

OTHER REVENUES
INVESTMENTS

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matched in a flex repurchase agreement to a set expenditure schedule for bond funds.

6. Banker's acceptances as permitted by Government Code 2256.012 not to exceed 270 days to maturity.
7. Commercial paper as permitted by Government Code 2256.013 not to exceed 270 days to stated maturity.
8. Public funds investment pools as permitted by Government Code 2256.016–2256.019.

The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for District funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256.

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed two years from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

The methods and sources to be used to monitor the price of used m use

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Market quotations shall be accepted as needed by District investment officers to monitor market conditions and for investment decisions.

Interest Rate Risk

To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification.

The District shall monitor interest rate risk using weighted average maturity and specific identification.

Collateral

Collateral shall be required on all time and demand deposits and repurchase agreements. The level of collateral shall be at least equal to 110 percent of the aggregate market value of the deposit or investment, including accrued interest, less any amount insured by the Federal Deposit Insurance Corporation (FDIC) or its successor. Evidence of the pledged collateral shall be documented by original safekeeping receipts showing a pledge to or ownership by the District. All transactions shall take place under an executed tri-party custodial agreement or a BMA master repurchase agreement with the terms for the pledged collateral clearly referenced in the agreement. Collateral shall be reviewed monthly for time and demand deposits and daily for repurchase agreements to ensure that the market value of the securities pledged equals or exceeds the related deposit or investment balance. Liability for monitoring collateral market value and maintaining margins shall fall to the District's counterparty.

Collateral requirements shall be in accordance with, and limited to, that which is approved in Government Code Chapters 2256–2257 and Education Code 45.201.

Safekeeping

All assets, including cash, collateral, and securities of the District shall be held by an independent third party approved by the District. The District shall retain clearly marked original safekeeping receipts providing proof of the District's ownership or pledging. The District may delegate to an investment pool or mutual fund the authority to hold legal title as custodian of investments purchased with District funds.

All investment transactions, except investment pool funds and mutual funds, shall be conducted on a delivery vs. payment (DVP) basis.

Internal Controls

A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, they shall be designed to protect against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in

financial markets, or imprudent actions by employees and officers of the District. Controls deemed most important shall include:

1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds.
2. Avoidance of collusion.
3. Custodial safekeeping.
4. Clear delegation of authority.
5. Written confirmation of telephone transactions.
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the District's independent auditing firm.

Reporting

The investment officers shall prepare and submit to the Board at least quarterly a written report of investment transactions for all funds covered by this policy for the preceding period in accordance with the Public Funds Investment Act. The investment report shall contain all information required by Government Code 2256.023 and shall also include the yield on the portfolio and a benchmark analysis.

Annual Review

The Board shall review this investment policy and investment strategies not less than annually and shall document its review in writing, which shall include whether any changes were made to either the investment policy or investment strategies.

Annual Audit

In conjunction with the annual financial audit, the District shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies.