

May 6, 2004

RE: Investment Policy

Dear ?????:

Following our conversation regarding investments for the district I wanted to forward to you some additional information on this issue. It has been our general experience that a number of political subdivisions in Missouri use the list of approved investments for the State Treasurer as a guideline when considering an investment policy. The statutory list of allowable investments for the State Treasurer is as follows:

- (1) Bonds or other obligations of the United States;
- (2) Bonds or other obligations of the State of Missouri including revenue bonds issued by state agencies or by state authorities created by legislative enactment;
- (3) Bonds of any city in this state having a population of not less than two thousand;
- (4) Bonds of any county in this state;
- (5) Approved registered bonds of any school district situated in this state;
- (6) Approved registered bonds of any special road district in this state;
- (7) State bonds of any state;
- (8) Notes, bonds, debentures or other similar obligations issued by the federal land banks, federal intermediate credit banks, or banks for cooperatives or any other obligations issued pursuant to the provisions of an act of the Congress of the United States known as the Farm Credit Act of 1971, and acts amendatory thereto;
- (9) Bonds of the federal home loan banks;
- (10) Any bonds or other obligations guaranteed as to payment of principal and interest by the government of the United States or any agency or instrumentality thereof;
- (11) Bonds of any political subdivision established pursuant to the provisions of section 30, article VI, of the Constitution of Missouri;
- (12) Tax anticipation notes issued by any county of the first classification;

(13) A surety bond issued by an insurance company licensed pursuant to the laws of the State of Missouri whose claims-paying ability is rated in the highest category by at least one nationally recognized statistical rating agency. The face amount of such surety bond shall be at least equal to the portion of the deposit to be secured by the surety bond;

(14) An irrevocable standby letter of credit issued by a Federal Home Loan Bank possessing the highest rating issued by at least one nationally recognized statistical rating agency;

(15) Out-of-state municipal bonds, provided such bonds are rated in the highest category by at least one nationally recognized statistical rating agency.

Additionally, the Missouri Constitution grants the state treasurer powers related to certain other investments including time deposits maturing in not more than 5 years and repurchase agreements maturing and becoming payable in not more than 90 days.

It is our sense that many Missouri local governments further restrict their surplus cash investments to certificates of deposit.

One of the goals of any sound investment policy is to attempt to match available cash to cash needs. Investing funds for a period greatly in excess of when such funds will be needed is not advisable if for no other reason than the penalties to be paid for early withdrawal from certain investments may negate the higher earnings achieved by tying up money for the long term. Additionally, in the present interest rate environment where there appears a strong likelihood that rates could rise over the next few months, putting money in long term investments may deprive the District of an ability to benefit from higher rates of return attributable to such an increase.

Please contact me if I can be of further assistance.

Sincerely,  
KIRKPATRICK PETTIS

By \_\_\_\_\_  
Charles L. Zitnik