

Morrow County School District

Code: **DFA**

1st Rdg Revision 4-10-06

2nd Rdg Adoption 5-8-06

Investment of Funds

Scope

This policy applies to activities of Morrow County School District with regard to investing the financial assets of all funds except for funds held in trust for the Pension Portfolio and deferred compensation funds for district employees that have separate rules. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to applicable statutes and regulations established by the state of Oregon and the federal government. ~~Other than bond proceeds or other unusual situations, the total of all funds ranges from \$1,000,000 to \$6,500,000.~~ This policy provides direction for the following funds:

1. General Fund;
2. Capital Project Funds;
3. All other funds.

Objectives

The investment objectives are:

4. Preservation of capital and the protection of principal;
 1. Maintenance of sufficient liquidity to meet operating requirements;
 2. Avoidance of imprudent credit, market or speculative risk;
 3. Attainment of a market rate of return throughout all economic and fiscal cycles.

Delegation of Authority

The deputy clerk is the designated investment officer of Morrow County School District and is responsible for investment decisions, under the review of the Board. In the absence of the investment officer, the superintendent shall perform the duties. The investment officer is responsible for setting investment policy and guidelines subject to review and adoption by the Board, and, if required, review and comment by the Oregon Short Term Fund Board. Further, the deputy clerk will be responsible for the day-to-day operations of the investment process which includes, but is not limited to, choosing what to buy or sell, from whom investments will be purchased, executing the buy/sell orders, producing

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necessary reports and supervising staff. In addition to the active management of the investment portfolio, the deputy clerk is

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responsible for the maintenance of other written administrative procedures consistent with this policy and the requisite compliance.

To further optimize the total return of the investment portfolio, the deputy clerk will administer an active cash management program, the goal of which will be to maintain historical cash flow information (i.e., debt service; payroll; revenue receipts; and extraordinary expenditures).

Prudence

The standard of prudence to be used by the deputy clerk in the context of managing the financial resources 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 deputy clerk and staff, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security’s credit risk, market price changes or loss of principal if securities are liquidated prior to maturity, provided that these deviations and losses are reported as soon as practical and action is taken to control adverse developments.

Safekeeping and Collateralization

Purchased investment securities will be delivered by either Fed book entry; DTC; or physical delivery and held in third party safekeeping with a designated custodian. The trust department of a bank may be designated as custodian for safekeeping securities purchased from that bank. The purchase and sale of securities will be on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to the district listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, cusip number, purchase or sale price, transaction date and other pertinent information. Delivery versus payment will also be required for all repurchase transactions and with the collateral priced and limited in maturity in compliance with ORS 294.035 (11). Demand and time deposits shall be collateralized through the state collateral pool as required by statute for any excess over the amount insured by an agency of the United States government and are not considered investments under this policy.

Accounting Method

The district shall comply with all required legal provisions and generally accepted accounting principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).

Internal Controls

The deputy clerk shall maintain a system of written internal controls, which shall be reviewed and tested by the independent auditor at least annually or upon any extraordinary event, such as the turnover of key personnel, or the discovery of any inappropriate activity.

Reporting Requirements

The investment officer shall generate monthly reports for management purposes. In addition, the Board will be provided with quarterly reports which will include, but not necessarily be limited to, portfolio activity, instruments held, market valuation, as well as any narrative necessary for adequate clarification.

Investment Policy Adoption

This investment policy will be formally adopted by the Board. If investments exceeding a maturity of 18 months are contemplated, further review and comment by the Oregon Short Term Fund Board will be sought and thereafter this policy will be readopted annually even if there are no changes.

Qualified Institutions

The deputy clerk shall maintain a list of all authorized broker/dealers and financial institutions that are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the district and upon due consideration and approval will be added to the list. Additions or deletions to the list will be made at the deputy clerk's discretion. At the request of the Board, the firms performing investment services shall provide their most recent financial statements or Consolidated Report of Condition (call report) for review. Further, there should be in place proof as to all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with the district as specified by, but not necessarily limited to, the National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC), etc. The district shall conduct an annual evaluation of each firm's credit worthiness to determine if it should remain on the list. Securities broker/dealers not affiliated with a bank shall be required to have an office located in Oregon.

Investment Maturity

Unless matched to a specific cash flow, the district will not directly invest in securities maturing in more than 18 months. With the approval of the Board, if the investment is related to a specific cash flow or particular capital project, securities will be held to a maximum of 36 months. Except for funds requiring special handling (bond proceeds subject to arbitrage, etc.) investments beyond 18 months require the express approval of the district (ORS 294.135).

Funds considered short term will be invested to coincide with projected cash needs or with the following serial maturity:

4. Fifty percent minimum to mature under three months;
1. Twenty-five percent maximum to mature three months to one year;
2. Twenty-five percent maximum to mature over one year out to 18 months.

Portfolio Diversification

| 3. Diversification by Instrument | Maximum Percent of Portfolio |
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| U.S. Treasury Obligation: | 100 percent |
| U.S. Government Agency Securities (GSE's): | 100 percent |
| Bankers' Acceptances from qualified institutions: | 25 percent |
| Negotiable Certificates of Deposit (CD's) from qualified institutions: (CD's not more than 10 percent per issuer) | 25 percent |
| Commercial Paper: (Not more than 5 percent per issuer) | 35 percent |
| Repurchase Agreements: (Maximum maturity 90 days or less) | 15 percent |
| 1. Diversification by Institution | |
| Local Government Investment Pool: | 100 percent |
| Non-U.S. Treasury/GSE issuer: | 35 percent |

Competitive Selection of Bids or Offers

Before the deputy clerk invests funds or sells securities prior to their maturity, competitive offers or bids will be sought from two institutions. The most favorable offer or bid will be awarded the transaction.

Monitoring and Adjusting the Portfolio

The deputy clerk will routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

Performance Evaluation

The performance of the district's portfolio will be measured against the performance of the Local Government Investment Pool, using monthly net yield of both portfolios as the yardstick.

END OF POLICY

Legal Reference(s):

[ORS 294.033](#)
[ORS 294.035](#)
[ORS 294](#)

.135 (1)(a)
[ORS 294.155](#)

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