

MANAGEMENT OF DISTRICT H.O.P.E . / ASSETS / ACCOUNTS

Investing

PURPOSE

The purpose herein is to establish a policy for investment of funds held by the Brea Olinda Unified School District and Brea HOPE hereafter known as "District." The policy also governs the issuance of debt by the District. This policy is based upon federal, state, and local laws, as well as prudent money management practices. To the extent that this policy conflicts with applicable law, the applicable law shall prevail. The primary goals of this policy are:

1. To assure compliance with all federal, state, and local laws governing the investment of monies and the issuance of debt;
2. To protect the principal deposits of the department and;
3. To generate investment income within, the parameters of this policy.

POLICY

The District's primary investment objective shall be to maintain the safety and liquidity of its funds. Safety of principal is the foremost objective of the District. The investment factors the District shall consider, in order of descending importance, are the following:

1. Safety of invested funds;
2. Sufficient liquidity to meet future cash flow requirements; and
3. Attainment of maximum yield consistent with the aforementioned requirements.

In addition, the District shall adopt measures as set forth herein to ensure that the issuance of debt by the District complies with all applicable state and federal laws, including federal and state securities laws.

The Superintendent/designee, under the direction of the Board of Education, shall have the ability for all decisions and activities performed under the District's investment policy. The Superintendent, under the direction. of the Board, shall have the ability to allocate resources or to delegate responsibility as necessary to optimize the safety and liquidity of the investment portfolio and to implement this investment policy.

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LEGAL CONSTRAINTS

Pursuant to California Education Code § 41001, the District shall deposit all funds received or collected from any source into the Orange County Treasury to be placed to the credit of the proper fund of the District, except as otherwise provided herein. The County Treasurer will be instructed by the District to segregate the District's funds from funds on deposit by other non-school related depositors to maintain the protections afforded by California Government Code 2 § 7100. 1.

Pursuant to California Education Code § 41015, the District may invest all or part of funds deposited in a Special Reserve Fund or any surplus monies not required for the immediate necessities of the District in any of the investments specified in California Government Code § 16430 or 53601. Special Reserve Funds are defined as those funds which the Board has designated for capital outlay or other purposes where an accumulation over a period of fiscal years is desired.

AUTHORIZED INVESTMENTS

The District shall make investments in the context of the "Prudent Investor Rule" (Civil Code § 2261 et seq.) which in substance states that:

Investments be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence, exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The District shall deposit all funds received or collected from any source into the Orange County Treasury, except as provided for through the California Education Code. These funds, maintained in a Special Reserve Fund or any surplus funds not required for the immediate necessities of the District shall be available for investment ("funds available for investment") under the conditions set forth in this policy.

1. The Orange County Investment Pool(s) established by the Orange County Treasurer for the benefit of local agencies and/or schools. The District may invest up to one-hundred percent of its funds available for investment in the Orange County Investment Pool(s).
2. The Local Agency Investment Fund established by the California State Treasurer for the benefit of local agencies. The District may invest up to one hundred percent of its funds available for investment in the Local Agency Investment Fund.

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3. To the extent that the District directs the investment of its funds to specific securities, those securities shall be limited to the securities identified in California Government § 53601, as set forth in Exhibit "A." However, the District will not, under any circumstances, direct the investment of its funds to reverse repurchase agreements unless such transactions are matched to maturity.

Monies received from the sources, or for the purposes, listed below, may be deposited in a bank or other financial institution. Monies so deposited shall be in a fully insured or collateralized account(s) or instrument(s). Bank accounts maintained outside of the Orange County Treasury shall be limited to the following purposes:

1. Cash Clearing Account.

Purpose: To deposit accounts receivable checks; then write check to county superintendent once checks have cleared.

2. Revolving Cash.

Purpose: Emergency transactions for payroll and accounts payable.

3. TRANs Proceeds.

COMPLIANCE WITH STATE AND FEDERAL SECURITIES LAWS

The District will take reasonable steps to ensure that any debt offerings issued by the District comply fully with all applicable state and federal securities laws. In connection with all debt offerings issued by the District, the District will retain bond counsel and disclosure counsel to review the offering materials prepared in connection with the debt offering to ensure that disclosures contained in offering materials comply with federal and state security laws. The assistant superintendent for business shall be responsible for reviewing the offering materials regarding the accuracy of information disclosed in such materials.

DEPOSIT OF PROCEEDS FROM THE INSURANCE DEBT

The District shall not issue debt for the sole purpose of generating funds for investment. The District shall limit the issuance of debt for the purpose of meeting short term cash flow needs and to fund capital projects.

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When depositing proceeds from the issuance of debt, the District shall limit such involvement to those authorized investments identified in this policy. Should a trust agreement of a particular debt issued by the District be more restrictive than the District's policy on authorized investments, then the trust agreement will take precedence.

INVESTMENT REVIEWS

The assistant superintendent for business will review quarterly reports on investment performance.

CHANGES TO INVESTMENT POLICY

This policy dated October 21, 1996, has been submitted to the Board of Education for review and approval. This policy will be reviewed at least annually to ensure its consistency with the objectives of income growth and safety, and changes in applicable laws and financial trends. Any proposed amendment to this investment policy will require approval by the Board.

FINANCIAL PROFESSIONAL'S COMPLIANCE WITH INVESTMENT POLICY

All outside investment advisor/managers, attorneys and other financial professionals employed or retained by the District and/or its representatives, including without limitation financial advisors, underwriters, bond counsel, and disclosure counsel, must review this policy and sign a statement of compliance confirming that they have reviewed this investment policy and will fully comply with these policies. A copy of this Statement of Compliance is attached as Exhibit "A".

Legal Reference:

EDUCATION CODE

41001 Deposits of monies received

41015 Investing excessive funds

CIVIL CODE

2261 Investments

GOVERNMENT CODE

16430 California unitary fund

53601 Financial affairs, investments

Policy

Adopted: October 2, 1996

Reaffirmed: May 26, 1998

BREA OLINDA UNIFIED SCHOOL DISTRICT

Brea, California