

Business and Noninstructional Operations

INVESTING

The Superintendent or Chief Financial Officer may invest as permitted by law all or part of the special reserve fund of the district or any surplus monies not required for immediate district operations. Such investments shall be limited to securities specified in Government Code 16430, 53601 and 53635.

The Governing Board recognizes that the Superintendent and Chief Financial Officer have fiduciary responsibility and are subject to prudent investor standards for all investment decisions. As such, district investments must be made with skill, prudence and diligence, with the primary objective of safeguarding the principal of the funds and with the secondary objective of meeting the district's liquidity needs. In order to enhance investment return, the district's third investment objective shall be to generate an investment yield that attains or exceeds a market-average rate of return through economic cycles.

The Board recognizes the importance of overseeing investments made with district funds, including investments by the county treasurer. The Board shall direct the Superintendent to participate with superintendents of all school districts in the county to select a representative to the county treasury oversight committee. The Superintendent or Chief Financial Officer shall maintain ongoing communication with this representative and shall keep the Board well informed about the policies that guide the investment of these funds.

The Superintendent or Chief Financial Officer shall annually provide to the Board and any oversight committee a statement of the district's investment policy. At a public meeting, the Board shall review this policy and discuss any changes to be made. In accordance with law and administrative regulations, the Superintendent or Chief Financial Officer shall also provide the Board quarterly reports with specified components, including a statement of how the district portfolio compares with the district's investment policy. (Government Code 53646)

Legal Reference:

EDUCATION CODE

- 41001 Deposit of money in county treasury
- 41002 General fund deposits and exceptions
- 41002.5 Deposit of certain funds in insured institutions
- 41003 Funds received from rental of real property
- 41015 Authorization of and limitation investment of district funds
- 41017 Deposit of miscellaneous receipts

41018 Disposition of money received

42840-42843 Special Reserve Fund

GOVERNMENT CODE

16430 Eligible securities for investment of surplus moneys

27130-27137 County treasury oversight committees

53600-53609 Investment of surplus

53630-53684 Deposit of funds, especially

53635 Local agency funds; deposit or investment

53646 Treasurer reports and statements of investment policy

53852.5 Investment term for funds designated for repayment of notes

53859.02 Borrowing by local agency

CIVIL CODE

2261-2262 Obligations of trustees; investments

BP 3430.coe

First Reading: August 20, 1996

Adoption: September 17, 1996

INVESTMENT POLICY
FOR
INYO COUNTY OFFICE OF EDUCATION

1.0 Policy Statement

It is the policy of the Inyo County Office of Education to invest funds in a manner which will provide maximum security of principal invested. The secondary objective is the liquidity of capital to meet expenditure requirements. The third objective is to achieve a positive return on the funds invested. This policy shall conform to all applicable state statutes governing the investment of public funds. (CA SB 564, SB 866)

2.0 Scope

This investment policy applies to all surplus funds not required for the immediate operating need of the Inyo County Office of Education. These funds are accounted for in the monthly financial report and include all or a portion of:

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| 9110 | Cash in Inyo County Treasury |
| 9135 | Cash with Fiscal Agent-TRANS Investments |
| 9150 | Investments-California Local Agency Investment Fund |

3.0 Prudence

Investment law imposes the role of trustee on California's local government agencies or persons authorized to make investment decisions for them, in effect making them a fiduciary subject to the prudent investor standard. (CA SB 866 Section 53600.3)

A fiduciary is "a person who has legal responsibility for the conservation and management of property in which another person has a beneficial interest." As a governing body and fiduciary investing public funds, the standard of prudence to be used when investing Inyo County Office of Education funds shall be the "Prudent Investor Standard." This Standard states that the fiduciary shall act with care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with those matters, would use in the

conduct of funds of a like character and with like aims to safeguard the principal and to maintain the liquidity needs of the agency. (CA SB 866, SEC. 4. Section 27000.3)

4.0 Objective

The primary objectives, in order of priority, of the Inyo County Office of Education's investment activities shall be:

- 4.1 Safety: Safety of principal is the foremost objective of the investment program. Inyo County Office of Education investments 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: Inyo County Office of Education's investment portfolio will remain sufficiently liquid to enable the Inyo County Office of Education to meet all operating requirements which might be reasonably anticipated.
- 4.3 Return on Investment: Inyo County Office of Education'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 Inyo County Office of Education's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority

The Inyo County Superintendent of Schools is responsible for the management and oversight of the investment program. The Inyo County Office of Education Finance Department shall monitor and review all investments for consistency and compliance with this investment policy. The Superintendent may delegate the daily investment decision making execution authority to the Chief Financial Officer or his designee. The Chief Financial Officer shall follow this policy and such other written instructions as provided. Further, he or she shall be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of appropriate staff members.

6.0 Authorized Financial Dealers and Institutions

Investment services may be provided only by institutions and security broker/dealers authorized by the Inyo County Office of Education. Criteria used to select broker/dealers shall be credit worthiness and verification of authorization to provide investment services in California.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Chief Financial Officer with the following:

- * Annual Audited Financial Statements
- * Proof of National Association of Security Dealers Certification
- * Proof of California Registration
- * Verification of having read the Inyo County Office of Education's Investment Policy and agreement to comply with said Policy.

Where applicable, the broker/dealer will facilitate a competitive pricing approach when purchasing securities. It is also understood that the broker/dealer will adhere to applicable Government Code specifications and stay abreast of Government Code revisions and advise the client in a timely fashion of changes that may affect the investment policy or portfolio assets.

7.0 Authorized and Suitable Investments

The Inyo County Office of Education is empowered by California Government Code SB 866 Sec. 14. Section 53601 to invest in the following types of securities:

- * U.S. Treasury obligations
- * Federal agency securities
- * Obligations of the State of California, its agencies, and local agencies within California
- * Repurchase Agreements
- * Certificates of Deposit
- * Bankers' Acceptances
- * Commercial Paper
- * Medium-Term Notes
- * Shares of beneficial interest issued by diversified management companies
- * Mortgage Pass-Through Securities
- * Equipment Lease-Backed Certificates
- * Consumer Receivable Pass-Through Certificates
- * California Local Agency Investment Fund
- * Local Treasury
- * Insured savings account or money market account

The Inyo County Office of Education further reduces its investment risk by establishing a fixed income portfolio restricted to the following types of securities:

- * U.S. Treasury obligations
- * Negotiable Certificates of Deposit (CD)
- * Cash Equivalent Securities

Funds may also be invested with:

- * California Local Agency Investment Fund
- * Local Treasury

Additionally:

Each individual portfolio established by an approved broker/dealer will adhere to the following guidelines:

1. No security shall have a stated maturity date in excess of five years.
2. Purchases of eligible Commercial Paper may not exceed 180 days maturity nor represent more than 10 percent of the portfolio.
3. The portfolio shall be comprised of not more than 30 percent in negotiable CDs.
4. All assets selected for the portfolio must have a readily available market value and be marketable.

Further, the Inyo County Office of Education or a Inyo County Office of Education broker/dealer shall not invest in derivatives, such as, but not limited to, inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

8.0 Safekeeping and Custody

All security transactions entered into by the Inyo County Office of Education shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Inyo County Superintendent of Schools and evidenced by safekeeping receipts. (CA SB 866 Section 53635)

9.0 Diversification

In an effort to reduce overall portfolio risk while attaining market average rates of return, diversification will be utilized in terms of maturity, as well as security type and issuer. The portfolio will be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

10.0 Maximum Maturities

The Inyo County Office of Education Finance Department will match its investments with anticipated cash flow requirements. Furthermore, the Inyo County Office of Education will not invest in any single security with a stated maturity date in excess of five years.

11.0 Internal Control

Internal controls shall be utilized to maintain efficiency and prevent fraud. Controls may include, but are not limited to, separation of functions, checks and balances, screening of employees and consultants, and training. The Chief Financial Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

12.0 Performance Standards

The investment portfolio will be designed to obtain a positive market rate of return, taking into account the Inyo County Office of Education's investment risk constraints and cash flow needs.

12.1 Market Return-On-Investment (Benchmark):

The basis used by the Inyo County Office of Education Finance Department to determine whether market returns are being achieved shall be the return for the California Local Agency Investment Fund (LAIF).

13.0 Reporting

The Inyo County Office of Education Finance Department is charged with the responsibility of including a market report on investment activity and returns in Inyo County Office of Education Financial Statements. Quarterly Investment Reports will include:

- * Type of Investment
- * Issuer
- * Purchase Date
- * Par/Face Value
- * Dollar amount invested (Cost)
- * Security Rating at Purchase
- * Security Rating at Current Quarter
- * Yield-to-Maturity at Current Quarter
- * Maturity Date
- * Security Reduced by Principal Payments (%)
- * Principal Balance (%)
- * Market Value and source of valuation
- * A description of funds or investments under the management of contracted parties:
 - California Local Agency Investment Fund
 - Inyo County Treasurer
 - California School Boards Assoc. Cash Reserves Program

Further, the Quarterly Report shall verify that the Inyo County Office of Education investment portfolio is in compliance with the Inyo County Office of Education's investment policy. The policy will also include a statement indicating the ability of the Inyo County Office of Education

to meet its cash requirements for the ensuing six months or to provide an explanation as to why insufficient money shall not or will not be available. A copy of the Quarterly Report will be rendered to the Inyo County Superintendent of Schools and the Board within 30 days following the end of the quarter. (CA SB 564 SEC. 3. Section 53646)

14.0 Investment Policy Adoption

Inyo County Office of Education's Investment Policy shall be adopted by the Board. The Policy will be reviewed on an annual basis by the Inyo County Office of Education Finance Department, and any modifications made thereto must be approved by the Inyo County Board of Education.

BP3430AR.COE

First Reading: August 20, 1996

Adopted: September 17, 1996