Financial Management

Investments of District Funds

The Board has an obligation to the citizens of the District to direct the management of District funds. The primary objective of the District's investment plan will be legality, safety, liquidity, yield and the provision of a capital base for future needs. In the management of such funds, the District adheres to the "prudent investor" rule. Investments will be made with judgment and care, under the circumstances, which persons of prudence, discretion and intelligence exercise in the management of their own investments. Funds will be managed for investment, not for speculation considering the safety of the funds invested and the probable income to be derived.
District personnel, including Board members, who are involved in the investment of District funds, will not engage in any personal business activity which could:

1. Impair their ability to make impartial decisions concerning investment of District funds;
2. Conflict with proper execution of the District's investment program; or
3. Create an appearance of impropriety.

District employees and directors involved in investment of District funds will disclose any material interests in financial institutions in which they conduct business. Such disclosure will include, but not be limited to any personal financial/investment positions that could be related to the performance of the District's investment portfolio. Similarly, District employees and directors involved in investment of District funds will not engage in personal investment transactions with the same individual with whom business is conducted on behalf of the District.

Investments will be made through banks or securities dealers who have been approved by the Investment Committee of the State Treasurer's Office. Such banks and securities dealers will have been subjected to an appropriate investigation by the staff of the State Treasurer's Office. This investigation will include, among other things, a written review of the firm's financial statements and the background of the sales representatives. All approved dealers must be fully licensed and registered FINERA Brokers/Dealers or exempt banks. Criteria used to select securities dealers include:

1. Financial strength and capital adequacy of firm;
2. Services provided by firm;
3. Research service available;
4. Resume, reputation, and qualifications of sales representatives.

5. Due diligence and firm references; and

6. State government expertise.

The performance goals of the District's active investment management program, over time, should produce book yields which are greater than yields from low risk passive investments. In analyzing the results of the District's investment program, the District will calculate the book yield and total rate of return on District funds compared to the appropriate security market indexes.

The Superintendent/designee will direct the preparation of quarterly investment reports providing a summary of the District's current investment portfolio and all transactions executed since the last report.

Such investment reports will be prepared by the appropriate bank(s) or security dealers for review by the Board and the Superintendent. Investment reports are considered to be public records and will be made accessible to the public.

Criteria and procedures implementing the District's investment policy have been approved by the Board and are contained in Regulation 3160.

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Financial Management

Investment of District Funds

In achieving the District's investment objectives, District officials will be guided by the following criteria:

1. Legality – District funds will be invested only as permitted by the Constitution and Statutes of the State of Missouri as well as federal law and applicable federal regulations. Investments outside the legal requirements will not be permitted.

2. Safety – Safety of the District funds is the foremost objective of the District's investment program. Investments will be made in a manner that seeks to ensure the preservation of capital.

3. Liquidity – The District's investments will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Of necessity, District investments will consist largely of securities with active secondary or resale markets.

4. Yield – District investments will be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles. However, rate of return is less important than realizing the safety and liquidity objectives.

Permissible Investments

The following categories of investments are authorized for investment of District funds:

1. United States Treasury Securities – The District may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. United States Agency Securities – The District may invest in obligations issued or guaranteed by any agency/instrumentalities or any wholly owned corporation of the United States Government.

    a. U.S. Government Agency Coupons and Zero Coupon Securities – Bullet coupon bonds with no embedded options and with final maturities of five (5) years or less.

    b. U. S. Government Agency Discount Notes – Purchased at a discount with maximum maturities of one (1) year.

c. U. S. Government Agency Step-Up Securities – The coupon rate is fixed for an initial term. At a coupon date, the coupon rate rises to a new, higher fixed term. This provision is restricted to securities with final maturities of five (5) years or less.

d. U. S. Government Agency Collateral Securities – Restricted to securities callable at par only with final maturities of five (5) years or less.

e. U. S. Government Agency Floating Rate Securities – The coupon rate floats off one index and resets at least quarterly with final maturities of three (3) years or less.

f. U. S. Government Mortgage Backed Securities – Restricted to securities with stated final maturities of five (5) yeas or less.

3. Repurchase Agreements – Such agreements must be purchased through approved broker/dealers and may not be entered into for periods in excess of ninety (90) days. Approved broker/dealers must have a signed Public Securities Association Master Repurchase Agreement on file with the State Treasurer's Office. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices. Overnight and open repurchase agreements must be collateralized at 100% with approved securities. Term repurchase agreements must be collateralized at 100%. The market value of all repurchase agreement collateral will be reviewed at least weekly to determine collateral adequacy.

4. Collateralized Public Deposits (Certificates of Deposit) – Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as described in §§ 110.010 - .020, RSMo.

5. Commercial Paper – Investments are limited to paper which has received the highest letter and numerical ranking (A-l/P-1) as provided by Standard & Poor's and Moody's. Issues are limited to corporations that are organized and operating in the United States and have a total commercial paper program in excess of $500,000,000 and have long term debt ratings, if any, of "A" or better from Standard & Poor's and Moody's. Such purchases may not exceed 180 days to maturity.

6. Banker's Acceptances - Issuing banks for such bills of exchange or time drafts must have the highest letter and numerical rating by Standard and Poor's and Moody's. Such banks must be organized and operating in the United States. Banker's acceptance agreements may not have maturity dates exceeding 180 days.

Prohibited Transactions

1. Leveraged Borrowing for Investment Purposes – Leveraging is prohibited whether through a reverse repurchase agreement or otherwise.

2. Use of "Structured Note" – (e.g. inverse floaters, leveraged floaters, and equity-linked securities) is not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.

3. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculation on developments or trends in the market is prohibited.

Collateralization

Collateralization will be required on two (2) types of investment: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the market value (including accrued interest) of the collateral should be at least 100%. For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposit plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Corporation.

All securities, which serve as collateral against the deposits of a depository institution, must be safekept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five (5) business days from the settlement date.

Repurchase Agreements

The securities for which repurchase agreements will be transacted will be limited to Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwire book entry system. Securities will be delivered to the District's designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

All deposits placed in financial institutions must be at least 100% collateralized with approved securities. All securities, which serve as collateral against the deposits of a depository institution must be safekept at a nonaffiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts.

Asset Allocation

District investment will be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific classes of securities. At a minimum District investments will fall within the following minimum and maximum allocations.

INVESTMENT TYPE	MINIMUM ALLOCATION	MAXIMUM ALLOCATION
U.S. Treasuries/Securities having principal and interest guaranteed with the U.S. Government	0%	100%
U.S. Government Agencies and Government-sponsored Enterprises	0%	100%
U.S. Government Agency Callable Securities	0%	30%
Repurchase Agreements	0%	50%
Collateralized CDs/Time and Demand Deposits	0%	100%
Commercial Paper and Banker's Acceptances	0%	50%

Maximum Maturity

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Investment in bankers' acceptances and commercial paper will mature and become payable not more than 180 days from the date of purchases. All other investments will mature and become payable not more than five (5) years from the date of purchase.

Internal Controls

In keeping with the emphasis the Board has placed in ensuring the safety of public funds, the District will maintain and enhance its internal controls of funds. Every reasonable effort will be made to minimize the potential for loss of funds from fraud, employee error, misrepresentations by third parties, unanticipated changes in financial markets or imprudent actions by employees. Investments that are downgraded below the minimum acceptable rating levels will be reviewed for possible sale within a reasonable time period. At least quarterly, the District's investments will be revalued to reflect prevailing market prices.

Internal controls to achieve investment safety include, but are not limited to:

1. Separation of duties;
2. Separation of transaction authority from accounting and record keeping;

3. 3rd Party Custodial safekeeping;

4. Clear delegation of authority;

5. Written confirmation of telephone transactions;

6. Documentation of transaction strategies;

7. Monitoring of ethics and conflict of interest provisions provided in this policy/regulation.

Reporting

The Superintendent/designee will direct preparation of a report at least quarterly to the Board concerning the current status and performance of the District's investments. The quarterly investment report will include but not be limited to:

1. Investment type, issuer, maturity, par value, and dollar amount invested in all securities and monies held by the District.

2. Funds or investments managed by contracted parties.

3. Market value as of the date of the report and the source of valuation.

4. Citation of compliance with the District's investment policy/regulation or an explanation for noncompliance.

5. Statement of the ability or inability to meet expenditure requirements for six (6) months, as well as an explanation of why funds will not be available if that is the case.

6. Statement of the percentage of the District total investments which comprise each category of the investment set out herein.

7. Rating levels for commercial paper and bankers acceptances.

The quarterly investment report will be delivered at an open session of a regular meeting of the Board. A copy of the District investment policy/regulation will be provided to each outside manager of District investment funds. Commitment to compliance with this policy/regulation will be a precondition for initial placement of District funds. Adherence to District policies/regulations will be condition for continued retention as a manager of District funds.

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Approved November 2015