

**S & S Consolidated Independent School District**

**Annual review of Investment Policy and Investment Strategies**

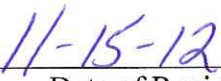
**2012-2013  
(Fiscal year 2011-2012)**

- Review of Strategies
- Review of Policies
- Review of Activities and Total Yield
  - Review of Investment Plans
  - Review of Needed Improvements
- Record of Any Changes in Policy or Investment Strategies

The Board of Trustees for the S&S Consolidated Independent School District has reviewed the above areas of the District Investment Policy and has recorded any changes or corrections noted by the Board during the Annual Evaluation.

  
\_\_\_\_\_  
Superintendent

\_\_\_\_\_  
President of Board

  
\_\_\_\_\_  
Date of Review

\*An indication of yes signifies that the policy has been reviewed and no changes were necessary.

\*An indication of no signifies that the policy has been reviewed and changes were noted.

**S&S Consolidated Independent School District**  
Annual review of investment policy and investment strategies

In addition to the quarterly investment report required by law and signed by the District's investment officer, a comprehensive report on the investment program and investment activity shall be presented annually to the Board. This report shall include a performance evaluation that may include, but not limited to, comparisons to 91-day Treasury Bills, six month U.S. Treasury Bills, the Fed Fund rate, the Lehman bond index, and rates from investment pools. The annual report shall include a review of the activities and total yield for the preceding 12 months, suggest policies, strategies, and improvements that might enhance the investment program, and propose an investment plan for the ensuring year. The investment policy and the investment strategy are reviewed not less than annually. The Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

All investment made by the District comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state and local statutes, rules or regulations. *Gov't Code 2256.26*

Yes  No

Investments are made in accordance with written policies approved by the Board. The investment policies must primarily emphasize safety of principal and liquidity and must address investment diversification, yield, and maturity, and the quality and capability of investment management. The policies local policy includes:

1. A list of the types of authorized investments in which the Board's funds may be invested;
2. The maximum allowable state maturity of any individual investment owned by the Board;
3. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the state maturity date of the portfolio;
4. Methods to monitor the market price of investments acquired with public funds; and
5. A requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis.

Yes  No

The Board performed a compliance audit of management controls on investments and adherence to the Board's established investment policies. The compliance audit was performed in conjunction with the annual financial audit and showed no material weaknesses.

*Yes* No

The Board approved investment instruments from those investments authorized by law and described in CDA (LEGAL). The Board permitted investment of District funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of or guaranteed by, governmental entities as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. Banker's acceptances as permitted by Government Code 2256.012.
5. Commercial paper as permitted by Government Code 2256.013.
6. Two types of mutual funds as permitted by Government Code 2256.014: money market mutual funds and no-load mutual funds.
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.
8. Public funds investment pools as permitted by Government Code 2256.016.

*Yes* No

As part of the investment policy, the Board adopted a separate written investment strategy for each of the funds or group of funds under the Board's control. Each investment strategy must describe the investment objectives for the particular fund under the following priorities in the order of importance:

1. Understanding the suitability of the investment to the financial requirements of the Board;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the investment needs to be liquidated before maturity;
5. Diversification of the investment portfolio; and
6. Yield.

*Yes* No

**American Bank of Texas – Money Markets** – written investment strategy for the fund or group of funds. Investments shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs, not for the speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investments shall be governed by the following objectives in order of priority:

1. Preservation and safety of principal:
  - a. Total of all money markets will be fully collateralized by the institution
  - b. The institution will be given a copy of the state law dealing with public school investments and will promise to abide by the state law and local policy.
  - c. The institution will maintain a diversified portfolio and will inform the school on a regular basis on any changes.
2. Liquidity
  - a. Liquidity will be maintained under state guideline A system of maximum.
3. Yield
  - a. Maximum yield will be maintained through monthly checks on the percent interest earned.

Yes No

**Texpool and Texas Class-Government insured investment pools**-written investment strategy for the fund or group of funds. Investment shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs, not for speculations, but for investment, considering the probable safety of capital and the probable safety of capital and the probable income to be derived. Investments shall be governed by the following objectives in order or priority:

1. Preservation and safety of principal;
  - a. Total of all money markets will be fully collateralized by the institution
  - b. The institution will be given a copy of the state law dealing with public school investments and will promise to abide by the state law and local policy.
  - c. The institution will maintain a diversified portfolio and will inform the school on a regular basis of any changes.
2. Liquidity
  - a. Liquidity will be maintained under state guideline A system of maximum
3. Yield
  - a. Maximum yield will be maintained through monthly checks on the percent interest earned.

Yes No

The Board has designated one or more officers or employees as investment officer (s) to be responsible for the investment of its funds (Superintendent). If the Board has contracted with another investing entity to invest its funds, the investment officer of other investing entity is considered to be the investment officer of the contracting Board's district. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of a person's own affairs, but the Board retains the ultimate responsibility as fiduciaries of the assets of the District. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity. Authority granted to a person to invest an entity's funds is effective until rescinded by the Board or until termination of the person's employment of the District. *Gov't Code 2256.005 (f)*

Yes  No

Within 12 months after taking office or assuming duties, the treasurer or chief financial officer and the investment officer of the District shall attend at least one training session from an independent source approved by either the Board or by a designated investment committee advising the investment officer, as provided for in the District's investment policy. This initial training must contain at least ten hours of instruction relating to their respective responsibilities under the Public Funds Investment Act. The treasurer or chief financial officer and the investment officer must also attend an investment training session not less than once in a two-year period and receive not less than ten hours of instruction relating to investment responsibilities under the Public Fund Investment Act from an independent source approved by the Board or a designated investment committee advising the investment officer, as provided by the District's investment policy. A district that has contracted with another investing entity to invest the District's funds may satisfy this training requirement by having a Board officer attend four hours of appropriate instruction in a two-year period.

Yes  No

Investment training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Government Code, Chapter 2256.

Yes  No

Investments were made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investments shall be governed by the following objectives in order of priority:

1. Preservation and safety of principal;
2. Liquidity; and
3. Yield

Yes  No

In determining whether an investment officer has exercised prudence with respect to an investment decision, the following shall be taken into consideration:

1. The investment of all funds, rather than the purchase of a single investment, over which the officer had responsibility.
2. Whether the investment decision was consistent with the Board's written investment policy.

Yes No

The district investment officer who has a personal business relationship with a business organization to engage in an investment transaction with the District has filed a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined by Government Code Chapter 573, to an individual seeking to sell an investment to the District shall file a statement disclosing that relationship with the Board and with the Texas Ethics Commission. For purposes of this policy, an investment officer has a personal business relationship with a business organization if:

1. The investment officer owns ten percent or more of the voting stock or shares of the business organizations or owns \$5000 or more of the fair market value of the business organization;
2. Funds received by the investment officer from the business organization exceed ten percent of the investment officer's gross income for the previous year; or
3. The investment office has acquired from the business organization during the previous year investments with a book value of \$2500 or more for the personal account of the investment officer.

Yes No

Not less than quarterly, the investment officer shall prepare and submit to the Board a written report of investment transactions for all funds covered by the Public Funds Investment Act. This report shall be presented to the Board not less than quarterly, within a reasonable time after the end of the period. The report must:

1. Contain a detailed description of the investment position of the District on the date of the report.
2. Be prepared jointly and signed by all District investment officers.
3. Contain a summary statement for each pooled fund group (i.e., each internally created fund in which one or more accounts are combined for investing purposes). The report must be prepared in compliance with generally accepted accounting principles and must state:
  - a. Beginning market value for the reporting period;
  - b. Additions and changes to the market value during the period;
  - c. Ending market value for the period; and

- d. Fully accrued interest for the reporting period.
4. State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested.
5. State the maturity date of each separately invested asset that has a maturity date.
6. State the account or fund or pooled group fund in the District for which each individual investment was acquired.
7. State the compliance of the investment portfolio of the District as it relates to the District's investment strategy expressed in the District's investment policy and relevant provisions of the law.

Yes No

If the District invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports were formally reviewed at least annually by an independent auditor, and the review shall be reported to the Board by that auditor.

Yes No

The Board or a designated investment committee, shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.  
*Gov't Code 2256.025*

Yes No

The Board purchased, sold, and invested its funds and funds under its control only in investments described below, in compliance with its adopted investment policies and according to the standard of care set out in this policy. Investments may be made directly by the Board or by a nonprofit corporation acting on behalf of the Board or an investment pool acting on behalf of two or more local governments, state agencies, or a combination of the two.

1. The following investments are authorized:

Obligations, including letters of credit, of the United States or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the state of Texas, the United States, or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and bonds issued, assumed, or guaranteed by the state of Israel. *Gov't Code 2256.009 (a)*

The following investments are not authorized:

- a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
  - b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
  - c. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
  - d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
2. Certificates of deposit or share certificates issued by a state or national bank domiciled in Texas or a savings bank domiciled in Texas or a state or federal credit union domiciled in Texas that is guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor and is secured by obligations described in item 1 above, including mortgage-backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates (but excluding those mortgage-backed securities described in Section 2256.009(b)) or secured in any other manner and amount provided by law for the deposits of the investing entity. *Gov't Code 2256.010*
  3. Fully collateralized repurchase agreements that have a defined termination date, are secured by obligations of the United States or its agencies and instrumentalities, are pledged to the District, held in the District's name, and deposited with the District or a third party selected and approved by the Board, and placed through a primary government securities dealer, as defined by the Federal Reserve or a financial institution doing business in Texas. The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the District under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement. *Gov't Code 2256.011*
  4. Banker's acceptance, with a stated maturity of 270 days or fewer from the date of issuance that will be liquidated in full at maturity, which is eligible for collateral for borrowing from a Federal Reserve Bank, and is accepted by a bank meeting the requirements of Government Code 2256.012 (4). *Gov't Code 2256.012*
  5. Commercial paper that has a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A-1 or P-1 or any equivalent rating by at least two nationally recognized credit rating agencies or by one nationally recognized credit rating agency provided the commercial paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under U.S. law or the laws of any state. *Gov't Code 2256.013*



6. No-load money market mutual funds that:
  - a. Are registered with and regulated by the Securities and Exchange Commission;
  - b. Provide the District with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.);
  - c. Have a dollar-weighted average stated maturity of 90 days or fewer; and
  - d. Include in their investment objectives the maintenance of a stable net asset value of \$1 for each share.
  
7. However, investments in no-load money market mutual funds shall be limited to the percentages authorized by Government Code 2256.014 (c). No-load mutual funds that:
  - a. Are registered with the Securities and Exchange Commission;
  - b. Have an average weighted maturity of less than two years;
  - c. Are invested exclusively in obligations approved by Government Code Chapter 2256, Subchapter A, regarding authorized investments (Public Funds Investment Act);
  - d. Are continuously rated by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
  - e. Conform to the requirements in Government Code Section 2256.016 (b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
  
8. Investments in no-load mutual funds shall be limited to the percentages authorized by Government Code 2256.014 (c). In addition, the District may not invest any portion of bond proceeds, reserves, and funds held for debt service, in no-load mutual funds described in this item.
  
9. A guaranteed investment contract, as in investment vehicle for bond proceeds, if the guaranteed investment contract;
  - a. Has a defined termination date
  - b. Is secured by obligations described by Government Code Section 2256.009 (a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract.
  - c. Is pledged to the District and deposited with the District or with a third party selected and approved by the District.

Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested in a guaranteed investment contract with a term longer than five years from the date of issuance of the bonds.

10. To be eligible as an authorized investment:

- a. The Board must specifically authorize guaranteed investment contracts as eligible investments in the order, ordinance, or resolution authorizing the issuance of bonds.
- b. The District must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received.
- c. The District must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received.
- d. The price of the guaranteed investment contract must take into account the reasonably expected draw down schedule for the bond proceeds to be invested.
- e. The provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

11. A public funds investment pool meeting the requirements of Government Code 2256.016 and 2256.019, if the Board authorizes the investment in the particular pool by resolution. *Gov't Code 2256.016, 2256.019*

Yes No

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with an investing entity or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. For purposes of this policy, a business organization includes investment pools and an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. The qualified representative of the business organization offering to engage in an investment transaction with the District shall execute a written instrument in a form acceptable to the District and the business organization substantially to the effect that the business organization has: Received and thoroughly reviewed the District investment policy; has acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and the organization that are not authorized by the District's policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

Yes No

The investment officer has not acquired or otherwise obtained any authorized investment described in the District's investment policy from a person who has not delivered to the District the instrument described above.

Yes No

The Board approves the District's use of electronic means to transfer or invest all funds collected or controlled by the District. *Gov't Code 2256-051*

*Yes*

*No*

Performance evaluation:

**Review of the activities and total yield**

<b>American Bank Money Market</b>	Beginning Balance	Ending Balance	Annual percentage rate	Total interest
	<b>09/01/2011</b>	<b>08/31/2012</b>		
I & S	\$270,398.66	\$287,301.24	.35%	\$1492.26
M & O	\$1,517,434.17	\$1,074,637.30	.35%	\$7203.13
Workers Comp	\$3,175.09	\$1,452.75	.35%	\$3.47

<b>TexPool Gov Pool</b>	Beginning Balance	Ending Balance	Annual percentage rate	Total interest
	<b>09/01/2011</b>	<b>08/31/2012</b>		
I & S	\$5,092.34	\$5,097.99	.11%	\$5.65
M & O	\$525,958.10	\$526,780.39	.11%	\$822.29
Workers Comp	\$50,432.87	\$50,487.58	.11%	\$69.60

<b>Texas Class</b>	Beginning Balance	Ending Balance	Annual percentage rate	Total interest
	<b>09/01/2011</b>	<b>08/31/2012</b>		
M&O	\$615,407.13	\$ 1,517,837.00	.24%	\$2,733.95

Board comments and statements of changes that need to be made: