

REEDSPORT SCHOOL DISTRICT

POLICY: INVESTMENT OF FUNDS

CODE: DFA

ORS statutes require that an investment policy be written and reviewed by the Oregon Short Term Fund Board for investments that are longer than 18 months from purchase date. The investment of bond proceeds for the District may require investments to be longer than 18 months to match investment maturity dates to the expected costs of the construction project. Therefore, this policy is designed to provide for investments for project funds for the District.

Scope

This investment policy applies only to the investment of bond proceeds. The funds will be invested in securities that generate sufficient cash flow to meet bond fund disbursement schedules. All other funds will be invested under 18 months as stated in ORS statute.

Objective

The primary objectives, in order of priority, for the District investment activities are as follows:

1. **Legality:** The investments will be in compliance with all statutes governing the investment of public funds in the State of Oregon.
2. **Liquidity:** The investments will be made in a manner that generates sufficient cash flow to meet the expected project cost schedule. A liquidity component of at least 10% of the current bond proceed balance will be maintained in the LGIP fund, assuming that this amount is within ORS 294-810 restrictions.
3. **Safety:** Investments are limited to U.S. Treasury and non-callable fixed rate GSE- Agency securities.
4. **Yield:** The yield will be dependent on the timing of the investments.

Delegation of Authority

The Superintendent and the Business Manager are responsible for all investment decisions.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions.

Authorized Financial Dealers and Institutions

The Business Manager will maintain a list of dealers that they are authorized to do business. These may include "primary" dealers or regional dealers that qualify under SEC Rule 15C3-1 (uniform net capital rule). If an investment advisor is hired, the advisor may execute directly with their approved dealers.

Investment Advisory Services

The District may seek outside investment advisory services to assist with the investment of bond proceeds. The services will be non-discretionary and the advisor shall be required to act with fiduciary responsibility.

Authorized and Suitable Investments

The District is empowered to invest in the following types of securities:

- Eligible investments are only those securities and deposits authorized by statute (ORS 294)
 - Eligible investments include:
 - Obligations of the U.S. government;
- U.S. Treasury Notes, Bonds and Bills
- Obligations of U.S. government agencies, corporations wholly owned by the U.S. government or any Government Sponsored Enterprises (GSE's): Specific listing:
 - Federal Home Loan Bank - FHLB
 - Federal Farm Credit Bank-FFCB
 - Federal Home Loan Mortgage Corporation – FHLMC
 - Federal National Mortgage Association – FNMA
- All treasury and agency securities must be non-callable with a fixed rate.
- Oregon Short Term Investment Pool - LGIP

Safekeeping and Custody

All security transactions, entered into by the District will be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in segregated safekeeping account by a third party custodian, approved broker/dealer or approved bank.

Diversification

The District will diversify the total bond project funds by issuer:

Diversification by Issuer:

- U.S Treasury Issues Up to 100%
- Agency (GSE's) Up 50% per issuer
- LGIP PER ORS 294.810

Maximum Maturities

Maximum Maturity of Single Issue	3 years
Maximum Average Maturity of Total Bond Project Fund	1.5 years

Reporting Requirements

The Business Manager shall prepare a quarterly and annual investment reports summarizing the investment portfolio as to types of investments, earnings, maturities, cost, transactions and

market-to-market values.

Internal Controls and Accounting Method

The Business Manager, in conjunction with the State Auditor's office will evaluate conformance of the portfolio with the Investment Policy and audit internal controls. The District shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP) relating to investment accounting.

Investment Policy Adoption

The policy should be reviewed annually by the District Board.

These regulations are issued for the guidance of the portfolio manager in the day-to-day operation of the investment program.

These regulations apply to activities of the portfolio manager with regard to investing the financial assets of all excess funds of the district including the General Fund, Special Revenue Funds, Capital Project Funds, Internal Services Funds and any and all Trust and Agency Funds under the control and direction of the district.

The portfolio manager will routinely and actively monitor the contents of the investment portfolio, the available markets and the relative values of competing investments and will adjust the portfolio accordingly. The portfolio manager, acting in accordance with these procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported as soon as practical and that appropriate action is taken to control adverse developments.

All investments will be carried at cost. Gains or losses from investments will be credited or charged to investment income at the time of sale. Premiums or discounts on securities may be amortized over the life of the security.

Diversification of Maturity

1. The district shall attempt, to the maximum extent possible, to match investment maturity schedules with anticipated cash flow requirements. In no event, unless specifically matched to specific requirements such as bond sinking funds or reserves, will the district invest in securities having maturity more than 18 months from the date of purchase.
2. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs.
3. In determining the amount of excess funds available for investment purposes, the portfolio manager will maintain cash flow projections and schedules as well as a historical record of expenditures and receipts. These forecasts and schedules will be reviewed and updated as required to reflect actual conditions as they exist.

Qualified Institutions for Investment Purchases

1. The district shall evaluate each financial institution (as used herein, the term is meant to include brokers/dealers) from whom it purchases investments as to financial soundness at least once annually. Investigation may include review of the most recent Consolidated Report of Condition ("call" report), rating reports, financial statements as well as analysis of the particular institution's management, profitability, capitalization and asset quality.
2. Any financial institution with whom the district wishes to do business shall provide financial data at the request of the portfolio manager. The information will be reviewed by the portfolio manager who will decide on the soundness of the institution before adding that institution to those that are on the approved qualified institution list for the district. The district reserves the right to be selective and to add or delete institutions from the approved list at will.
3. The portfolio manager will maintain a qualified institution list. A financial institution must be on this approved list prior to transacting any business with the district. A basic requirement for inclusion on the approved listing is a capital adequacy ratio in excess of [120 percent (1.2 to 1)].
4. All approved financial institutions must be chartered in Oregon and insured by either the FDIC or FSLIC.
5. Brokers or dealers not affiliated with a bank shall have offices located in Oregon, be classified as reporting dealers affiliated with the New York Federal Reserve Bank as primary dealers, or be required to meet capital adequacy requirements.

Diversification of Instrument of Investment

1. The portfolio manager will diversify the investment portfolio to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual institutions or maturities.
2. Time certificates of deposit: In purchasing a time certificate of deposit (TCD), the portfolio manager will not invest an amount which is more than 10 percent of the total deposits of any single institution. As required by Oregon Revised Statutes, the portfolio manager will be responsible to ensure that a Certificate of Participation has been presented by the issuing institution to cover any outstanding TCD above the statutory level of insurance provided by FDIC/FSLIC. The district will always require full collateralization on all TCD investments.
3. Banker's acceptances: All banker's acceptances (BA's) will be purchased from an Oregon chartered financial institution.
4. Repurchase Agreements: All repurchase agreements will be collateralized [110 percent] by U.S. Government or Agency obligations. All collateral will be held by third party safekeeping. A signed repurchase agreement will be obtained from the issuing institution.
5. U.S. Treasury Obligations: No limits on purchase.

6. U.S. Government Agency Securities: No limits on purchases other than limit on concentration of 25 percent in any one type issue.
7. Local Government Investment Pool: The LGIP limits investment to two accounts of [\$30,630,000] each. Other than this limitation, there is no limit to the amount that can be invested in the pool, although the pool does not collateralize or deliver investment instruments.
8. Diversification Guidelines:

Diversification by Instrument	Percent of Portfolio
(The district will consult ORS 294.035 when establishing limitations.)	
U.S. Treasury Obligations (Bills, Notes, Bonds)	100 %
U.S. Government Agencies	100 %
Banker's Acceptances	25 % (of surplus in any single qualified institution) 50 %* (of surplus funds in the aggregate)
Time Certificates of Deposit	75 %*
Repurchase Agreements	25 %* (of operations surplus funds) 100 %* (of capital funds surplus funds)
State and Local Government Securities	25 %*
Local Government Investment Pool	100

*Suggested maximums. Limit not set in statute.

END OF POLICY

Legal Reference(s):

ORS 294.033
ORS 294.035
ORS 294.135 (1)(a)
ORS 294.155

Adopted: 07/11/90
 Revised: 04/16/08