

Revenues from Investments/Use of Surplus Funds

Investment Policy

Policy

It is the policy of the Archuleta School District 50 Jt. ("the District") to invest public funds in a manner that will provide preservation of capital, meet the daily liquidity needs of the District, diversify the District's investments, conform to all local and state statutes governing the investment of public funds, and generate market rates of return.

This Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the District's funds. It replaces any previous investment policy or investment procedures of the District.

Scope

This Investment Policy shall apply to all funds accounted for in the District's Comprehensive Annual Financial Report.

Cash may be pooled for investment purposes. The investment income derived from pooled investment accounts shall be allocated to the contributing funds based upon the proportion of the respective balances relative to the total pooled balance in the investment portfolio. Interest earnings shall be distributed to the District's individual funds on a monthly basis.

Investment Objectives

The District's principal investment objectives are:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Attainment of a market rate of return.
- Diversification to avoid incurring unreasonable market risks.
- Conformance with all applicable District policies, State statutes and Federal regulations.
- Maximization of funds available for investment.
- Maximization of investment earnings consistent with the objectives outlined in this section.

Delegation of Authority

The Finance Director and the Superintendent of Schools are designated as the District's Investment Officers and are vested with the responsibility for managing the District's investment program and for implementing this Investment Policy. The

Superintendent may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. No person may engage in investment transactions except as expressly provided under the terms of this Investment Policy.

The Investment Officers shall establish procedures shall be designated to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the District.

The District's Investment Officers may engage the support services of outside investment advisors with respect to the District's investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the District's financial resources. Such services may include engagement of financial advisors in conjunction with debt issuance, portfolio management, third party custodial services, and appraisals by independent rating services.

Prudence

The standard of prudence to be used for managing the District's investment program is the "prudent investor" standard applicable to a fiduciary, which states that a prudent investor "shall exercise the judgment and care, under circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as probable safety of capital." (Colorado Revised Statutes 15-1-304, Standard for Investments.)

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of public trust. The District recognizes that no investment is totally without risk and that its investment activities are a matter of public record. Accordingly, the District recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the District.

The Investment Officers and other authorized persons acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided appropriate action is taken to control adverse developments and may deviations from expectations are reported to the School Board in a timely fashion.

Ethics and Conflicts of Interest

District employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the District's investment

program or that could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees shall disclose to the Investment Officers any material financial interest they have in financial institutions that conduct business with the District, and they shall subordinate their personal investment transactions to those of the District.

Authorized Securities and Transactions

All investments will be made in accordance with the Colorado Revised Statutes as follows: C.R.S. 11-10.5-101, et seq. Public Deposit Protection Act; C.R.S. 24-75-702, local governments – authority to pool surplus funds. Any revisions or extensions of these sections of the statutes will be assumed to be part of this Investment Policy immediately upon being enacted.

This Investment Policy further restricts the investment of District funds to the following types of securities and transactions:

1. U.S. Treasury Obligations: Treasury bills, Treasury notes, Treasury bonds and Treasury STRIPS with maturities not exceeding five years from the date of trade settlement.
2. Federal Instrumentality Securities: Debentures, discount notes, callable securities, step-up securities and stripped principal or coupons with maturities not exceeding five years from the date of trade settlement issued by the following only: Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Agricultural Mortgage Corporation (FAMCA), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Private Export Funding Company (PEFCO).
3. Certificates of Deposit (CD): with a maturity not exceeding five years in any FDIC insured state or national bank located in Colorado that is an eligible public depository as defined in C.R.S. 11-10.5-103. Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act. Negotiable CD's with a maturity not to exceed five years and principal investment (plus one year's accrued interest) not to exceed the FDIC insured limit at the time of purchase.
4. Local Government Investment Pools: authorized under C.R.S. 24-75-702 that: a) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); b) have a constant net asset value of \$1.00 per share; c) limit assets of the pool to those authorized by state statute; d) have a maximum stated maturity and weighted average maturity in accordance with S.E.C. Rule 2a-7 of the Investment Company Act of 1940; and e) have a rating of AAA or the equivalent by one or more NRSROs. Authorized Local Government Investment Pools are:
 - a. Colorado Local Government Liquid Asset Trust (COLOTRUST)
 - b. Colorado Surplus Asset Fund Trust (CSAFE)

5. Repurchase Agreements: with a termination date of 180 days or less collateralized by U.S. Treasury obligations, Federal Agency securities or Federal Instrumentality securities listed in 1. and 2. above with a final maturity not exceeding ten years. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Collateral shall be held by the District's third-party custodian bank, and the market value of the collateral securities shall be marked-to-the market daily. The financial institution that holds District securities for safekeeping is known as the "custodian" (Please see the "Safekeeping" section for additional information).
6. Commercial Paper: issued by domestic corporations with an original maturity of 270 days or less that is rated at least A-1, P-1 or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the commercial paper. If the commercial paper issuer has senior debt outstanding, it must be rated at least AA-, Aa3 or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the issuer. The District may invest up to 10% of the book value of its investment portfolio in these securities as long as the aggregate investment in commercial paper and corporate debt does not exceed 20% of the District's investment portfolio, and no more than 10% of the District's investment portfolio may be invested in the obligations of any one issuer.
7. Corporate Debt: with a maturity not exceeding three years from the date of trade settlement, issued by any corporation or bank organized and operating within the United States. The debt must be rated at least AA-, Aa3 or the equivalent by at least two NRSROs, and rated not less by any NRSRO that rates it. The District may invest up to 20% of the book value of its investment portfolio in these securities as long as the aggregate investment in commercial paper and corporate debt does not exceed 20% of the District's investment portfolio, and no more than 10% in the District's investment portfolio may be invested in the obligations of any one issuer.
8. Municipal Bonds: with a maturity not exceeding five years from the date of trade settlement, issued by any state in the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. A general obligation debt must be rated at least AA by at least two NRSROs. A revenue obligation debt must be rated at least AA by at least two NRSROs. The District may invest up to 20% of the District's investment portfolio, and no more than 10% of the District's investment portfolio may be invested in the obligations of any one issuer.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be pre-approved by the School Board.

The District may, from time to time issue bonds, the proceeds of which must be invested to meet specific cash flow requirements. In such circumstances and notwithstanding the paragraph immediately above, the reinvestment of debt issuance or related reserve funds may, upon the advice of Bond Council or financial advisors, deviate from the provisions of this Investment Policy with the written approval of the Finance Director.

Investment Diversification

The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the District's anticipated cash flow needs.

Investment Maturity and Liquidity

The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. To the extent possible, investments shall be matched with anticipated cash flows and known future liabilities. Investments shall be limited to maturities not exceeding five years from the date of trade settlement.

Selection of Broker/Dealers

The Investment Officers shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the District to purchase securities only from those authorized firms.

To be eligible, firms must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Investment Officers will select broker/dealers based on their expertise in public cash management and their ability to provide service to the District's account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

The District may purchase commercial paper from the direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in item 6 of the Authorized Securities and Transactions section of this Investment Policy.

Competitive Transactions

All investment transactions shall be conducted competitively. At least three bids or offering prices shall be received from banks (in the case of CD's) or broker/dealers for other investments and their bid or offering prices shall be recorded. If the District is offered a security for which there is no other readily available competitive offering, quotations for comparable or alternative securities will be documented.

Safekeeping and Custody

The Investment Officers shall approve one or more banks to provide safekeeping and custodial services for the District. A District approved safekeeping agreement shall be executed with each custodian bank. Each financial institution that holds District securities in safekeeping is known as a "custodian" bank. The District's safekeeping bank(s) shall qualify as eligible public depositories as defined in C.R.S. 11-10.5-103.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit and Local Government Investment Pools, purchased by the District will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the District's approved custodian bank, its correspondent bank or the Depository Trust Company (DTC).

All Fed wireable book entry securities shall be evidenced by a safekeeping receipt or a customer confirmation issued to the District by the custodian bank stating that the securities are held in the Federal Reserve system in a Customer Account for the custodian bank which will name the District as "customer".

All Depository Trust Company (DTC) eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the District as "customer".

The District's custodian will be required to furnish the District a monthly report of safekeeping activity, including a list of month-end holdings.

Performance Benchmarks

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, considering prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The

performance of the investment portfolio shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the investment portfolio's weighted average effective maturity. When comparing the performance of the investment portfolio, all fees involved with managing it shall be included in the computation of its rate of return net of fees.

Reporting

The Investment Officers will submit a quarterly report to the School Board listing the investments held by the District, book and market values of the investments and performance results. The report shall include a summary of investment earnings during the period. A copy of the investment report shall be posted in the Transparency Section of the District's website.

Policy Revisions

The Investment Policy shall be reviewed annually by the Investment Officers and may be amended by the School Board as conditions warrant.

Adopted: March 14, 1989
Revised: January 14, 1997
Revised: December 10, 2002
Revised: September 11, 2018
Revised: February 9, 2021