

## GUIDELINES FOR INVESTMENT OF FUNDS

ADMINISTRATIVE REGULATION:

### SCOPE:

These guidelines apply to all activities of the McMinnville School District with regard to investing the financial assets of all funds. Funds held and invested by trustees or fiscal agents are excluded from this policy and regulation; however, such funds are subject to the regulations established by the State of Oregon.

This regulation provides direction for investment of the following funds:

- General Fund
- Asset Reserve Fund
- Insurance Reserve Fund
- Construction Excise Tax Fund
- Debt Service Funds
- Bond Construction Fund
- Construction Earnings Fund
- Student Body Fund
- Scholarship Funds
- Nutrition Services Fund

Funds of the District shall be invested in compliance with the provisions of, but not necessarily limited to, ORS 294.035 through 294.048, ORS 294.125 through 294.155, ORS 294.810, and other applicable statutes, and in accordance with District policies and written administrative procedures. Investment of any tax-exempt borrowing proceeds and any debt service funds will comply with the "arbitrage" restrictions of Section 148 of the Internal Revenue Code of 1986.

### DELEGATION OF AUTHORITY:

The Director of Finance shall be the designated investment officer for the District and be responsible for recommending investment options to the School Board and making investment decisions subject to review by the School Board. In the absence of the Director of Finance, the Deputy Clerk/Accounting Supervisor shall perform these duties.

The investment officer is responsible for the following:

- Setting investment policy and guidelines subject to review and adoption by the School Board and, if required, review and comment by the Oregon Short-Term Fund Board.
- Oversight of the day-to-day operations of the investment process which includes, but is not limited to:
  - Choosing what to buy or sell,
  - Determining from whom investments will be purchased,
  - Executing buy and sell orders,
  - Producing necessary reports, and
  - Supervising staff.
- Maintenance of other written administrative procedures to comply with this policy.

- Administration of an active cash management program to maintain historical cash flow information regarding debt service, payroll, revenue receipts, and any extraordinary expenditures.
- Monitoring of the financial support for staffing, training, telecommunications services, computer systems, and other necessary resources for investment and cash management programs.

PRUDENCE:

The standard of operation to be used by the Director of Finance in the management of 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 Director of Finance and staff, while 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.

INVESTMENT DIVERSIFICATION:

The Director of Finance shall diversify the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. Such diversification shall include the following investment instruments:

<u>Diversification Instrument</u>	<u>Percent of Portfolio</u>
• U.S. Treasury obligations (Bills, notes, and bonds)	Up to 100%
• U.S. government agency securities and instruments of government-sponsored corporations	Up to 100%
• State of Oregon investment pool	Up to 100%
• State and local government securities	Up to 10%
• Certificates of deposit of commercial banks	Up to 100%
• Repurchase agreements	Up to 10%*
• Passbook savings accounts	Up to 100%

\* Applies to Capital Fund Only

INVESTMENT MATURITY:

Except for special situations, General Fund investments shall be limited to maturities not exceeding 18 months (ORS 294.135). All funds shall be considered short-term except those reserved for capital projects, such as bond proceeds and special assessment prepayments held for debt retirement.

Short-term funds will be invested to coincide with projected cash needs or with the following serial maturity:

- 40% minimum to mature under three (3) months
- 75% minimum to mature under six (6) months
- 90% maximum to mature under twelve (12) months
- 100% maximum to mature within eighteen (18) months

Capital Project Funds considered to be long-term (over 18 months) shall be held to a maximum maturity of 36 months. Maturities shall be structured to meet anticipated cash needs, i.e., investments of capital project funds shall be timed to meet projected contractor payments based on the architect's estimated drawdown schedule.

#### COMPETITIVE SELECTION OF BIDS OR OFFERS:

Before the investment officer invests funds or sells securities prior to their maturity, competitive offers or bids are to be sought from two institutions. The institution offering the most favorable bid will be awarded the transaction. No competitive offer is required for investment of bond proceeds if a financial institution has been awarded a contract on a competitive basis.

#### QUALIFIED INSTITUTIONS:

The Director of Finance shall maintain a list of all authorized brokers/dealers and financial institutions which are approved for investment purposes or investment dealings. Any firm is eligible to make an application to the McMinnville School District and, upon due consideration and approval, be added to the list. Additions and deletions to the list will be made at the Director of Finance's discretion.

At the request of the District, the firms performing investment services shall provide their most recent financial statement or Consolidated Report of Condition for review. The firms shall have proof as to all the necessary credentials and licenses held by its employees who will have contact with the School District. These required credentials and licenses include, but are not limited to, the National Association of Securities Dealers (NASD) and the Securities and Exchange Commission (SEC).

The District shall conduct an annual evaluation of each firm's credit worthiness to determine if it should remain on the list. Securities brokers/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:

Purchased investment securities will be delivered by Fed book entry, DTC, or physical delivery, and held in third party safekeeping with a designated custodian. The trust department of a bank may be designed as custodian for the securities purchased from that bank.

The purchase and sale of securities will be on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to the McMinnville School District listing the specific instrument, selling broker/dealer, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, and other pertinent information. Demand and time deposit shall be collateralized through the state collateral pool as required by statute for any excess over the amount insured by an agency of the United States government.

The District Board of Directors holds its annual organizational meeting at the first scheduled Board meeting date in July. The Superintendent is appointed as the custodian of funds at the annual organizational meeting.

MONITORING AND ADJUSTING THE PORTFOLIO:

The Director of Finance will routinely monitor the contents of the portfolio to compare the holdings to the markets, compare relative values of competing instruments, compare changes in credit quality, and compare benchmarks. If determined by the Director to be advantageous, the portfolio may be adjusted.

INTERNAL CONTROLS:

The Director of Finance shall maintain a system of written internal controls which shall be reviewed by the independent auditor annually or upon any extraordinary event, such as turnover of key personnel or discovery of inappropriate transactions. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

ACCOUNTING METHOD:

The McMinnville School District shall comply with all required legal provisions and Local Budget Law.

REPORTING REQUIREMENTS:

The investment officer shall generate weekly and monthly reports for management purposes. The School Board shall be provided monthly reports which will include, but not be limited to, portfolio activity, instruments held, market valuation, and any narrative necessary for clarification.

PERFORMANCE EVALUATION:

The performance of the District's portfolio shall be measured against the performance of the Oregon Local Government Investment Pool, using monthly net yield of both portfolios as the yardstick.

INVESTMENT POLICY ADOPTION:

This investment policy and regulations shall be formally adopted by the McMinnville School Board. If investments exceeding maturity of 18 months are contemplated, further review and comment by the Oregon Short-Term Fund Board will be sought. This policy will be readopted annually, even if there are no changes (ORS 294.135 (1)(a)).

Revised: Nov. 9, 2009, May 14, 2012  
Adopted: May 14, 2007