

This policy sets forth the investment policy for the management of the public funds of the Union Public School District as required by state law.

It is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with those of comparable funds.

STATUTORY AUTHORITY

Except as otherwise provided by law, the District Treasurer/CFO and/or Chief Financial Officer/Director of Treasury/Assistant Treasurer(s), when authorized by the Board of Education by a written investment policy or by Board resolution, shall invest monies in the custody of the Director of Treasury/Treasurer in:

- A. Direct obligations of the United States Government, its agencies or instrumentalities in which the full faith and credit of the United States Government is pledged, or obligations of which the full faith and credit of the state of Oklahoma is pledged.
- B. Collateralized or fully insured certificates of deposits from savings and loan associations, banks, savings banks in the state of Oklahoma or fully insured certificates from the same organization outside the state of Oklahoma.
- C. Repurchase agreements that have underlying collateral consisting of those items listed in A through E of this subsection including obligations of the United States, its agencies and instrumentalities, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes.
- D. Money market funds regulated by the Securities and Exchange Commission and which consist of obligations of the United States, its agencies and instrumentalities, and investment in those items and those restrictions specified in sections A through C of this subsection.
- E. Savings accounts or savings certificates to the extent the accounts or certificates are fully insured by the Federal Deposit Insurance Corporation.
- F. County, municipal or school district direct debt obligation for which an ad valorem tax may be levied or bond and revenue anticipation notes.
- G. Bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record. Bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
- H. Warrants/checks, bonds or judgments of Union Public Schools.
- I. Any designated depository within this State to redeposit funds into interest-bearing demand deposit accounts in one or more federally insured financial institutions, providing that the full amount shall be insured by the Federal Deposit Insurance Corporation.
- J. Qualified pooled investment programs consisting of those investment items listed in A through I of this subsection. To be a qualified pooled investment program, the program must be formed through an interlocal cooperative agreement formed pursuant to applicable law and approved by the Board of Education.
- K. Interest-bearing checking accounts.
- L. Any other investment that is authorized by state or federal law.

ORGANIZATION

The organization of the investment functions of the district shall consist of the Director of Treasury/Treasurer, Assistant Treasurer and Chief Financial Officer. The Chief Financial Officer and the Director of Financial Reporting and Treasury will work in the capacity of acting Assistant Treasurer when applicable; therefore all three positions must have a surety bond for the executing of investment duties.

INVESTMENT PHILOSOPHY

Except where specifically directed by the state constitution, statutes or regulations, the general investment policies of the Union Public School District will be guided by the "prudent person" rule. The Board of Education recognizes that those with investment responsibility for public funds are fiduciaries and, as such, shall exercise the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent investment of and/or disposition of their funds, considering the probable income as well as the probable safety of their capital.

- A. Liquidity - Idle cash will be invested to the fullest extent practicable in interest-bearing investments or accounts. However, the portfolio should remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- B. Diversification - The investment portfolio will be diversified to avoid incurring undue concentration in securities of one type, so that no one class of investments can have a disproportionate impact on the portfolio. This restriction does not apply to U.S. Treasury securities.
- C. Safety of principal - The primary investment objective is the preservation of principal and liquidity; income is a secondary objective.
- D. Yield - The 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 a secondary objective to the preservation of principal and liquidity.
- E. Maturity - All investments may have maturities to sixty months, provided sufficient liquidity is available to meet major outlays. The sixty months maturity date may be extended to achieve the greatest interest rate as long as liquidity is maintained.
- F. Quality and capability of investment management - The Chief Financial Officer is responsible to see the Director of Treasury/Treasurer and Assistant Treasurer(s) are qualified and capable of managing the investment portfolio. The Director of Treasury/Treasurer will be required to complete an investment education program approved by the State Board of Education for treasurers and maintain any certification of the investment education program.

SAFEKEEPING AND CUSTODY

The Director of Treasury/Treasurer or Assistant Treasurer will maintain a list of financial institutions and approved pooled investment programs authorized to provide investment services. In addition, a list will also be maintained of financial institutions with collateral pledged in Union Public Schools' name.

- A. Securities purchased from any bank or dealer including appropriate collateral by state law for a particular investment shall be placed under an independent third party custodial safekeeping agreement. The Trust Department of a financial institution is independent from the financial institution.
- B. All securities shall be in the form of book entry, and physical delivery of securities should be avoided.
- C. Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications. Written communication may be via FAX if on letterhead or email and the safekeeping institution has a list of authorized signatures.
- D. Written transactions and confirmations of transactions shall be kept in the Director of Treasury/Treasurer's office.

SECURITY FOR DEPOSITS AND INVESTMENTS

- A. The Director of Treasury/Treasurer will maintain a list of the collateral securities pledged to secure the district's deposits and investments. The minimum amount of collateral securities pledged for the security for deposits and investments shall not be less than the amount of the deposits and investments. Investments for collateral security purposes are investments without the full faith and credit of the United States Government or the State of Oklahoma. The Director of Treasury/Treasurer shall require financial institutions to maintain a higher standard than the minimum amount to reflect the changes in market value of the collateral securities. Acceptable collateral securities shall be governed by the State of Oklahoma statutes.
- B. Collateral securities shall be valued at market value. The Director of Treasury/Treasurer/Assistant Treasurer and the financial institution will both monitor the district's collateral or "pledged" securities balance to the deposits and investment balance. The Director of Treasury/Treasurer shall review the collateral balance not less than quarterly. The financial institution shall review the collateral balance not less than monthly. The financial institution shall provide a market value of their collateral securities to the district to assist in their quarterly review of collateral. The State Treasurer shall promulgate rules to provide for valuation of collateral if the market value is not readily available from an independent, recognized and documented source.
- C. Upon authorization by the Director of Treasury/Treasurer/Assistant Treasurer, a financial institution shall place required collateral securities in a restricted account at a Federal Reserve Bank which serves Oklahoma, a Federal Home Loan Bank which serves Oklahoma or with another financial institution located in this state that is not owned or controlled by the same institution or holding company. The State Treasurer shall designate a number of such financial institutions authorized to serve as safekeeping or custodial institutions. The financial institution depositing collateral securities shall deliver to the Director of Treasury/Treasurer a power of attorney

authorizing the treasurer to transfer or liquidate the securities in the event of a default, financial failure or insolvency of a public depository. The State Treasurer must approve any forms or pledge agreements used by public entities and financial institutions in securing public deposits of public entities.

- D. When public deposits are made in accordance with the Security for Local Public Deposits Act, the treasurer of a public entity shall not be liable for any loss resulting from the default or insolvency of a public depository in the absence of negligence, malfeasance, misfeasance or nonfeasance on the part of the Director of Treasury/Treasurer/Assistant Treasurer.

REPORTING AND REVIEW OF INVESTMENTS

The Director of Treasury/Treasurer or Assistant Treasurer shall prepare an investment report. This report should be provided to the Superintendent, Chief Financial Officer and the Board of Education for review of the investment performance on a regular basis that is no less frequent than monthly. The monthly report, when provided in the Board packet, will be deemed approved at the conclusion of each Board of Education meeting. The report will include the following:

- A. A listing of individual securities held at the end of the reporting period;
- B. Purchase and maturity dates of said securities;
- C. Name of applicable fund for said securities;
- D. Yield rate for said securities;
- E. Collateral held by custodial third party for applicable financial institution.

The Superintendent, Chief Financial Officer or Director of Treasury/Treasurer shall recommend to the Board of Education the financial institutions to be utilized by the district for all investment and banking services. The Board of Education shall approve the financial institution to be awarded the investment or banking services of the district. The Director of Treasury/Treasurer or Assistant Treasurer shall maintain a file documenting the process of selecting and awarding financial institutions the investment services (includes purchasing and selling of investments) and banking services of the district. The documentation shall include the following:

- A. The request for proposal or competitive bid for said service (if utilized);
- B. The responses from each responding financial institution and a list of financial institutions requested to participate in the request for proposal or competitive bid that did not choose to respond;
- C. The evaluation of the responses for said service.

DEPOSITING OF INTEREST

Unless otherwise directed by the Board of Education through Board policy or by a special directive, income earned from the investment of funds shall be deposited into the fund which earned the interest. Each year the Chief Financial Officer or Director of Treasury/Treasurer will review the interest earnings for each fund earned during the previous and/or current fiscal year and, if deemed necessary for ongoing or future operations, transfer all or a portion of such interest earnings to a different fund. The Board authorizes the Bond interest to be transferred into the Building fund and the Sinking fund interest to be transferred into the General fund if such earnings are needed to help finance the General and/or Building operational budgets. Notice will be given to the Board of Education if any other interest is transferred to any other funds.

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