

6Gx53-5.003 INVESTMENT OF FUNDS:

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of The School Board of Polk County, Florida (hereinafter "Board"). These policies are designed to ensure the prudent management of public funds, the availability of funds when needed, and an investment return with comparable funds and financial market indices.

- I. Scope: In accordance with Section 218.415, Florida Statutes, this investment policy applies to all cash and investments held or controlled by the Board with the exception of Pension Funds and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Funds held by state agencies (e.g., Department of Education) are not subject to the provisions of this policy.

- II. Investment Objectives

- A. Safety of Capital

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. All other investment objectives are secondary to the safety of principal. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be traded for other similar securities to improve yield, maturity or credit risk. For these type transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security: (1) Yield has been increased; (2) Maturity has been reduced; (3) Quality of the investment has been improved.

- B. Liquidity of Funds

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

- C. Return on investments

Investment portfolios 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 of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

III. Performance Measurement

In order to assist in the evaluation of the portfolio's performance, the Board will use performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow the Board to measure its returns against other investors in the same markets. One benchmark return for the portfolio will be measured against the State Board of Administration Local Government Surplus Funds Trust Fund. Other benchmark returns may be used when they provide a meaningful reference to the returns of the portfolio. Performance returns shall be calculated in a manner consistent with the Association for Investment Management and Research (AIMR) standards or other nationally recognized methods.

IV. Prudence and Ethical Standards

The standard of prudence to be applied by the investment officer shall be the "Prudent Person Rule", which states: "Investments should be made with 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 from the investment." The "Prudent Person Rule" shall be applied in the context of managing the overall portfolio.

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported in a timely fashion, appropriate action is taken to control adverse developments, and the liquidity and the sale of securities are carried out in accordance with the terms of this policy

While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring,

retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investment of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

V. Listing of Authorized Investments

The Board is authorized under Florida Statutes to undertake investments in the following authorized investments, subject to the provisions of subsection XVI:

1. The Local Government Surplus Funds Trust Fund (“SBA”);
2. Direct obligations of the U.S. Government;
3. Obligations guaranteed by the U.S. Government as to principal and interest;
4. Time deposits and savings accounts in banks and savings and loan associations, organized under the laws of Florida or the United States and doing business and situated in this State, provided that any such deposits are secured by collateral as prescribed by Chapter 280, Florida Statutes;
5. Obligations of the Federal Farm Credit Banks; the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation Participation Certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association;
6. Obligations of the Federal National Mortgage Association, including Federal National Mortgage Association Participation Certificates and mortgage pass through certificates guaranteed by the Federal National Mortgage Association;
7. Securities or, other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio is limited to U.S. Government obligations and repurchase agreements fully collateralized by such U.S. Government obligations (i.e. Mutual Funds);

8. Repurchase agreements done through a commercial bank or government securities dealer, the underlying collateral of which shall be any U.S. Government security in which the market value is equal to at least 102 percent (%) of the agreement;
9. Banker's Acceptances which are inventory-based and issued by a domestic bank which has an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" and/or "A" by Moody's Investor Service and/or "A-1" and "A" by Standard and Poor's Corporation and ranked in the top fifty (50) United States banks in terms of total assets by the American Banker's yearly report;
10. Commercial Paper rated, at the time of purchase, "Prime-1" by Moody's and/or "A-1" by Standard and Poor's (prime commercial paper);
11. State and/or Revenue bonds rated at least "Aa" by Moody's and/or "AA" by Standard and Poor's for long-term debt, or rated at least "MIG-1" by Moody's and "SP-1" by Standard and Poor's for short-term debt;
12. Fixed income mutual funds comprised of only those investment instruments as authorized above;

VI. Maturity and Liquidity Requirements

The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due and to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

- A. The average maturity of the portfolio should generally not exceed one year but may exceed one year when the risk reward perspective looks attractive.
- B. The maturity of any individual holding should generally not exceed five years but may exceed five years when there is opportunity to achieve a greater return and/or the average life is expected to be less.

VII. Portfolio Composition

Prudent investing necessitates that the portfolio be diversified as to instruments and dealers. The following limits are hereby established to

serve as guidelines for diversification by instrument. The investment officer for specific circumstances may revise these guidelines:

Local Government Surplus Funds Trust Fund (SBA)	100%
United States Treasury Bills/Notes/Bonds	75%
Other United States Government Agencies	75%
Repurchase Agreements	50%
Commercial Paper	40%
Banker's Acceptance	40%
Certificates of Deposit	15%
Collateralized Mortgage Obligations	15%

VIII. Risk and Diversification

Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the appropriate management staff.

IX. Authorized Investment Institutions and Dealers

Investment Services - Bank and broker/dealer selection for investment services will be as follows:

1. Bank - Certificates of deposit purchased under the authority of this policy will be purchased from Qualified Public Depositories of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the State Statutes.
2. Broker/Dealer Approvals - A list will be maintained of financial institutions authorized to provide investment services. Broker/Dealers will generally consist of primary dealers, banks, regional firms, and other recognizable firms in the general securities business.

X. Third-Party Custodial Agreements

All securities purchased shall be properly designated as an asset of the Board and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the U.S. Government or the State of Florida and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by authorized individuals. An independent third-party custodian provides the strongest assurance and control that the securities have been properly segregated. The custodian

will provide the Board at least quarterly with a detailed report listing all transactions, all assets including the cost basis, market value and yield.

XI. Master Repurchase Agreement

The Board should, whenever possible, use a repurchase document that is widely accepted by both the government and the broker/dealer communities. The Master Repurchase Agreement available from the Public Securities Association (PSA) is widely accepted by the government and broker/dealer communities. Attached is a copy of the PSA Master Repurchase Agreement. The Board will exercise care in selecting parties with whom it will conduct repurchase transactions.

XII. Bid Requirement

Purchases and sales of securities should generally be accomplished by competitive price quotes from separate broker/dealers to ensure the acquisition of market-based prices. Documentation will be retained for all bids. This policy may not apply in relation to swap proposals offered by a specific broker/dealer. In certain circumstances where a broker/dealer indicates that a potential purchase or sale must be completed within minutes of notification, the competitive bidding policy may be waived. The competitive bid process may also be waived with regard to new issues where there is no benefit to be realized by the School Board since the securities are sold at par. Regardless of whether the purchase or sale is executed in a competitive bid process or not the other standards outlined in this investment policy apply.

XIII. Internal Controls

The School Board shall be responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School Board are protected from loss, theft or misuse. The written internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Such controls shall include, but not be limited to, the following:

- 1) Investment review and performance reporting, interim and annual, shall be done by the Assistant Superintendent – Business Services or designee;
- 2) Such reporting shall be presented by the Assistant Superintendent – Business Services or designee to the

School Board on an annual basis or more frequently, as directed by the Board;

- 3) Written documentation and/or confirmation of telephone transactions and wire transfers shall be maintained;
- 4) Documentation shall be maintained of compliance with statutory provisions for training requirements of all appropriate personnel;
- 5) Monthly account statements will be maintained;
- 6) Trust receipts or confirmations shall fully describe the various obligations and/or securities held. Such receipts or confirmations shall state that the investment is held in the name of The School Board of Polk County, Florida; and
- 7) The Board's Internal Audit staff shall review compliance with internal controls at least annually.

XIV. Continuing Education

The investment officer or designee responsible for making investment decisions shall be provided continuing education of not less than 8 hours annually in subjects or courses of study related to investment practices and products.

XV. Reporting

The Board may dictate the type and frequency of reports. The report to the Board shall be made on an annual basis or more frequently, as directed by the Board, and shall contain the following:

1. A listing of individual securities held at the end of the reporting period.
2. The cost, par, and market value of the securities at the end of the reporting period.
3. Average weighted yield to maturity of the portfolio.
4. Maturity date of all securities and the call, reset, and put date when appropriate.
5. The percentage of the total portfolio that each type of investment represents.

6. Coupon, discount or earning rate
7. Yield on each investment.
8. Average life or duration and final maturity of all investments
9. Any exceptions to the guidelines should be highlighted
10. A comparison of the portfolio to the benchmark(s) being used.

XVI. Authorized Investments; Written Investment Policies

Whereby the Board is adopting this written investment policy as specified in accordance with Section 218.415, Florida Statutes in subsections (1)-(15) do by resolution invest and reinvest any surplus public funds in the Board's control in:

A. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.

B. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

C. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes.

D. Direct obligations of the United States Treasury.

E. Federal agencies and instrumentalities.

F. Securities of, or other interests in, any open-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

G. Other investments authorized by law or by ordinance for a county or a municipality.

H. Other investments authorized by law or by resolution for a school district or a special district.

XVII. Authority

The responsibility for providing oversight and direction in regard to the management of the investment program resides with the Assistant Superintendent – Business Services. The daily management responsibility for all Board funds in the investment program and investment transactions may be delegated to the Accounting Director or other individuals designated by the Assistant Superintendent – Business Services. No person may engage in an investment transaction except as provided under the terms of this policy and any procedures so established. The Board may employ an Investment Manager to assist in managing some of the Board's portfolio. Such Investment Manager must be registered under the Investment Advisors Act of 1940.

XVIII. Appendix

Public Securities Association, Global Master Repurchase Agreement

Statutory Authority: Florida Statutes 1001.32, 1001.41, 1001.42 and 1001.43

Laws Implemented: Florida Statutes 218.415, 1011.22

Adopted: July 26, 1972

Readopted: April 28, 1987

Amended:

June 13, 1973

December 18, 1974

September 22, 1976

November 12, 1997

April 22, 2003