Paradise Recreation and Park District
Financial Investment Policy

Policy

It is the policy of the Paradise Recreation and Park District ("District") to provide guidelines for the prudent investment of District funds and to maximize the efficiency of the District's cash management. The ultimate goal is to enhance the economic status of the District consistent with the prudent protection of the District's investments. This investment policy has been prepared in conformance with all pertinent existing laws of the State of California including California Government Code Sections 53600, *et seq.*

Scope

This policy covers all funds and investment activities of the District except for (1) the proceeds of bond issues, which are invested in accordance with provisions of their specific bond indentures, and (2) funds invested in retirement or deferred compensation plans. All funds covered by this policy are defined and accounted for in the District's audited annual Basic Financial Statements Report. Further, any new funds created shall be covered by this policy unless specifically excluded by District management and the Board of Directors.

Prudent Investor Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person in a like capacity and familiar with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principle and maintain the liquidity needs of the District." This standard 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 the above standard of 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 appropriate action is taken to control adverse developments.

Investment Objectives

A. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds,

1. The primary objective is to safeguard the principle of the funds.
2. The secondary objective is to meet the liquidity needs of the District.
3. The third objective is to achieve a reasonable market rate of return on invested funds.

It is the policy of the District to invest public funds in a manner to obtain the highest yield obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

B. Safety of Principle

Safety of principle is the foremost objective of the District. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they arise from securities defaults, institution default, broker-dealer default, or erosion of market value of securities. The District shall mitigate the risk to the principle of invested funds by limiting credit and interest rate risks. Credit Risk is the risk of loss due to the failure of a security's issuer or backer. Interest Rate Risk is the risk that the market value of the District's portfolio will fall due to an increase in general interest rates.

1. Credit risk will be mitigated by:

    a. Limiting investments to only the most creditworthy types of securities;

    b. Prequalifying the financial institutions with which the District will do business, using a questionnaire or other screening tool, and

    c. Diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place undue burden on the District.

2. Interest rate risk will be mitigated by:

    a. Structuring the District's portfolio so that securities mature to meet the District's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and
    b. Investing a portion of the portfolio in shorter-term securities.

C. Liquidity

Availability of sufficient cash to pay for current expenditures shall be maintained in money market funds, local government investment pools that offer daily liquidity, repurchase agreements, or short-term securities that can easily be converted into cash because they have secondary markets. The accounting management system of the District shall be designed to accurately monitor and forecast expenditures and revenues to ensure the investment of monies to the fullest extent possible.

D. Rates of Return

Yield on investments shall be considered only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market average rate of return throughout economic cycles, taking into account the District's risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

Delegation of Authority

A. Responsibilities of the Accounting Department

As delegated on an annual basis by the Board of Directors, and in accordance with California Code Section 53607, the Accounting Department is charged with the responsibility for maintaining custody of all public funds and securities belonging to or under the control of the District, and for the deposit and investment of those funds in accordance with principles of sound treasury management and with applicable laws and ordinances.

B. Responsibilities of the District Accountant

The District Accountant shall perform the monthly review and reconciliation of accounting investments as well as be responsible for the conduct of all Accounting Department functions.

C. Responsibilities of the District Manager

The District Manager is responsible for directing and supervising the assigned designee and is responsible further to keep the Board of Directors fully advised as to the financial condition of the District.

D. Responsibilities of the District's Auditing Firm

The District's auditing firm's responsibilities shall include but not be limited to the examination and analysis of fiscal procedures and the examination, checking and verification of accounts and expenditures. A review of the District's investment program is a part of the responsibility described above.

E. Responsibilities of the Board of Directors

The Board of Directors shall annually review and approve the written Investment Policy. As provided in the Policy, the Directors shall receive, review, and accept quarterly investment reports, as identified in California Code Section 53646 et seq, and monthly investment reports as identified in California Code Section 53607, which may be included in the Consent Calendar of the regularly scheduled meeting of the Board of Directors.

F. Responsibilities of the Finance Committee

There shall be a Finance Committee consisting of two (2) members of the Board of Directors.

No members of the Finance Committee shall profit in any way from activities of the Committee. The District Manager and assigned designee(s) shall serve as staff liaison to the Committee. The Committee shall meet as needed to discuss the investment reports, investment strategy, investment and banking procedures, as well as the anticipated cash flow projection and any other significant investment-related activities being undertaken. The Committee's meetings will be summarized in minutes, which are distributed to the Board of Directors. In the event that a Finance Committee meeting is not held, the Accounting Department will prepare an investment report and send it to the full Board of Directors on a monthly basis.

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 which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any material financial interest in financial institutions that conduct business with this District, and they shall further disclose any large personal financial / investment positions that could be related to the performance of the District's portfolio.

Diversification and Risk

The District recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. To minimize the District's exposure to these types of risk, the portfolio should be diversified among several types of institutions, instruments, and maturities. The
District Manager with the Finance Committee shall minimize default risk by prudently selecting only instruments and institutions, which at the time of placement have been evaluated for their financial viability and compliance with this policy. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Performance Standards

The investment portfolio will be managed in accordance with the standards established within this Investment Policy and should obtain a market rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints, cash flow needs, and maturities of the investments.

Reporting

The District has adopted California Government Code 53607 and 53646 et seq to define the District's reporting responsibilities.

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