
AURORA PUBLIC SCHOOLS
Adopted March 1991
Revised December 1993
Reviewed October 2007
Revised November 2013
Reviewed August 2014

APS Code: DFA/DFAA

REVENUES FROM INVESTMENTS/USE OF SURPLUS FUNDS

It is the policy of the district to invest public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the district, and conform to all federal, state and local statutes governing the investment of public funds.

This policy applies to the investment of all financial assets and all funds of the district over which it exercises financial control. These funds are accounted for in the District's Comprehensive Annual Financial Report. All current investments and interest rates are reported in the district's financial statements.

The standard of prudence to be applied by the investment officer shall be the "Prudent Investor" rule, which 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."

The investment officer, acting in accordance with written procedures and exercising due diligence and good faith in the performance of his or her duties, shall not be liable for any loss of public funds resulting from such an investment, provided that deviations in a specific security's credit risk or market price changes are reported immediately and that appropriate action is taken to control adverse developments. The investing officer will be responsible for ensuring sufficient liquidity of investments so that the district's operations can be properly maintained with minimal borrowing requirements in the event of bank or savings and loan failures.

LEGAL REFS.: C.R.S. 11-10.5-101, *et seq.*
C.R.S. 11-47-101, *et seq.*
C.R.S. 11-60-101, *et seq.*
C.R.S. 22-32-107
C.R.S. 22-40-105
C.R.S. 24-75-601, *et seq.*
C.R.S. 24-75-701, *et seq.*

CROSS REF.: DI, Fiscal Accounting and Reporting

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REVENUES FROM INVESTMENTS

Page 1 of 6

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All district funds allocated to a specific use shall be invested as available in accordance with state law and in a manner designed to accomplish the following objectives:

1. Safety of funds
2. Liquidity of funds
3. Market-average rate of return
4. Deposit and invest funds in accordance with all applicable laws

The district recognizes that no investment is totally without risk and that the investment activities of the district are a matter of public record.

The chief financial officer is designated as investment officer of the district and is responsible for investment decisions. The day-to-day administration of the cash management program is handled by designated members of the accounting department.

Eligible Depositories

The following institutions are designated as eligible depositories for the district:

1. All banks organized or chartered under Colorado or federal law having offices in Colorado insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any successor agency, in compliance with the capital standards established by the Colorado State Banking Board, agreeing in writing to abide by all regulatory directives, reporting requirements, examination requirements, and other criteria established for the administration and enforcement of C.R.S. 11-10.5-101, *et seq.*, and designated as eligible public depositories by the Colorado State Banking Board; and

Issued March 1991

Revised November 1993

Reviewed October 2007

Revised November 2013

Reviewed August 2014

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REVENUES FROM INVESTMENTS

Page 2 of 6

2. All state and federally chartered savings and loan associations having offices in Colorado that are otherwise eligible to be eligible public depositories and that desire to accept and hold public deposits in an amount in excess of the amount insured by the FDIC or its successor, and designated as eligible public depositories by the Colorado State Commissioner of Financial Services; and
3. All state and federally chartered savings and loan associations having principal offices in Colorado where the entire amount of such deposit is insured by the FDIC or its successor.

Eligible Securities Brokers/Dealers

The following are designated eligible brokers/dealers for governmental securities transactions allowed under the law:

1. Securities dealers and banks designated as reporting dealers by the Federal Reserve Bank of New York (primary dealers);
2. National and state banks with principal offices in Colorado as approved by the Board of Education; and
3. Securities dealers not designated reporting dealers by the Federal Reserve Bank of New York but approved by the board of education.

Local Participation

The district's intent is to support financial institutions located within its boundaries. Investments in institutions located outside of district boundaries will be made when competitive rates, lack of collateral available from local financial institutions, allocations of assets, or financial stability from local financial institutions make this decision in the best interest of the district or when investment timing requires investment alternatives and short-term yields not conveniently available from local financial institutions.

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REVENUES FROM INVESTMENTS

Page 3 of 6

Authorized and Suitable Investments

The following are eligible, legal investments for the district:

1. Any security issued by, fully guaranteed by, or for which the full credit of the United States treasury is pledged for payment and inflation indexed securities issued by the United States treasury in compliance with C.R.S. 24-75-601.1(a);
2. Any security issued by, guaranteed by, or for which the credit of the following is pledged for payment: the Federal Farm Credit Bank (FFCB); Federal Land Bank (FLB); Federal Home Loan Bank (FHLB); Federal Home Loan Mortgage Corporation (FHLMC); Federal National Mortgage Association (FNMA); Export Import Bank (EXIM); Tennessee Valley Authority (TVA); Government National Mortgage Association (GNMA); World Bank; and other entities or organizations pursuant to C.R.S. 24-75-601.1(b); provided, however, that no subordinated security may be purchased pursuant to this paragraph;
3. Any security that is a general obligation or a revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. Such securities shall be rated at least AA-, Aa3 or equivalent by two NRSROs at the time of purchase and mature within 5 years from the date of transaction settlement
4. Any security issued by the district or any certificate of participation or other security evidencing rights in payments to be made by the district under a lease, lease-purchase agreement, or similar arrangement;
5. Any interest in any local government investment pool organized pursuant to C.R.S. 24-75-701, *et seq.*, including the Colorado Government Liquid Asset Trust (COLOTRUST).
6. Any repurchase agreement or reverse repurchase agreement concerning any securities referred to in paragraphs 1 and 2 of this section, or any securities lending agreement in which the district lends securities in exchange for securities authorized for investment made in compliance with C.R.S. 24-75-601.1(j) and any other applicable law. Repurchase agreement

Issued March 1991**Revised November 1993****Reviewed October 2007****Revised November 2013****Reviewed August 2014****Revised August 2021**

REVENUES FROM INVESTMENTS**Page 4 of 6**

collateral shall be delivered to a third party safekeeping account (payment versus delivery). A master repurchase agreement shall be entered into with each institution with which a repurchase agreement is done;

7. Any money market fund that is registered as an investment company under the federal Investment Company Act of 1940, as amended in compliance with C.R.S. 24-75-601.1(k);
8. Any guaranteed investment contract, guaranteed interest contract, annuity contract or funding agreement if, at the time the contract or agreement is entered into, the long-term credit rating, financial obligations rating, claims paying ability rating, or financial strength rating of the party, or of the guarantor of the party, with whom the public entity enters the contract or agreement is, at the time of issuance, rated in one of the two highest rating categories by two or more NRSROs and are within the limitations established by C.R.S. 24-75-601.1(l) and other state statute;
9. Any corporate or bank security that is denominated in United States dollars, that matures within three years from the date of settlement, that are rated at least AA-, Aa3 or equivalent by two NRSROs at the time of purchase. These rating requirements first apply to the security being purchased and second, if the security itself is unrated, to the issuer, provided the security contains no provisions subordinating it from being a senior debt obligation of the issuer and that complies with C.R.S. 24-75-601.1(m); provided, however, that no subordinated security may be purchased pursuant to this paragraph;
10. Any debentures or other similar obligations issued by a federal intermediate credit bank for cooperatives;
11. Obligations of the international bank for reconstruction and development, the inter-American development bank, the Asian development bank, or the African development bank; and
12. Any other investment vehicle authorized by state law and determined by the investment officer and the director of business services to be a prudent investment.

Maturity Schedule

REVENUES FROM INVESTMENTS

Page 5 of 6

The investment officer shall maintain a cash flow forecast to provide a guideline for supplementing cash flow with maturing investments to meet the cash flow needs of the district. Therefore, the security maturity schedule should not exceed the cash needs of the district at any time. Investments which have a maturity schedule exceeding five (5) years from the date of purchase shall be authorized by the board of education in accordance with C.R.S. 24-75-601.1(1).

Internal Controls

The following internal controls will aid in preventing losses of district funds:

1. Custodial safekeeping;
2. Avoiding bearer-form securities;
3. Clearly delegating of authorities to subordinate staff members;
4. Confirming telephone transactions in writing. All investment transactions will be supported by written evidence such as a confirmation ticket issued by the broker/dealer;
5. Minimizing the number of authorized investment officials; and
6. Documenting transactions.

In addition, the district's independent auditor shall perform a review of the controls on an annual basis. The controls shall be designed to prevent loss of public funds from fraud, error, and misrepresentation by another party or imprudent actions by an employee or employees of the district.

LEGAL REFS.: C.R.S. 11-10.5-101, *et seq.*
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REVENUES FROM INVESTMENTS

Page 6 of 6

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