

Current Issues for CSFOs

AASBO Certificate Program

Investment of School District Funds
Internal Controls for Cybersecurity

September 2021

Current Issues for CSFOs

*CSFO Elective Course and Continuing Education Course
AASBO- September 2021*

This is a two-part session that will provide discussion on the following topics:

- **Investment of School District Funds** – The objective of this session is to establish standards for governing the investment of all public funds for Alabama school districts in accordance with their board policy and applicable Alabama Statutes.
- **Internal Controls for Cybersecurity** – An effective internal control environment is the first line of defense against cyber threats. This session will discuss recommended best practices CSFOs should consider in protecting their district's data and to minimize risk.

Current Issues for CSFOs

Investment of School District Funds

Speakers:

David Smith, AASBO

Kane Burnette, Bradley

George McCurdy, Regions Bank

Internal Controls for Cybersecurity

Speakers:

AJ Kuftic, Expedient

Dustin Daehn, Huntsville City Schools

LaVerne Williams, Madison City Schools

Current Issues for CSFOs

Disclaimer:

The material in this session is dated as of September 2021 and is subject to change. The opinions expressed in this presentation are those of the speakers and are not meant to be a legal interpretation of the law. This presentation is a general overview and cannot cover every situation. Official interpretation of particular questions or situations should be obtained through the boards legal counsel.

Investment Program For School Districts



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Investment Guidelines

Types of Funds For Investment

- Funds used for the operating expenses of the school district (General Fund)
- Funds to provide for major expenses – Capital Outlay (Bond Proceeds, City Appropriations)
- Surplus funds set aside for emergencies or contingencies (Reserves)

OBJECTIVES

1. Safety - Investments are sound and secure
2. Liquidity - Funds are available when needed
3. Yield - Investment earnings on idle cash



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Investing Policy and Governance Best Practices

 BEST PRACTICES

Investment Policy

GFOA recommends that all governments establish a comprehensive written investment policy, which should be adopted by the governing body.

 BEST PRACTICES

Investment Program for Public Funds

GFOA Best Practices

- Governments have a fiduciary responsibility in managing their funds, including the ongoing management and monitoring of investment activity. A government's investment program should derive from the entity's **Investment Policy**.
- Developing a public funds investment program is essential to effective financial management, and it sets the foundation for creating protocols and internal controls, constructing and managing the portfolio, navigating changing economic conditions, and communicating information to stakeholders. While different types and sizes of governments require differing levels of complexity in their investment programs, all governments need to recognize their fiduciary responsibility. Having an established public funds investment program provides the structure to effectively set policy, make decisions, and safeguard a government's financial assets.

[Investment Program for Public Funds \(gfoa.org\)](https://www.gfoa.org/investment-program-for-public-funds)

Investment Program

GFOA recommends that all governments establish a public funds investment program by completing the following steps:

- **Review all applicable laws and regulations**
- Establish an investment leadership team
- **Create an investment policy**
- Determine the portfolio management team
- Establish risk and return objectives
- Identify the funds being invested and develop a cash flow forecast for each

[Investment Program for Public Funds \(gfoa.org\)](http://gfoa.org)

GFOA Best Practices

An investment policy should provide guidance on the investment of public funds, including permissible investment instruments, standards of care for invested funds, and the role of staff and professional advisors in the investment program.

Investment Policy

GFOA recommends that all governments establish a comprehensive written investment policy, which should be adopted by the governing body.

- The investment policy should be reviewed and updated annually and should include statements on the following:

[Investment Policy \(gfoa.org\)](https://www.gfoa.org/investment-policy)

Investment Policy

Scope and investment objectives: Tailor the scope and investment objectives to the type of investment to which the policy applies (e.g., excess operating funds, bond proceeds, pension fund assets).

- Roles, responsibilities, and standards of care
- Suitable and authorized investments
- Investment diversification
- Safekeeping, custody, and internal controls
- Authorized financial institutions, depositories, and broker/dealers
- Risk and performance standards
- Reporting and disclosure standards

[Investment Policy \(gfoa.org\)](https://www.gfoa.org/investment-policy)

Investment and Management of Bond Proceeds

GFOA recommends that governments have an Investment Policy which takes into consideration all inherent risks, and which also includes specific policies for the investment of bond proceeds to ensure that legal and regulatory requirements are met, fair market value bids are received, and issuer objectives for various uses of proceeds are attained.

[Investment and Management of Bond Proceeds \(gfoa.org\)](https://www.gfoa.org/investment-and-management-of-bond-proceeds)

Investment Guidelines

- Develop an Investment Policy
- Safeguarding of Assets –
 - No reward for higher earnings, but public criticism for loss
 - Always stay with investments with which you are familiar
 - Treasury securities should serve as benchmark
 - When in doubt ask or research
 - Do not buy what you do not understand
 - Do not buy any investment that yields less than its corresponding treasury
 - Government guaranteed does not mean risk free
- Create and follow a cash flow forecast
- Always buy every investment as though you will hold it until maturity

Sources/Credits

Government Finance Officers Association
Treasury and Investment Management Best Practices
[Treasury and Investment Management \(gfoa.org\)](http://gfoa.org)

Jeffry Flynn,
The Art of Investing School District Funds,
published by ASBO International.

Investment Program For School Districts GFOA Best Practices



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