

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

Policy

The District shall invest public funds in a manner that emphasizes the safety of invested funds, maintains sufficient liquidity to provide for the daily needs of the District, and maximizes the potential investment return.

Scope

The investment policy applies to all financial assets of the District. These funds are accounted for in the District's annual audit report and include:

1. General fund.
2. Special revenue fund(s) including funds used to account for federal, state, and local grants, as well as the food service fund and the student activity fund.
3. Debt service fund(s).
4. Capital project fund(s).
5. Proprietary fund(s) including the funds used to account for the workers' compensation self-insurance program.
6. Trust and custodial funds including the student activity fund.

Objectives

The primary objectives of the District's investment activities, in order of importance, are:

1. Safety: Investments of the District shall be selected in a manner that seeks to ensure the preservation of capital in the overall portfolio at all times. To attain this objective, the portfolio must be diversified and based upon anticipated cash flow needs for the next 12 months in such a way that potential losses on individual securities do not affect the District's ability to meet those cash flow needs.
2. Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements that can be reasonably anticipated based upon cash flow projections which are to be prepared on a combination of semi-monthly, monthly, and an annual basis.
3. Diversification: Diversification shall be used as a risk management technique in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio and to minimize losses resulting from fluctuations in market value or credit considerations.
4. Yield: The District's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the District's investment strategy, which is passive. Given the strategy, the

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basis used by the investment officer to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill.

Investment Officer The designated investment officer(s) for the District shall be named by resolution passed by the Board.

Investment Strategies The District shall have a written investment strategy for each fund type covered by this policy. Such strategy is incorporated herein by reference. The strategy shall be set forth and reviewed annually by the Board.

Authority for Investment Program In accordance with the Public Funds Investment Act, the responsibility for conducting investment transactions resides with the trustees of the Board. Management oversight responsibility for the investment program is delegated to the Superintendent or designee, who shall develop and maintain written procedures for the operation of the investment program consistent with these policies. The investment officer(s) shall comply with the investment program procedures.

Procedures should include reference to safekeeping, depository contracts, management contracts, and collateral agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy. The investment officer(s) shall be responsible for all transactions undertaken and shall adhere to a system of controls to regulate the activities of subordinate officials as established by the assistant superintendent for business. All investment transactions except investment pool funds and mutual funds shall be executed on a delivery versus payment basis.

Prudence 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 speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

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 prudence of a single investment, over which the officer had responsibility.
2. Whether the investment decision was considered with the Board's written investment policy.

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Deviations from expectations of the investment portfolio are to be reported in a timely fashion, and appropriate action is to be taken to control adverse developments.

**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 that could impair their ability to make impartial decisions. Employees and the investment officer shall disclose to the Superintendent any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District, particularly with regard to the time of purchases and sales.

**Authorized Financial
Dealers and
Institutions**

The District shall make its investment policy available to any securities firm seeking to do business with the District that are registered with the state securities commission in the state of Texas and Financial Industry Regulatory Authority (FINRA) registered. The registered principal of the securities firm, after thoroughly reviewing the policy, shall provide the District with a written instrument stating "... the registered principal has reviewed the investment policy of the District and acknowledges that the securities firm has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the District and the securities firm..." before the District may purchase securities from the registered principal or the securities firm. A list of the District's authorized brokers/dealers shall be reviewed and adopted at least annually by the Board.

**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.
4. A securities lending program as permitted by Government Code 2256.0115.

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5. Banker's acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by Government Code 2256.014.
8. 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.
9. Public fund investment pool as permitted by Government code 2256.016.

The maximum dollar weighted average maturity on any pooled or debt service fund/portfolio shall not exceed three years.

Collateral

Collateralization will be required on certificates of deposit and re-purchase agreements at 102 percent minimum with 110 percent for mortgage backed securities pledged.

Diversity

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

Monitoring Market Prices

Market prices shall be obtained from independent sources.

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.

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, 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;
2. Avoidance of collusion;
3. Custodial safekeeping;

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4. Clear delegation of authority, procedurally or contractually;
5. Written confirmation of telephone transactions; and
6. Documentation of transactions and rationale.

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

**Performance
Standards**

The investment portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

Funds / Strategies

Appropriate investments for each fund listed shall include only the securities described in this policy as authorized and suitable investments.

Investments of the following fund categories shall be consistent with and in accordance with the strategies defined below:

General Funds

Investment strategies for general funds (including any commingled pools containing general funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to assure required liquidity and preservation of capital while providing a market yield. The portfolio shall have a maximum weighted maturity not to exceed 180 days.

**Special Revenue
Funds**

Investment strategies for special revenue funds (including any commingled pools containing special revenue funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to assure the required liquidity and preservation of capital while providing a market yield to enhance these funds. The portfolio shall have a maximum weighted maturity not to exceed 180 days.

Proprietary Funds

Investment strategies for proprietary funds (including any commingled pools containing proprietary funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to assure the required liquidity and preservation of capital while providing a market yield to enhance these funds. The portfolio shall have a maximum weighted maturity not to exceed 180 days.

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Trust and Custodial
Funds

Investment strategies for trust and custodial funds shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to assure the required liquidity and preservation of capital while providing a market yield to enhance these funds. The portfolio shall have a maximum weighted maturity not to exceed 180 days.

Debt Service Funds

Investment strategies for debt service funds shall have as their objective sufficient investment liquidity timely to 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. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to assure the required liquidity and preservation of capital while providing a market yield to enhance these funds. The portfolio shall have a maximum weighted maturity not to exceed 180 days.

Capital Projects
Funds

Investment strategies for capital projects funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. If the District has funds from bond proceeds, they shall be invested in accordance with provisions in the bond documents to the extent permitted by law. Maturities longer than one year are authorized provided legal limits are not exceeded. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to assure the required liquidity and preservation of capital while providing a market yield to enhance these funds. The portfolio shall have a maximum weighted maturity not to exceed 270 days.

**Sellers of
Investments**

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)]

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).

Soliciting Bids

In order to get the best return on its investments, the District shall solicit a minimum of two bids/offers on each security it purchases or sells and may solicit bids/offers in writing, by telephone, or electronically.

**Investment Policy
Adoption**

The District's investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually, and any modifications thereto must be approved by the Board.