

1.0 GENERAL POLICY

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE

This investment policy applies to all financial assets of the District. These funds are accounted for in the District's Comprehensive Annual Financial Report and include:

- 2.1 General Fund
- 2.2 Special Revenue Funds
- 2.3 Capital Project Funds
- 2.4 Internal Service Funds
- 2.5 Enterprise Funds
- 2.6 Agency Funds

3.0 PRUDENCE

- 3.1 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.
- 3.2 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 written procedures and the 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 appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

The primary objectives, in priority order, of the District's investment activities shall be:

- 4.1 **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To

attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 LIQUIDITY

The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

4.3 Return on Investments: attaining a rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and cash flow needs.

5.0 DELEGATION OF AUTHORITY

5.1 Authority to manage the District's investment program is derived from the following: California Government Code Sections 16429, 16430, 53600-53609, 53630-53684, and California Education Code Sections 41000-41003.

5.2 Management responsibility for the investment program is hereby delegated to the Assistant Superintendent, Business Services, who shall establish a system of internal controls for the operation of the investment program consistent with this investment policy, to regulate the activities of subordinate officials, and to protect the assets from loss, theft or misuse.

5.3 No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Assistant Superintendent, Business Services.

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Assistant Superintendent, Business Services, any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the District, particularly with regard to the time of purchases and sales.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- 7.1 The Assistant Superintendent, Business Services, will maintain a list of financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by state laws.
- 7.2 All financial institutions who desire to provide investment services must supply the District with the following: audited financial statements, proof of National Association of Security Dealers certification, proof of State registration, certification of having read the District's investment policy, and depository contracts.
- 7.3 An annual review of the financial condition and registrations of qualified financial institutions will be conducted by the Assistant Superintendent, Business Services.
- 7.4 A current audited financial statement is required to be on file for each financial institution in which the District invests.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by California Government Code and California Education Code to invest in the following types of securities:

- 8.1 U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations
- 8.2 Fully collateralized repurchase agreements
- 8.3 Negotiable, and fully insured or collateralized, certificates of deposit issued by a nationally or state-chartered bank, state or federal association, or state or federal credit union with assets of at least five hundred million dollars
- 8.4 Deposits with a nationally or state-chartered bank, state or federal association, or state or federal credit union with assets of at least five hundred million dollars
- 8.5 Prime bankers acceptances
- 8.6 Prime commercial paper
- 8.7 Investment-grade obligations of state and local governments and public authorities

- 8.8 Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of domestic securities
- 8.9 Statewide and County investment pools
- 8.10 Guaranteed Investment Contracts (GICs), limited to the following:
- a. GICs shall be obtained through a competitive bidding process.
 - b. GIC providers must maintain a rating in the highest two categories of ratings issued for long-term funds and the highest category of rating issued for short-term funds, as issued by Standard & Poor's and Moody's Investors Service.
 - c. If the rating described in paragraph "b" above is not maintained, GIC providers must provide collateralization at a level of at least 105% of the District's deposit in the GIC or permit the District to withdraw its entire amount of funds. Such collateralization must be made through the use of those Authorized Investments described in the rest of this section 8.0.
- 8.11 Any other securities which are consistent with the general intent of this policy and are allowed by Government Code Section 53601.

9.0 COLLATERALIZATION

- 9.1 Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.
- 9.2 The District chooses to limit collateral to: securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities.
- 9.3 Collateral will always be held by an independent third party with whom the District has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the District and retained.

10.0 SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the District, shall be conducted on a delivery-versus-payment (DVP) basis. This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third party custodian designated by the Assistant Superintendent, Business Services, and evidenced by safekeeping receipts.

11.0 MAXIMUM MATURITIES

11.1 To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than one year from the date of purchase. However, the District may collateralize its repurchase agreements using longer-dated investments not to exceed three years maturity.

11.2 Reserve funds may be invested in securities exceeding three years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

12.0 INVESTMENT POOL

Prior to being involved with any type of government investment pool, a thorough investigation of the pool and its policies and procedures shall be reviewed.

13.0 INVESTMENT RESTRICTIONS

13.1 Borrowing for investment purposes ("leveraging") is prohibited.

13.2 Reverse Repurchase Agreements, as defined by California Government Code Sections 53601(i) and 53635(i) or otherwise are prohibited.

13.3 Instruments known as Structured Notes (e.g., inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities) are not permitted.

13.4 Investment in any instrument which is commonly considered a "derivative" instrument (e.g., options, futures, swaps, caps, floors, collars) is prohibited.

- 13.5 No more than 10% of total assets may be invested in securities of any one issuer with the exception of obligations of the U.S. Government and its agencies or instrumentalities.
- 13.6 All investments will be U.S. dollar denominated.
- 13.7 Securities which are downgraded below prime must be sold within a reasonable amount of time.

14. EXTERNAL AUDIT

The Assistant Superintendent, Business Services, shall establish an annual process of independent review by an external auditor. The auditor shall review the system of internal controls, including compliance with policies and procedures.

15.0 REPORTING

The Assistant Superintendent, Business Services, shall provide to the Board of Trustees quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The quarterly report shall include the following: types of investments, issuers, dates of maturity, dollar amounts invested, and current market value information.

Legal References:

Education Code
41000-41003, School district moneys

Government Code
16429-16430, Local Agency Investment Fund
53600-53609/53630-53684, Local Agency investments

Board of Trustees

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