

Investment of Funds and Guidelines

1. Scope

- a. This policy applies to the investment of all cash-related assets included within the scope of the Corvallis School District (CSD)'s audited financial statements and held directly by CSD. The dollar value of the District's portfolio generally fluctuates from a low of approximately \$15 million to a high of \$50 million, and may exceed the higher amount for reasons such as the sale of duly-authorized bonds.
- b. Funds of the District will be deposited and invested in accordance with the provisions of ORS 294.035 through ORS 294.048, ORS 294.125 through 294.155; ORS 294.810, and policies governing the District. Investment of any tax-exempt borrowing proceeds and of any debt service funds will comply with the relevant provisions of the Internal Revenue Service Code of 1986 as amended, and regulations adopted thereunder.

2. Objectives and Goals

The primary objectives, in priority order, of investment activities shall be:

- a. Preservation of capital and the protection of investment principal;
- b. Conformance with federal, state and other legal requirements;
- c. Maintenance of sufficient liquidity to meet operating requirements;
- d. Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions;
- e. Attainment of a market rate of return throughout budgetary and economic cycles; and
- f. Investment purchases made with the intent to hold until maturity.

3. Standards of Care

- a. **Prudence.** The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

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.

- b. Ethics and Conflicts of Interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of CSD. Officers and employees shall at all times comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS 244.
- c. Delegation of Authority. The Business Manager is the designated Investment Officer of CSD. Responsibility for the operation of the investment program in accordance with the provisions of this Investment Policy is hereby delegated to the Investment Officer. In the absence of the Business Manager, the Accounting Supervisor may assume the responsibilities of the investment officer. The Budget Analyst is the portfolio manager. Under the supervision of the Investment Officer, the Budget Analyst has the responsibility to have cash available to meet day-to-day demands and invest all excess funds.

During certain market conditions it may become advantageous to sell securities prior to their maturity date and reinvest the proceeds in higher-yielding instruments. When it is deemed beneficial to sell a security prior to maturity, the Budget Analyst must prepare an analysis of the trade and present it to the Investment Officer or designee for approval.

4. Safekeeping and Custody

- a. Authorized Financial Dealers and Institutions. A list will be maintained of financial institutions authorized to provide investment and safekeeping services. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- (1) Audited financial statements;
- (2) Proof of National Association of Securities Dealers (NASD) certification;
- (3) Proof of Oregon registration;
- (4) Completed broker/dealer questionnaire;
- (5) Certification of having read and understood CSD’s investment policy; and
- (6) Certification of agreement to comply with CSD’s investment policy.

The Investment Officer may procure investment advisory services or hire an investment manager to assist in the selection of investments of a portion of the investment portfolio (such as bond proceeds), based on need and circumstances. A competitive, merit-based process will be employed to select the provider of any such services.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Investment Officer.

- b. **Internal Controls.** The Investment Officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of CSD from loss, theft or misuse. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:
 - (1) Control of collusion;
 - (2) Custodial safekeeping;
 - (3) Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary;
 - (4) Clear delegation of authority to subordinate staff members;
 - (5) Written confirmation of transactions of investments and wire transfers;
 - (6) Development of a wire transfer agreement with the lead bank and third-party custodian;
 - (7) Compliance and oversight with investment parameters, including diversification and maximum maturities.
- c. **Delivery vs. Payment.** All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
- d. **Safekeeping.** Securities will be held by a third-party custodian as evidenced by safekeeping receipts.
- e. **Pooling of Funds.** Except for cash in certain restricted and special funds, CSD will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

5. Investment Diversification

The Investment Officer will diversify the portfolio to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, purchasing from several different financial institutions or brokers to reduce the chance of loss, and varying maturity length to ensure availability of funds to meet cash needs.

- a. Diversification by Investment Type. The funds of CSD may be invested in the following instruments. The maximum percentage of the portfolio will be determined on the date of settlement of any particular investment:

Investment Type	Maximum % of Portfolio
U. S. Treasury Obligations (Bills, Notes, Bonds)	100%
U. S. Government Agency Securities and Instrumentalities of Government-sponsored Corporations A maximum of one-third of the portfolio may be invested in any specific agency.	90%
State of Oregon Investment Pool (LGIP) The maximum allowable amount will be the current maximum set by LGIP, with the exception that the amount may be exceeded by pass-through funds that are in and out of LGIP within 10 business days.	100%
Banker's Acceptances (BA's) To be purchased from an Oregon chartered financial institution	25%
Repurchase Agreements (Repo's) 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.	25%
Certificates of Deposit (CD's) FDIC-insured commercial banks in Oregon. A maximum of 10% of the portfolio may be invested in any single depository or is affiliates or subsidiaries. The CD's are to be FDIC \$ insured to 100,000 and further collateralized at 25% above the FDIC insurance.	50%
Commercial Paper (CP) 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 or and its affiliates subsidiaries	10%
State of Oregon and Oregon Local Government Securities Ratings of AA or better	25%

- b. Collateralization. All bank deposits, time deposits, certificates of deposit, and savings accounts, shall be held in qualified Oregon depositories in accordance with ORS Chapter 295 regarding Certificates of Participation. Such deposits are designated cash management tools and not investments under this policy or otherwise;
- c. Maximum Percentages of Investments. Due to fluctuations in the portfolio balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio, however, future purchases should be used to attempt to realign the portfolio.

6. Investment Parameters

- a. Diversification. The investments shall be diversified by:
 - (1) Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities and LGIP);
 - (2) Limiting investment in securities that have high credit risks;
 - (3) Investing in securities with varying maturities; and
 - (4) Continuously investing a portion of the portfolio in readily available funds such as the LGIP.

7. Maximum Maturities

To the extent possible, CSD shall attempt to match its investments with anticipated future cash flow requirements. The maximum maturity shall be the anticipated use of the cash or 18 months, whichever is shorter, unless:

- a. This investment policy has been submitted to the OSTF Board for comment prior to being approved by the CSD Board of Directors and complies with the requirements of ORS 294.135. In this case, the maximum maturity shall be defined in policy;
- b. The funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the CSD Board of Directors, the maximum maturity date matches the anticipated use of the funds, which may exceed 18 months, but not to exceed three years. (ORS 294.135(1)(b) and 294.135(3));
- c. If this investment policy has been submitted for review by the OSTF Board as specified above and in accordance with ORS 294.135(1)(a), debt service reserves may be invested to a maturity date not exceeding five years. Otherwise debt service reserves shall not be invested to a maturity date exceeding one year.

8. Reporting

The Investment Officer shall prepare a monthly investment report reviewing compliance with this Investment Policy and providing data on investment instruments being held, as well as any narrative necessary for clarification. The Monthly Investment Report will be included with the monthly Board meeting packet. The report will include the following:

- a. Listing of transactions occurring during the reporting period;
- b. Listing of individual securities held at the end of the reporting period;

- c. Percentage yield on an annualized basis;
- d. Purchase and maturity dates (except for funds in LGIP);
- e. Percentage of the total portfolio that each type of investment represents along with the percentages authorized in this policy;
- f. The 3-month U.S. T-Bill bond equivalent yield and 3-month Jumbo CDs for the reporting period as published by the Oregon Short-Term Fund Board, as a benchmark;
- g. The market value of the portfolio shall be calculated annually and reported in CSD's Comprehensive Annual Financial Report;
- h. All investments will be carried at cost. Gains or losses from investments will be credited or charged to investment income at the time of maturity or sale.

9. Policy Adoption and Re-Adoption

ORS 294.135(a) requires the annual re-adoption of a written investment policy by the governing body when investments having a maturity longer than 18 months are allowed. Therefore, these procedures shall be reviewed and readopted annually in July by the CSD Board of Directors. The OSTF Board review is required if:

- a. CSD elects to invest to maturities beyond 18 months; and, either
- b. The policy has never been submitted to the OSTF Board for comment; or
- c. Any material changes have been made since the last review by the OSTF Board.

END OF POLICY

Legal Reference(s):

[ORS 294.033](#)
[ORS 294.035](#)

[ORS 294.125](#)
[ORS 294.135](#)

[ORS 294.145](#)
[ORS 294.155](#)