

## Investments

### **EXCESS FUNDS**

Funds that are temporarily in excess of operating needs shall be invested by the Finance Officer. Such funds shall be invested in one (1) or more of the following:

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian;
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
3. Obligations of any corporation of the United States government;
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, including surety bonds, by any obligations permitted by [KRS 41.240](#)(4);
5. Uncollateralized certifications of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one (1) of the three (3) highest categories by a competent rating agency;
6. Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a competent rating agency;
7. Commercial paper rated in the highest category by a competent rating agency;
8. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
9. Securities issued by a state or local government or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a competent rating agency;
10. Shares of mutual funds and exchange traded funds, as permitted by law;<sup>1</sup>
11. Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard & Poor's 500 Index, and a single sector shall not exceed twenty five percent (25%) of the equity allocation; and
12. Individual high-quality corporate bonds that are managed by a professional investment manager that are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States; have a standard maturity of no more than ten (10) years; and are rated in the three (3) highest rating categories by at least two (2) competent credit rating agencies.

**Investments****EXCESS FUNDS (CONTINUED)**

The Board shall not purchase any investment on a margin basis or through the use of any similar leveraging technique. In addition, the amount of money the District invests at any time in one (1) or more of the categories/options 5, 6, 7, 11, and 12 listed above shall not exceed twenty percent (20%) of the total amount of money invested. The amount of money the District invests in categories/options 10, 11, and 12 above shall not, aggregately, exceed forty percent (40%) of the total money invested, unless the investment is in a mutual fund consisting solely of the investments authorized above, or any combination thereof.

At the time the investment is made, no more than five percent (5%) of the total amount of money invested by the District shall be invested in any one (1) issuer unless:

1. The issuer is the United States government or an agency or instrumentality of the United States government, or an entity which has its obligations guaranteed by either the United States government or an entity, agency, or instrumentality of the United States government;
2. The money is invested in a certificate of deposit or other interest-bearing accounts as authorized by law;
3. The money is invested in bonds or certificates or indebtedness of this state and its agencies and instrumentalities as authorized by law; or
4. The money is invested in securities issued by a state or local government, or any instrumentality or agency thereof, in the United States as authorized by law.

**GUIDELINES**

The primary objectives of investment activities, in priority order, shall be:

1. *Legality* - All investments shall be made in accordance with applicable legal requirements.
2. *Safety* - The Finance Officer shall consider safety of principal, along with reduction of credit and interest rate risk, in making investment decisions.
3. *Liquidity* - Investments shall remain sufficiently liquid to meet reasonably anticipated operating requirements. To promote this objective, the Finance Officer shall develop a fiscal year anticipated cash flow projection schedule.
4. *Yield* - The Finance Officer shall select investments or recommend investments with the objective of attaining the maximum rate of return.

Prior to investment, the Finance Officer shall ascertain the current rate of interest payable for the investment at all financial institutions approved by the Board.

**Investments****GUIDELINES (CONTINUED)**

At the next regular Board meeting following the investment, the Board shall be informed as to the amount invested, type of investment, date of investment, rate of interest, length of investment, and current market value of the funds invested. The Finance Officer also shall provide a monthly report to the Board of the total amount invested at the end of the previous month, the maturity date of those investments and the rate of interest being earned.

The Finance Officer shall prepare for Board review an annual review of the District's investment program, which shall summarize the information that has been presented monthly.

**REFERENCES:**

<sup>1</sup>[KRS 66.480](#)  
[KRS 160.570](#)  
[KRS 41.240](#)  
[KRS 160.431](#)  
[702 KAR 003:090](#)

**RELATED POLICIES:**

04.2  
04.21

Adopted/Amended: 7/20/2021  
Order #: 31