

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

Objectives

The investment policy of the District shall be to:

1. Assure the safety of the invested funds of the District;
2. Maintain sufficient liquidity to provide adequate and timely working funds;
3. Attain the highest possible rate of return while providing necessary protection of principal consistent with District operating requirements as determined by the Board;
4. Diversify investments as to maturity, instruments, and financial institutions where permitted under state law; and
5. Ensure the quality and capability of investment officers through ongoing training.

Investment Authority

The chief financial officer and other persons designated by Board resolution shall serve as the investment officer of the District and shall invest District funds as directed by the Board and in accordance with the District's written investment policy and generally accepted accounting procedures. All investment transactions except investment pool funds and mutual funds shall be settled on a delivery versus payment basis.

**Approved
Investment
Instruments**

From those investments authorized by law and described further in CDA(LEGAL) under Authorized Investments, the Board shall permit investment of District funds, including bond proceeds and pledged revenue to the extent allowed by law, 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. A master repurchase agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions shall be on a delivery versus payment basis.
4. Banker's acceptances as permitted by Government Code 2256.012.
5. Commercial paper as permitted by Government Code 2256.013.
6. No-load ~~Two types of~~ mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by

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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.

Safekeeping Agreement

The District shall contract with a bank or banks for the safekeeping of securities either owned by the District as part of its investment portfolio or held as collateral to secure demand or time deposits.

Safekeeping and Custody

Safekeeping and custody of securities and collateral shall be in accordance with state law. Securities and collateral shall be held by a third party custodian designated by the District, and held in the District's name as evidenced by safekeeping receipts of the institution with which the securities are deposited. Collateral for certificates of deposits in banks shall be registered in the District's name in the bank's trust department or, alternatively, in a Federal Reserve Bank account in the District's name, or a third party bank in the District's name, at the District's discretion.

The District shall retain clearly marked receipts providing proof of the District's ownership, or the District may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with District funds.

Safety

The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Investment Management

In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for District funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256.

Pooling of Funds

Except for cash in certain restricted and special funds, the District may consolidate cash balances from all funds to maximize investment earnings. Investment income shall be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. The portfolio shall have a weighted average maturity of one year or less. This dollar

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weighted average maturity shall be calculated using the stated final maturity dates of each security.

Liquidity and Maturity

The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

Diversity

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Monitoring Market Prices

Monitoring shall be done ~~monthly or~~ monthly or more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment. The chief financial officer shall keep the Board informed of significant changes in the market value of the District's investment portfolio. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisers, and representatives/advisers of investment pools or money market funds. All prudent measures shall be taken to liquidate an investment that is downgraded to less than the required minimum rating.

Monitoring Rating Changes

In accordance with Government Code 2256.005(b), the investment officer shall develop a procedure to monitor changes in investment ratings and to liquidate investments that do not maintain satisfactory ratings.

Maximum Allowable Stated Maturity

The maximum allowable stated maturity of any individual investment owned by the entity shall be as follows:

	Maximum Allowable Maturity
1. U.S. Treasuries and securities with U.S. government guarantee	5 years
2. U.S. government agencies and instrumentalities	5 years
3. Fully insured or collateralized CDs	365 days
4. Banker's acceptance	270 days
5. Commercial paper	270 days
6. Repurchase agreements	365 days
7. Money market funds	90 days
8. Local government investment pool	365 days
9. Mutual funds	365 days

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Funds / Strategies	Investments of the following fund categories shall be consistent with this policy and in accordance with the applicable strategy defined below. All strategies described below for the investment of a particular fund should be based on an understanding of the suitability of an investment to the financial requirements of the District and consider preservation and safety of principal, liquidity, marketability of an investment if the need arises to liquidate before maturity, diversification of the investment portfolio, and yield.
Operating Funds	Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
<u>Custodial Agency</u> Funds	Investment strategies for <u>custodial agency</u> funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
Debt Service Funds	Investment strategies for debt service funds shall have as their primary objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.
Capital Project Funds	Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded.
Food Service Funds	Investment strategies for food service funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
Internal Service Funds	Investment strategies for workers' compensation insurance and medical trust funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
Sellers of Investments	<p>Prior to handling investments on behalf of the District, a broker/dealer or a qualified representative of a business organization must submit required written documents in accordance with law. [See Sellers of Investments, CDA(LEGAL)]</p> <p>Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), and be in good standing with the Financial Industry Regulatory Authority (FINRA).</p>

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Soliciting Bids

In order to get the best return on its investments, the District may solicit bids in writing, by telephone, or electronically.

Interest Rate Risk

To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted average maturity limits and diversification.

Internal Controls

A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, they shall be designed to protect against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the District. Controls deemed most important shall include:

1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds;
2. Avoidance of collusion;
3. Custodial safekeeping;
4. Clear delegation of authority;
5. Written confirmation of telephone transactions;
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale; and
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the District's independent auditing firm.

Portfolio Report

~~In addition to the quarterly report required by law and signed by the District's investment officer, a comprehensive report on the investment program and activity shall be presented annually to the Board.~~

Annual Review

The Board shall review this investment policy and investment strategies not less than annually and shall document its review in writing, which shall include whether any changes were made to either the investment policy or investment strategies.

Annual Audit

In conjunction with the annual financial audit, the District shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies.