

**INVESTMENT POLICY
CITY OF EXAMPLE
EXAMPLE MUNICIPAL AUTHORITY TRUST**

Section 1. General

Any and all references in this document to the "City of Example" shall be understood to include all funds of the City of Example as well as all funds of the Example Municipal Authority Trust.

Section 2. Policy

It is the policy of the City of Example to invest all public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the city and conforming to all state and local statutes governing the investment of public funds.

Section 3. Scope

This investment policy applies to all financial assets of the City of Example. These funds are accounted for in the City of Example' Comprehensive Annual Financial Report and include the following existing funds and are to include any new funds created by the Example City Council in the future:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Trust and Agency Funds

Section 4. Prudence

Investments shall 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.

The standard of prudence to be used by the investment officials shall be the "prudent person" standard and shall be applied in the context of managing an 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 expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Section 5. Objective

The primary objectives, in priority order, of the City of Example's investment activities shall be:

- a. **Safety.** Safety of principal is the foremost objective of the investment program. Investments of the City of Example shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities will be minimized.
- b. **Liquidity.** The City of Sand Spring's investment portfolio will remain sufficiently liquid to enable the City of Example to meet all operating requirements that might be reasonably anticipated.
- c. **Yield.** The City of Example' investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City of Example' investment risk constraints and the cash flow characteristics of the portfolio.

Section 6. Delegation of Authority

The City Treasurer shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the established procedures. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Section 7. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material financial interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Example' portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of Example.

Section 8. Authorized Financial Institutions

A list will be maintained of financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by the laws of the State of Oklahoma.

Section 9. Authorized and Suitable Investments

The City Treasurer is empowered by the City Council to invest in any of the securities authorized in the Oklahoma State Statutes, Title 62, Section 348.1- 348.3.

- a. Obligations of the United States government, its agencies and instrumentalities;
- b. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
- c. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph;
- d. Prime bankers' acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed 270 days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the surplus funds of the City or county which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) shall be invested in any one commercial bank pursuant to this paragraph;
- e. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and one-half (7 ½%) of the surplus funds of the city or county which may be invested pursuant to this section;

- f. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs a through e of this subsection; and
- g. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs a through f of this subsection.

Section 10. Collateralization

All collateral pledged to secure public funds shall be valued at no more than market value. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred ten percent (110%) of market value of principal and accrued interest. The City of Example chooses to limit collateral to:

- a. U. S. Treasury Securities.
- b. Direct debt obligations of municipalities, counties, and school districts in Oklahoma.

Collateral will be held by the City Treasurer of the City of Example or by an independent third party with which the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied in either case.

The City Treasurer has the discretion to refuse any collateral.

Section 11. Safekeeping and Custody

All security transactions entered into by the City of Example shall be conducted on a delivery-verses-payment (DVP) basis. Securities will be held by the City Treasurer or by a third party custodian designated by the Treasurer. Evidence of ownership is required in either case.

Section 12. Diversification

The City of Example will diversify its investments by institution. With the exception of U.S. Treasury securities and authorized pools, no more than fifty percent (50%) of the City's total investment portfolio will be invested in a single financial institution.

Section 13. Maximum Maturities

To the extent possible, the City of Example will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Example will not directly invest in securities maturing more than three years from the date of purchase.

Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Section 14. Internal Control

An independent audit of investments made and held will be performed as part of the annual audit of the City of Example at the close of each fiscal year.

Section 15. Performance Standards.

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City of Example' investment risk constraints and cash flow needs.

Section 16. Reporting

The City Treasurer shall provide the City Council with an investment activity report not less than every quarter. The report shall include listing of individual securities, earnings rate, and maturity schedules.

Section 17. Investment Policy Adoption

The City of Example' investment policy shall be adopted by resolution of the City Council of the City of Example. The City Treasurer shall review the policy on an annual basis and any modifications made thereto must be approved by the City Council.