

CHAPTER 5 – INVESTMENT POLICY

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5.100 - Introduction

The purpose of this written Investment Policy is to establish the guidelines for the prudent investment of Ground Squirrel Hollow Community Services District funds (herein referred to as District's funds). The objectives of this policy are safety, liquidity, yield, and compliance with state and federal laws and policies.

District funds are to be managed with a high degree of care and prudence. Though all investments contain a degree of risk, the proper concern for prudence, maintenance of high level of ethical standards and proper delegation of authority reduces the potential for any realized loss.

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

5.200 – Finance Officer

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer.

5.300 - Scope

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5.400 - Objectives

The primary objectives are safety, liquidity, yield, and compliance.

- A. Safety. The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.
- B. Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.
- C. Yield. Yield shall be a consideration only after the requirements of safety and liquidity have been met.
- D. Compliance. This Investment Policy is written to be in compliance with California and Federal law.

5.500 – Standards of Care

- A. Prudence. The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.
- B. Disclosures. Finance Officer shall disclose any material interest in financial institutions with which he/she conducts the District business.

5.600 – Investments Authority

- A. Permitted Investments. The District Finance Officer is authorized to invest in the following institutions:
 - (1) County pooled funds (California Government Code § 61730);
 - (2) The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1);
 - (3) One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61737.02); and
 - (4) Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
- B. Prohibited Investments. The District's Finance Officer shall not invest in:
 - (1) Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.;
 - (2) Any security that could result in a zero interest accrual if held to maturity; or
 - (3) A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.
- C. Diversified Investments. Investments, other than investments referenced in paragraphs A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment.

5.700 - Reports

- A. Monthly Report. Finance Officer/Treasurer shall make monthly reports to the Board of investments made or retired during the preceding month.
- B. Quarterly Report. Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within thirty (30) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

- (1) Type of Investment;
- (2) Institution;
- (3) Date of Maturity (if applicable);
- (4) Amount of deposit or cost of the security;
- (5) Current market value of securities with maturity in excess of twelve months (if applicable);
- (6) Rate of Interest;
- (7) Statement relating the report to the Statement of Investment Policy;
- (8) Statement of the District's ability to meet cash flow requirements for the next six months; and
- (9) Accrued Interest (if applicable).

C. Annual Report. Prior to February 1, of each year, the Finance Officer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report. The annual report will include a recommendation to the Board of Directors to either:

- (1) Readopt the District's then current annual Investment Policy; or
- (2) Amend the District's then current Investment Policy.

D. Limited Quarterly Report. If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors, and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 7.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 7.C, above.