

# Harney Education Service District

Code: **DFA**  
Adopted: 6/28/06  
Readopted: 12/12/12  
Orig. Code(s): DFA

## Investment of Funds

### 1. Scope

This policy applies to the investment of short-term operating funds and capital funds. Investments of employees' retirement funds, deferred compensation plans, and other funds are not covered by this policy. The Board may authorize the investment of funds which are not immediately needed for operation of the ESD. A progress report of investments will be made to the Board on a regular basis.

### 2. General Objectives

#### a. Safety

Harney ESD's foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. Harney ESD will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and by investing operating funds primarily in shorter-term securities or short-term investment pools.

#### b. Liquidity

Harney ESD's investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio also may be placed in the Oregon Short-Term Fund (Local Government Investment Pool) which offers next-day liquidity for short-term funds.

#### c. Yield

Harney ESD's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of the portfolio is limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Securities shall not be sold prior to maturity with the following exceptions:

- (1) A security with declining credit may be sold early to minimize loss of principal;
- (2) A security swap would improve the quality, yield or target duration in the portfolio;
- (3) Liquidity needs of the portfolio require that the security be sold.

### 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 decision. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Officers and employees shall, at all times, comply with the Oregon Government Ethics Commission set forth in ORS 244.

#### c. Delegation of Authority

Authority to manage the investment program is granted to the superintendent and/or the business manager, hereinafter referred to as investment officer(s), and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145 and 294.810. Responsibility for the operation of the investment program is hereby delegated to the investment officer(s) who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. The investment officer(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

#### 4. Safekeeping and Custody

##### a. Authorized Financial Institutions

All financial institutions 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 state registration;
- (4) Certification of agreement to comply with Harney ESD's investment policy.

##### b. Internal Controls. The investment officer(s) is responsible for establishing and maintaining an adequate internal control structure designed to reasonably protect the assets of Harney ESD from loss, theft or misuse. The concept of reasonable assurance recognizes that the:

- (1) Cost of a control should not exceed the benefits likely to be derived; and
- (2) Valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officer(s) 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:

- (1) Control of collusion;
- (2) Separation of transaction authority from accounting and record keeping;
- (3) Clear delegation of authority to subordinate staff members;
- (4) Written confirmation of transactions for investments and wire transfers;
- (5) Development of a wire transfer agreement;
- (6) Implementation of appropriate safeguards for electronic transactions.

##### 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. Pooling Funds

Except for cash in certain restricted and special funds, Harney ESD 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. Suitable and Authorized Investments

### a. Investment Types

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and ORS 294.035 and 294.810:

- (1) U.S. Treasury securities and other lawfully issued general obligations of the United States;
- (2) Oregon Public Funds Money Market covered by FDIC; and
- (3) Oregon Short-Term Local Government Investment Pool (LGIP).

### 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. Such deposits are designated cash management tools and not investments under this policy or otherwise. A certificate of collateralization will be secured for each financial institution in accordance with ORS Chapter 295 to secure deposits of public funds.

### c. Investment Parameters

Investments shall be diversified by:

- (1) Limiting investments to avoid over-concentration in securities from a specific issuer;
- (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 LGIP.

### d. List of Documents Used in Conjunction with this Policy

The following documents may be used in conjunction with this policy:

- (1) Listing of authorized personnel;
- (2) Relevant investment statutes and ordinances;
- (3) Description of benchmarks;
- (4) Listing of authorized broker/dealers and financial institutions;
- (5) Credit studies for securities purchased and financial institutions used;
- (6) Safekeeping agreements;
- (7) Wire transfer agreements;
- (8) Sample investment reports;
- (9) Methodology for calculating rate of return;
- (10) Safekeeping receipts.

END OF POLICY

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**Legal Reference(s):**

[ORS 294.033](#)

[ORS 294.035](#)

[ORS 294.125](#)

[ORS 294.135](#)

[ORS 294.145](#)

[ORS 294.155](#)