

# Brookings-Harbor School District 17C

Code: **DFA**  
Adopted: 3/19/01  
Revised/Readopted: 10/22/03  
Orig. Code(s): DFA

## Investment of Funds

### Scope

This investment policy applies to activities of the district with regard to investing the financial assets of all funds.

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 general range of funds to be invested shall be approximately \$12 to \$15 million dollars.

### Investment Objectives

The district will limit investment activities in order to ensure safety, legality, liquidity, diversity and yield. Preservation of capital and the protection of investment principal is 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 a market rate of return throughout budgetary and economic cycles, consistent with applicable federal and state laws, and district policies and regulations.

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

**Delegation of Authority**

The deputy clerk/business manager is the designated investment officer for the district and is responsible for investment decisions, under the review of the superintendent and Board. The investment officer is responsible for carrying out investment policy and guidelines adopted by the Board and if required, review and comment by the Oregon Short-Term Fund Board.

**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, provided that these deviations are reported as soon as practical and that appropriate action is taken to control adverse developments.

**Portfolio Diversification**

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

**Diversification by Instrument** **Maximum Percent of Portfolio:**  
 (The district will consult ORS 294.035 when establishing limitations)

U.S. Treasury obligations (Bills, Notes and Bonds)	100
U.S. Government Agencies and Instrumentality’s Of Government Sponsored Corporation	100
Local Government Investment Pool	100
Time Certificates of Deposit 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	25
Bankers Acceptances	25

State and Local Government Securities 10  
Subject to ORS 294.035(2), (3) as amended 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	50 percent minimum
Under 90 days	75 percent minimum
Under 180 days	90 percent minimum
Under 1 year	100 percent minimum
Under 18 months	100 percent minimum

Long-Term Portfolio - Instruments and diversification 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 by ORS 294.135. For example, investment 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.

### **Qualified Institutions**

The district shall maintain a list of all authorized dealers and financial institutions which are approved for investment purposes. 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 investment officer’s and superintendent’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 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), the Securities and Exchange Commission (SEC), etc. The Board 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 Governmental Accounting Standards Board (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 district's 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.

## **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 Oregon 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 these 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).

## **Attachment A**

### **U.S. Treasury Issues**

U.S. Government and Agency Securities for Local Government Investment under ORS 294.035 and 294.040 provided pursuant to ORS 294.046 January 1997 (Revised)\*.

1. U.S. Treasury Bills.
2. U.S. Treasury Notes.
3. U.S. Treasury Bonds.
4. U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities) and CUBES\* July 1994).

### **Agencies and Instrumentalities of the United States**

1. Student Loan Marketing Association (“Sallie Mae”) - Discount Notes, Fixed and Floating Rate Notes, Zero Coupon Notes (also issue nondollar denominated securities not eligible for local government investment).
2. Federal Home Loan Banks (FHLB) - Discount Notes, Fixed and Floating Rate Notes, Bonds.
3. Federal Farm Credit Banks (FFCB) - Consolidated Systemwide Discount Notes, Fixed and Floating Rate Notes, Bonds.
4. Federal National Mortgage Association (“Fannie Mae”) - Discount Notes, Fixed Rate Notes, Debentures, Capital Notes, Residential Financing Securities, Mortgage-Backed Securities.
5. Federal Home Loan Mortgage Corporation (“Freddie Mac”) - Discount Notes, Debentures, Mortgage Participation Certificates (PC’s), Collateralized Mortgage Obligations (CMO’s).
6. Government National Mortgage Association (“Ginnie Mae”) - Mortgage-Backed Securities in 15- and 30-year maturities - guaranteed by the full faith and credit of the U.S. government. Collateralized by FHA, VA and FmHA incurred mortgage loans.
7. Financing Corporation (FICO) - Bonds - 30-year issued - Principal repayment defeased by zero coupon Treasury’s.
8. Resolution Funding Corporation (REFCORP) - Strips and Bonds - 30-year issued - Principal collateralized by U.S. Treasury’s interest payments backed by the U.S. Treasury.
9. Tennessee Valley Authority (TVA) - Discount Notes, Strips, Notes and Bonds - Issues available in maturities out to 50 years.

END OF POLICY

**Legal Reference(s):**

[ORS 294.033](#)

[ORS 294.035](#)

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

[ORS 294.155](#)