

Investment of Funds

This investment policy applies to activities of the district with regard to investing the financial assets of all funds, except deferred compensation funds held under annuity contracts for the employees of the district. In addition, funds held by trustees of fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the state of Oregon. This policy provides direction for the following funds: (1) General Fund, (2) Special Revenue Fund, (3) Debt Service Fund, (4) Capital Project Fund and (5) any and all Trust and Agency Funds under the control and direction of the district.

Funds of the district will be invested in compliance with Oregon Revised Statutes (ORS), Chapter 294, and other applicable statutes and the policy. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax-exempt borrowing proceeds and any debt service funds will comply with the arbitrage restrictions in all applicable Internal Revenue Codes.

Investment Objectives

The district will limit investment activities in order to ensure safety, legality, liquidity, diversity and yield. Presentation of capital and the protection of investment principal are accomplished by limiting types of risk. These objectives are listed in order of highest priority.

1. **Legality** - The district shall comply with all federal and state laws including applicable Oregon Revised Statutes regarding investment of public funds.
2. **Credit Risk** - The risk of failure of a security issuer or backer. Credit risk is minimized by limiting investments to the safest types of securities and by diversifying the investment portfolio, this is by limiting the district's exposure to an individual security issuer or backer. The credit worthiness of a security user or backer prior to an investment being purchased will be a major factor and lessens credit risk.
3. **Interest Rate Risk** - The risk that the value of the portfolio will decline due to an increase in the general level of market interest rates. Interest rate risk is lessened by generally matching investment maturities with cash requirements so that sales prior to maturities (and the possibility of loss of principal) are minimized. Only investments which can be held to maturity shall be purchased. Investments shall not be made predicated upon selling prior to maturity. This policy shall not preclude the sale of securities prior to their maturity in order to improve the quality, net yield or maturity characteristic of the portfolio.
4. **Liquidity** - Maintenance of sufficient daily operating cash (liquidity) to pay district obligations when due while maximizing the amount of monies invested.
5. **Yield** - Attainment of market rate return throughout budgetary and economic cycles, consistent with applicable federal and state laws, the district policies and regulations.

The district will not assume unreasonable investment risk to obtain investment income.

Delegation of Authority

The superintendent or designee is the designated investment officer of the district and is responsible for investment decisions, under the review of the superintendent and/or Board. 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.

The day-to-day operation of the investment program is performed by the business manager under the supervision of the superintendent. This will include, but is not limited to, choosing what to buy and sell, from whom investments will be purchased, executing the buy/sell orders, and producing necessary reports.

The investment officer 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 investment officer will administer an active cash management program. The goal of which will maintain historical cash flow information; e.g., debt service, payroll, revenue receipts and any extraordinary expenditures. Finally, the Board shall be responsible for committing adequate financial support for staffing, training, telecommunications, and computer hardware, systems and software, and any other necessary resources deemed appropriate for incremental benefit of the investment and cash management programs.

Prudence

The standard of prudence to be used by the investment officer in the context of managing the overall portfolio 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 or market price changes, providing that these deviations are reported as soon as practical and that appropriate action is taken to control adverse developments.

Monitoring and Adjusting the Portfolio

The investment officer will routinely monitor the contents of the portfolio, the available markets and the relative value of competing instruments and will adjust the portfolio accordingly.

If, due to unanticipated cash needs or investment maturities, the investment in any security type or financial institution exceeds the guidelines in this policy, or if the credit rating of a security type or financial institution is lowered after an investment is purchased, the investment officer is responsible for bringing the investment portfolio back into compliance as soon as practicable after conferring with the superintendent and/or Board.

Portfolio Diversification

The district will diversify investments across maturities, security type, and institution to avoid incurring unreasonable risks.

Diversification by Instrument	Maximum % of Portfolio
U. S. Treasury obligations (Bills, Notes, and Bonds)	100%
Securities of U. S. Government Agencies and Instrumentality's of Government Sponsored Corporations	100%
State of Oregon Local Government Investment Pool	100%
State Pool Money Market Account, Bank of the Cascades Must meet Oregon Depository and Collateralization Requirements under ORS Chapter 295. Bank or Savings and Loan must have a head office or branch in Oregon.	100%

Certificates of Deposit	30%
Must meet Oregon Depository and Collateralization Requirements under ORS Chapter 295. Bank or Savings and Loan must have a head office or branch in Oregon.	
Banker's Acceptance	50%
State and local Government Securities	10%
Subject to ORS 294.035(2), (3) as amended in 1995	
Passbook Savings Accounts	10%

Investment Maturity

Maturity limitations will depend upon whether the funds being invested are considered short-term or long-term funds. All funds will be considered short-term except those reserved for capital projects, i.e., bond proceeds and special assessment prepayments being held for debt retirement. Except for special situations, as directed by the investment officer, investments will be limited to maturities not exceeding 18 months.

Short-term portfolio - Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs. The district will generally follow these guidelines.

Under 30 days	30% minimum
Under 90 days	60% minimum
Under 180 days	90% minimum
Under 1 year	100% minimum

Long-term portfolio - Instruments and diversifications for the long-term portfolio shall be as for the short-term portfolio. Long-term portfolio is defined as "maturities over 18 months and maximum of 36 months". Instruments to be purchased for the "long-term portfolio" will be limited to U. S. Government and agency securities as investments.

Maturities over 18 months will be avoided, unless they can be matched with the specific expected use of funds as provided for by ORS 294.135. For example, investments of capital project funds shall be timed to meet projected contractor payments, usually for a term not to exceed three years. Maturities over 18 months are allowed by ORS 294.135 following the review and approval of the district cash management policy by the Oregon Short Term Fund Board.

Before the district invests funds, a minimum of three proposals will be obtained. The most favorable offer or quote will be awarded the transaction. No competitive offer will be sought for investment of bond proceeds if a financial institution has been awarded a contract on a competitive basis.

Qualified Institution

The district shall maintain a list of all authorized dealers and financial institutions which are approved for investment purposes. Any firm eligible to make 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 investment officer's discretion, and they will consider the financial strength and reputation of the institution. At the request of the district, the firms performing investment services shall provide their most recent financial statement or Consolidation 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/dealer who will have contact with the district as specified by, but not necessarily limited to, the National Association of Securities Dealers (NASD), the Securities and Exchange Commission (SEC), etc. The Board of Education will be requested to approve the list annually, each July. Securities broker/dealers not affiliated with a bank shall be required to have an office located in Oregon and be classified as reporting dealers affiliated with the Federal Reserve as primary dealers.

Safekeeping and Collateralization

The broker or bank 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. The district where possible, will maintain a custodial credit risk of Category 2 or better, as defined by GASB Statement No. 3 on all investments.

Deposit-type securities (i.e. certificates of deposit and demand deposit accounts) shall be collateralized through the state collateral pool as required by ORS 295.015 for any excess over the amount insured by an agency of the United States government. The district understands that in many cases ORS requires only 25 percent collateral. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

Internal Controls

The investment officer shall maintain a system of written internal controls. These procedures shall be reviewed and tested by the independent auditor annually or upon any extraordinary event, i.e., turnover of key personnel or the discovery of inappropriate activity, according to generally accepted auditing standards and this policy. The internal control procedures shall be designed to prevent loss of public funds due to fraud, error, misrepresentation or imprudent actions.

Accounting Method

Investments will be carried at amortized cost during the fiscal year and adjusted to fair value as of year-end. If in the opinion of the district's auditors the value is materially changed, gains or losses from investments will be credited or charged to investment income at the time of sale. Premiums or discounts on securities shall be amortized/accreted over the life of the securities. The district shall comply with 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), and the Government Accounting Standards Board (GASB).

Reporting Requirements

The investment officer shall generate quarterly reports for management purposes.

Performance Evaluation

The performance of the district's short-term portfolio shall be measured against the performance of the Local Government Investment Pool, using monthly net yield of both portfolios as the yardstick. The performance of the long-term portfolio may vary according to the use of those funds.

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 (ORS 294.135a).

END OF POLICY

Legal Reference(s):

[ORS 294.033](#)

[ORS 294.035](#)

[ORS 294.135\(1\)\(a\)](#)

[ORS 294.155](#)