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## **Investments of Funds -- AR**

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### **INVESTMENT GUIDELINES FOR GENERAL, SPECIAL REVENUE & CAPITAL PROJECTS FUNDS**

Historically, the Three Rivers School District has invested the majority of its surplus funds in the Local Government Investment Pool (LGIP). It is anticipated that the Three Rivers School District will continue this practice in the future. However, in anticipation of receiving bond proceeds (or other funds that are dedicated to future spending requirements), the Three Rivers School District is establishing this policy to allow it to invest those proceeds to match the expected date of need. The expected date of these expenditures may exceed 18 months. This policy is not limited in its scope to the investment of bond proceeds only, but in practice it is anticipated that the preponderance of investment activity will be that of bond proceeds.

This policy applies to activities of the Three Rivers School District with regard to investment of all surplus funds, bond funds, and sinking funds (and excludes funds held by trustees or fiscal agents). All such funds are subject to regulations as outlined within the Oregon Revised Statutes (Section 294.035 and others). Other than bond proceeds or other special situations, the total of all funds available for investment ranges from \$1 million to \$35 million. This policy provides the direction for the investment of the following funds:

- General Fund
- Special Revenue Funds
- Capital Project Funds

### **OBJECTIVES**

The investment objectives are:

Preservation of capital and the protection of principal.

Maintenance of sufficient liquidity to meet operating and capital spending requirements.

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 the Three Rivers School District and is responsible for investment decisions, under the review of the Three Rivers School District Board. In the absence of the investment officer, the accountant/administrative assistant shall perform the duties, under the direction of the Deputy Clerk. 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 include, but are not limited to, choosing what to buy or sell, from whom investments will be purchased, executing the buy/sell orders, producing necessary reports, and supervising staff.

In addition to the active management of the investment portfolio, the Deputy Clerk is 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 maintain historical cash information, i.e., debt service, payroll, revenue receipts, and any extraordinary expenditures.

### **PRUDENCE**

The standard of prudence to be used by the investment officer 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 investment officer 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**

Securities will be safekept with the institution through which they were purchased, provided that the requirements for the payment for any security, as set forth in ORS 294.145, are adhered to. The custodian shall issue a safekeeping receipt to the Three Rivers School District listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, instrument number, purchase or sale price, transaction date, and other pertinent information.

Delivery versus payment will 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 US government.

### **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, i.e., turnover of key personnel, the discovery of any inappropriate activity.

## **ACCOUNTING METHOD**

Three Rivers School 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).

## **REPORTING REQUIREMENTS**

The investment officer shall generate monthly reports for management purposes.

## **INVESTMENT MATURITY**

Investments will be made to match as closely as is practical to expected cash flows. With the approval of the Board, if the investment is related to a specific capital project(s) (as with bond proceeds), securities may be purchased with a maturity beyond 18 months to a maximum maturity of 60 months; provided that for any specific project(s), the shortest cashflow requirements are "funded" first; except as otherwise provided in ORS 294.135 or any future applicable statutory provisions. Within the Three Rivers School District's portfolio of investments, this "funding" may be provided for by; cash balances (including the LGIP), interest payments from securities maturing at later dates, or investment maturities.

Funds considered short-term, generally funds to be used for operating purposes, will be invested to coincide with projected cash needs and within the following serial maturity guidelines:

50% minimum to mature less than three months

25% maximum to mature three months to one year

25% maximum to mature over one year to eighteen months

## **PORTFOLIO DIVERSIFICATION**

Portfolio diversification will be consistent with the Statutory limits (ORS 294.035). The objective of the district's portfolio diversification is to obtain the maximum earnings, but to do so within the constraints of the cashflow requirements of the Three Rivers School District.

**QUALIFIED INSTITUTIONS**

The investment officer shall maintain a list of all authorized broker/dealers and financial institutions, which are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the Three Rivers School 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 Three Rivers School District, the firms performing investment services (with the exception of repurchase agreement providers) shall provide their most recent financial statements of Consolidated Report of Condition (call report or focus report) for review. In the case of a repurchase agreement, the provider of the repurchase agreement (or its guarantor) shall have a long term unsecured debt or claims paying ability rating of AA or better (without regard to gradation) by Standard & Poor's or Aa or better (without regard to gradation) by Moody's. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of any approved broker/dealers who will have contact with the Three Rivers School District. These licenses and filings are generally on file with, but not necessarily limited to, the National Association of Securities Dealers (NASD) and the Securities and Exchange Commission (SEC). The Three Rivers School District shall conduct an annual evaluation of each approved firm's creditworthiness 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 or be classified as reporting dealers affiliated with the Federal Reserve as primary dealers.