed, or guaranteed by the International Finance Corporation, the principal of which is not amortized during the life of the obligation, but no such obligation shall be accepted at more than 90% of its market value.
7. Illinois Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing Development Act.
8. In an amount equal to at least market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer: (i) securities, (ii) mortgages, (iii) letters of credit issued by a Federal Home Loan Bank, or (iv) loans covered by a State Guaranty under the Illinois Farm Development Act.
9. Certificates of deposit or share certificates issued to the depository institution pledging them as security. Such certificate of deposits or share certificate shall:

- a. be fully insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund or issued by a depository institution which is rated within the 3 highest classifications established by at least one of the 2 standard rating services;
- b. be issued by a financial institution having assets of \$15,000,000 or more; and
- c. be issued by either a savings and loan association having a capital to asset ratio of at least 2% by a bank having a capital to asset ratio of at least 6% or by a credit union having a capital to asset ratio of at least 4%.

The depository institution shall effect the assignment of the certificate of deposit or share certificate to the District and shall agree that, in the event the insurer of the certificate fails to maintain the capital to asset ratio required by this Section, such certificate of deposit or share certificate shall be replaced by additional suitable security.

The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. The Chief Investment Officer shall determine other collateral requirements.

Safekeeping and Custody Arrangements

The preferred method for safekeeping is to have securities registered in the District's name and held by a third-party custodian. Safekeeping practices should qualify for the Governmental Accounting Standards Board (GASB) Statement No. 3 Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Category I, the highest recognized safekeeping procedures.

Controls and Report

The Chief Investment Officer shall establish a system of internal controls and written operational procedures to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent employee action.

The Chief Investment Officer shall provide a quarterly investment report to the Board. The report will: (1) assess whether the investment portfolio is meeting the District's investment objectives, (2) identify each security by class or type, book value, income earned, and market value, (3) identify those institutions providing investment services to the District, and (4) include any other relevant information. The investment portfolio's

performance shall be measured by appropriate and creditable industry standards for the investment type.

The School Board shall determine, after receiving the Superintendent's recommendation, which fund is in most need of interest income and the Superintendent shall execute a transfer.

Ethics and Conflicts of Interest

The School Board and District officials will avoid any investment transaction or practice that in appearance or fact might impair public confidence. Board Members are bound by the Board Member Conflict of Interest policy 2:100. No District employee having influence on the District's investment decisions shall:

1. Have any interest, directly or indirectly, in any investments in which the District is authorized to invest.
2. Have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
3. Receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

LEGAL REF.: 30 ILCS 235/1 et seq.

105 ILCS 5/5-22, 5/5-24, 5/8-7, 5/10-20.12a, 5/10-22.11, 5/10-22.44, 5/16-1, 5/17-1, and 5/17-11.

CROSS REF.: 4:10 (Fiscal and Business Management); 4:20 (Transfer of Funds); 2:100 (Board Member Conflict of Interest)

ADOPTED: November 3, 1987

REVISED: February 21, 1989

REVISED: October 5, 1999

REVISED: September 19, 2006