

Prairie Seeds Academy Investment Policy

Updated: September 24, 2026

Board Approved: 10-18-2017

INVESTMENT – INVESTMENT OF BOND FUNDS AND CHARTER SCHOOL FUNDS

I. PURPOSE

From time to time Prairie Seeds Academy (the “**School**”), a public charter school under Minnesota Statutes, Chapter 124E, as amended, or PSA Building Company, its affiliated building company (the “**ABC**”), may have more funds available than are needed to meet current obligations (“**Investment Funds**”). The purpose of this policy is to observe state and federal statutes regarding investment of funds.

II. GENERAL STATEMENT OF POLICY; INVESTMENT LIMITS

It is the policy of the School and the ABC to invest Investment Funds in a manner that is prudent, safe, and generally consistent with the so-called “prudent person rule.” Moreover, under Chapter 124E, a charter school is subject to and must comply with Minnesota Statutes, Sections 118A.01 through 118A.06 governing financial investments of local public funds.

Notwithstanding anything in this Policy to the contrary, any investment into an individual fund or other investment vehicle in excess of One Hundred Thousand Dollars (\$100,000.00) requires the School’s full Board approval.

III. INVESTMENT OF INVESTMENT FUNDS

- A. Stocks.** Corporate stock is not an allowable investment. Stock in a U.S. agency, instrumentality, or organization must be guaranteed or insured by the United States government in order to be allowable (see part 3 for United States Securities for more detail). An exception to this rule is corporate stock if received by the School or the ABC as a gift, in which case the recipient may retain the gifted stock as an allowable investment until it can be reasonably converted to cash.
- B. Money Market Investments.** Minn. Stat. Sections 118A.05(4)(4) and 118A.05(4)(5), which govern a government entity, as defined in Minn. Stat. Section 118A.01, subd. 2, allow investing in various types of money market investments. The requirements governing which money market investments are allowable per Minn. Stat. Sections 118A.05(4)(4) and 118A.05(4)(5) are:
 - 1. the investment company has to be registered under the Federal Investment Company Act of 1940, and rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization, and; either
 - 2. the investment company meets the conditions of rule 2a-7 of the Securities Exchange Commission; or

3. the financial instruments invested in should have a final maturity of no longer than 13 months. The final maturity date is generally understood to mean the day the security stops earning interest.

Institutions, unsure if a money market fund meets the statute requirements, can provide those requirements to the respective fund to confirm the fund is an allowable investment. Frequently, information on whether a money market fund is an allowable investment can also be located in the fund's prospectus.

C. Certificates of Deposit. Certificates of deposit with federally insured institutions that are collateralized or insured in excess of the maximum coverage allowed by the Federal Deposit Insurance Corporation;

D. Pooled Investments. Pooled investments are allowable investments, so long as all securities in the pool are allowable investments. For example, a money market mutual fund will be allowable as long as it meets the money market investment rules discussed in Part 2 above. On the other hand corporate stock mutual funds are not an allowable investment, since corporate stocks themselves are not an allowable investment.

E. Bonds.

1. **United States Securities.** Minn. Stat. Section 118A.04(2) allows investments in United States securities and defines them as "governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress." This definition includes not only investments explicitly guaranteed by government securities like GNMA, but also those implicitly guaranteed like FNMA and FHLMC. While investments in FNMA and FHLMC are allowable, they are considered riskier transactions because they may not be guaranteed by the government.

2. **State and local securities.** Minn. Stat. Section 118A.04(3) allows investments in state and local securities when the following conditions are met:

A. A security which is a general obligation of any state or local government with taxing powers and is rated "A" or better by a national bond rating service;

B. A security which is a revenue obligation of any state or local government with taxing powers and is rated "AA" or better by a national bond rating service;

C. A security which is general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.

D. A security which is an obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to Minnesota Statutes, Section 126C.55.

3. **Stripped Securities** Stripped securities are created by separating (stripping) the principal and interest of a debt type security. The resulting new securities are then sold

individually on the market. To be permissible, these securities would have to be issued/stripped by a federal entity. That is, they could not be stripped by a financial institution. Further, if the underlying obligations are mortgages, they would may not be “high risk mortgage-backed securities” under the provisions of Minn. Stat. Section 118A.04, Subd. 6. This section defines interest-only and principal-only mortgage-backed securities as high risk and provides an “impact test” for all other mortgage backed securities. Therefore, institutions cannot simply rely on the name of an investment, but must determine which entity stripped the investment, to determine whether or not it is an allowable investment.

4. **Commercial papers.** Funds may be invested in commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
5. **Time Deposits (Certificate of Deposit).** Minn. Stat. Section 118A.04(5) allows investments in time deposits. Certificates of deposit must be fully insured by the Federal Deposit Insurance Corporation.

IV. COLLATERALIZATION

It is the policy of the School to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.

Eligible collateral instruments are any investment instruments acceptable under 118A.03. The collateral must be placed in safekeeping at or before the time the School buys the investments so that it is evident that the purchase of the investment is predicated on the securing of collateral.

G. MANAGEMENT OF PROGRAM

- A. Authorized Individuals.** The following individuals are authorized to purchase and sell investments, authorize wire transfers, authorize the release of pledged collateral, and to execute any documents required under this procedure: Board Chair; Board Treasurer; School Executive Director.

Management responsibility for the investment program is hereby delegated to the Board Treasurer who shall establish a system of internal controls and operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity. No person may engage in any investment transaction except as provided for under the terms of this policy.

- B. Ethics and Conflicts of Interest.** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Further, no officer involved in the investment process shall have any interest in, or receive any compensation from, any investments in which the School is authorized to invest, or the sellers, sponsors or managers of those investments.
- C. Indemnification.** Investment officers and employees of the School acting in accordance with this Investment Procedure and such written operational policies as may be established by the School,

and who otherwise exercise due diligence and act with reasonable prudence, shall be relieved of personal liability for an individual security's credit risk or market changes. 118.02 sub. 2.

Legal Reference:

<http://www.revisor.leg.state.mn.us/stats/118A/>

Source: Minnesota State University Policies