



Investment Report:
December 31, 2007

(Previous Update: June 30, 2007)

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A. Board Investment Policy

6144 – INVESTMENTS (Revised 1/10/05)

The Board of Education authorizes the Treasurer to make investments of available monies from the funds of the District in securities authorized by the Ohio Revised Code. These shall include but are not limited to:

- A. bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest thereon but does not include stripped principal or interest obligations of such obligations;
- B. bonds, notes, debentures, or any other obligations or securities directly issued by a Federal government agency or instrumentality;
- C. interim deposits in Board-approved depositories which shall be collateralized pursuant to the requirements of the Ohio Revised Code;
- D. bonds and other obligations of the State of Ohio;
- E. no-load money market mutual funds consisting exclusively of obligations described in A. and B. above or repurchase agreements secured by such obligations, provided such investments are made only through banks and savings and loan institutions authorized by O.R.C. Section 135.03;
- F. the Ohio Subdivision Fund (STAR Ohio).

Under no circumstances may the Treasurer invest in a derivative as defined by the Ohio Revised Code, reverse repurchase agreements, or other funds prohibited by law. The Treasurer shall also not make investments which s/he does not reasonably believe can be held until the maturity date or leverage any investment.

Provided the Treasurer has completed additional training that has been approved under the supervision of the Auditor of State, the Treasurer is authorized to invest to a maximum of twenty-five percent (25%) of the District's interim funds in either of:

- A. commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business, general or limited partnership or limited liability company which has assets exceeding \$500,000,000. Such notes must:
 - 1. be rated at the time of purchase in the highest classification established by at least two (2) nationally recognized standard rating services;
 - 2. have an aggregate value that does not exceed ten percent (10%) of the outstanding commercial paper of the issuing entity;
 - 3. mature no later than 180 days after purchase.
- B. Bankers acceptances of banks that are members of the FDIC and whose obligations:
 - 1. are eligible for purchase by the Federal Reserve System;
 - 2. mature no later than 180 days after purchase.

Investments made by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the District.

The Treasurer is also authorized to enter into written repurchase agreements in accordance with Section 135.14(E) of the Ohio Revised Code. Such agreements may be either overnight or within a time not to exceed thirty (30) days and may only involve securities listed in A-E above.

The purpose of the investments is to maximize the returns on the District's excess cash balances consistent with safety of those monies and with the desired liquidity of the investments.

The following investment objectives will be applied:

- A. The primary objective shall be the preservation of capital and protection of principal while earning investment interest.
- B. In investing public funds, the Treasurer will strive to achieve a market rate of return on the investment portfolio over the course of budgetary and economic cycles taking into account State law, safety considerations and cash flow requirements.
- C. The investment portfolio shall remain sufficiently liquid to enable the Treasurer to meet reasonable anticipated operating requirements.

- D. The investment portfolio should be diversified in order to avoid incurring potential losses regarding the individual securities which may not be held to maturity, whether by erosion of market value or change in market conditions.
- E. Investments shall be made with the exercise of that degree of judgement 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.
- F. Bank account relationships will be managed in order to secure adequate services while minimizing costs. Deposits should be concentrated in single accounts except where audit control considerations dictate otherwise.

In making investments authorized by Section 135.14 of the Ohio Revised Code, the Treasurer may retain the services of an investment advisor, provided the advisor is licensed by the Division of Securities under Section 1707.141 of the Ohio Revised Code, or is registered with the Securities and Exchange Commission, or is an eligible institution.

Unless the District's annual portfolio of investments is \$100,000 or less, the Treasurer must place on file with the Auditor of State a written investment policy that has been approved by the Board of Education. All financial institutions, broker/dealers and investment advisors which desire to conduct investment business with the District must sign this investment policy certifying they have received, read, understand and will abide by its contents when recommending or selling investments to the District. Earnings on an investment may become a part of the fund from which the investment was made, unless otherwise specified by law.

The Treasurer, acting in accord with the law, may withdraw funds from approved public depositories or sell negotiable instruments prior to maturity.

B. Treasurer's Investment Certification

All public funds managers whose duties include making investment decisions with respect to the investment or deposit of interim monies are required to complete the CPIM certification with the Treasurer of State. The Treasurer must complete at least six (6) hours of continuing education annually either conducted or accredited by CPIM in order to receive a Certificate of Program Completion.

Currently, both the Treasurer and Assistant Treasurer maintain the required CPIM certification.

C. Current Portfolio

	Description	12/31/07 Balance	Yield	Maturity
STAR Ohio	Deposit Account	\$0.00	4.600%	N/A
First Merit Bank	General Account	\$107,061.79	0.000%	N/A
First Merit Bank	Sweep Account	\$1,435,000.00	4.000%	N/A
Charter One Bank	Holding Account	\$125,097.19	4.270%	N/A
R.W. Baird	Construction Fund	\$1,879,273.60	5.030%	N/A
Charter One Bank	Certificate of Deposit	\$2,000,000.00	4.563%	12/26/07
Charter One Bank	Certificate of Deposit	\$2,000,000.00	4.552%	02/11/08
Charter One Bank	Certificate of Deposit	\$1,500,000.00	4.552%	02/25/08
Charter One Bank	Certificate of Deposit	\$1,500,000.00	4.552%	03/10/08
Charter One Bank	Certificate of Deposit	\$5,500,000.00	4.613%	03/14/08
Citigroup (FHLB)	Agency Discount Note	\$713,677.25	4.561%	01/15/08
Citigroup (FHLB)	Agency Discount Note	\$788,909.80	4.549%	02/01/08
HNB (FHLMC)	Agency Discount Note	\$496,625.00	4.490%	06/04/08

Total Current Principal Balances = \$18,045,644.63

Total Current Weighted Yield = 4.547%

Principal Balances One Year Ago = \$15,136,773

Weighted Yield One Year Ago = 5.260%

D. Summary

Our portfolio continues to reduce risk through diversification of service providers (R.W. Baird, Charter One Bank, etc.), as well as diversification of securities (sweep accounts, CD's, discount notes, etc.). The primary goal of a public institution's investment portfolio is preservation of capital, as evidenced by the laws governing such investment programs.

The previous investment report (June 30, 2007) stated, "The current yield curve remains flat, but has shown some signs of returning to a more 'normal' shape. The general consensus of investment professionals seems to be an anticipation that short term rates may decrease in the near future (specifically the second half of the calendar year)." The prediction came true. The yield curve has normalized to some extent, and short term rates have dropped.

As before, there is still some interest rate risk being assumed on the part of the District, as we continue to hold some short-term instruments that would be susceptible to such fluctuations. Balancing the District's cash flow needs with the interest rate risk is a constant struggle, and we are mindful of this. There is some potential that we will enter into some longer-term securities, as our cash flow permits.