

**Greater Albany SD 8J**  
**Board Policy**

Code: **DFA**  
Adopted: 3/12/01  
Revised: 12/11/06

## **Cash Management Program**

### **Scope**

This investment policy applies to activities of the Greater Albany Public School District (District) with regard to investing the financial assets of all funds, except deferred compensation funds held under annuity contracts for employees of the District. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Oregon.

Funds of the District will be invested in compliance with Oregon Revised Statutes (ORS), Chapter 294, other applicable statutes, and this 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.

The day-to-day operation of the investment program is performed by the Director of Business. This will include, but is not limited to, choosing what to buy or sell, from whom investments will be purchased, executing the most competitive buy/sell orders, and producing necessary reports. 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 be to maintain historical and projected cash flow information; e.g., debt service, payroll, revenue receipts, and any extraordinary expenditures.

### **Investment Objectives**

The District will execute investment activities in order to ensure legality, safety liquidity, diversity, and yield. 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. Safety (Credit Risk) – Credit risk is minimized by limiting investments to the safest types of securities and by diversifying the investment portfolio by limiting the District’s exposure to an individual security issuer or, in the case of credit enhanced securities limiting exposure to backer.
3. The credit worthiness of a security issuer will be a major factor in the decision to purchase an investment.
4. Liquidity – Maintenance of sufficient daily operating cash (liquidity) to pay District obligations when due while maximizing the amount of monies invested.
5. Diversity – Invest in a variety of authorized securities and maturity dates.

6. Yield – Attainment of a market rate of return throughout budgetary and economic cycles, consistent with applicable Federal and State laws, and District policies.

### **Delegation of Authority**

The Director of Business is the designated investment officer of the District and is responsible for investment decisions, under the review and supervision of the Superintendent and/or Board of Directors (Board). The investment officer is responsible for setting investment policy and guidelines subject to review and adoption by the Board and if required, reviews and comments by the Oregon Short Term Fund Board. The Controller is the Portfolio Manager. Under the supervision of the Investment Officer, the Portfolio Manager has the responsibility to have cash available to meet day-to-day demands and invest all excess funds

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.

The investment officer is responsible for the maintenance of written administrative procedures consistent with this policy and the requisite compliance.

### **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 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 concentration risks. The maximum percentages for direct investments of surplus funds are as shown in the chart below. Surplus funds are defined as the sum of all investments, cash balances, deposit balances of all types, and LGIP balances. The maximum maturity is measured from the settlement date of the investment transaction. Capital project funds are funds specifically dedicated to capital projects, and will typically include proceeds from the District's bond sales. All bond fund reserve requirements will be considered capital project funds. The District may designate (upon approval by the Board) other funds as capital project funds.

<i>Diversification by Instrument</i>	<i>Maximum % of Portfolio</i>
State of Oregon Investment Pool (LGIP)	100 %
U. S. Treasury Obligations (Bills, Notes, Bonds)	100 %
U. S. Government Agency Securities and Instrumentalities of Government-sponsored Corporations <i>A maximum of one-third of the portfolio may be invested in any specific agency.</i>	100 %
Certificates of Deposit (CD's) <i>FDIC-insured commercial banks in Oregon. A maximum of 10% of the portfolio may be invested in any single depository or its affiliates or subsidiaries. The CD's are to be FDIC insured to \$100,000 and further collateralized at 25% above the FDIC insurance.</i>	50 %
Banker's Acceptances (BA's) <i>To be purchased from an Oregon chartered financial institution.</i>	25 %
Repurchase Agreements (Repo's) <i>Authorized securities used in conjunction with a Repo shall have a maturity of not longer than 3 years. The price paid for such securities may not exceed amounts or percentages prescribed by written policy of the Oregon Investment Council.</i>	25 %
State of Oregon and Oregon Local Government Securities <i>Ratings of AA or better. Subject to ORS 294.035(2), (3) as amended</i>	25 %
Commercial Paper (CP) <i>Corporate (publicly held corporations) with a credit rating from a nationally-recognized statistical rating organization of no less than A-1/P-1, and having a maximum 180-day maturity. No more than five percent of the portfolio may be invested in corporate indebtedness of any single corporate entity and its affiliates or subsidiaries. Subject to ORS 294.035 (3) as amended</i>	25 %

## **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 (General Fund) 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	10 % minimum
Under 90 days	30 % minimum
Under 180 days	50 % minimum
Under 1 year	75 % minimum

Short-term (Bond Funds) Portfolio – Investment maturities to coincide with anticipated construction drawdown schedule. Long-term (Bond Funds) Portfolio – Long-term portfolio is defined as “maturities greater than 18 months and a maximum of 36 months”. Instruments to be purchased for the “long-term Portfolio” will be limited to U.S. Treasury and U.S. Treasury and U.S. Government Agency securities as investments. In addition, proceeds of bond or certificates of participation issuance and may be invested in fixed income instruments as prescribed in ORS 294.052.

Maturities greater than 18 months are permitted by ORS 294.135 following the review and approval comment of the District Investment Policy by the Oregon Short Term Fund Board.

## **Qualified Institutions**

The District shall maintain a list of all authorized dealers and financial institutions that are approved to conduct investment business with the District. Securities broker/dealers shall be required to have an office located in Oregon or be classified as primary dealers by the Federal Reserve, or have a commercial banking office located in Oregon. Any firm meeting these requirements 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 discretion of the investment officer and factors will be considered such as 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 will be in place, proof as to all the necessary credentials and licenses held by employees of the broker/dealers who have contact with the District as specified by, but not necessarily limited to, the National Association of Securities Dealers, the Securities and Exchange Commission, etc. The School Board will be requested to approve the list of dealers annually.

## **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.

Bank 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 ORS currently 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 written administrative procedures that shall be reviewed and tested by the independent auditor annually (or more often if required), 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. 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.

These accounting principles are those contained in the pronouncements of authoritative bodies and include, but are not necessarily limited to, the American Institution of Certified Public Accountants; and the Government Accounting Standards Board.

### **Reporting Requirements**

The investment officer shall generate quarterly reports for management purposes when funds are not being invested solely in the LGIP.

### **Investment Policy Adoption**

This investment policy must be formally adopted by the Board to be effective. 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](#)