

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.
5. To ensure the quality and capability of investment officers through ongoing training.

INVESTMENT  
AUTHORITY

The assistant superintendent for business operations 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 executed on a delivery versus payment basis.

APPROVED  
INVESTMENT  
INSTRUMENTS

From those investments authorized by law and described further in CDA(LEGAL), the Board shall permit 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. 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. 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.

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

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.

COLLATERALIZATION

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities. As required by Government Code 2257.022, the collateralization level shall be 110 percent of market value of principal and accrued interest on the deposits or investments, less an amount insured by the FDIC or FSLIC. Securities pledged as collateral shall be held by an independent third party with which the District has a current custodial agreement. The director of finance is responsible for entering into collateralization agreements with third party custodians in compliance with this policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. Collateral shall be reviewed at least weekly to assure that the market value of the pledged securities is adequate.

SAFETY AND  
INVESTMENT

The main goal of the investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with this policy.

MANAGEMENT

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.

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

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

accounting principles. The portfolio shall have a weighted average maturity of one year or less. This dollar 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 more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment. The investment officer shall keep the Board informed of significant declines 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 advisors, and representatives/advisors 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.

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	2 years
2. U.S. government agencies and instrumentalities	365 days
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

FUNDS / STRATEGIES

Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below.

OPERATING FUNDS

Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

AGENCY FUNDS

Investment strategies for agency funds shall have as their objectives, safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

DEBT SERVICE  
FUNDS

Investment strategies for debt service funds shall have as their 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 PROJECTS

Investment strategies for capital project funds shall have as their 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 safety, 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 safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

SAFEKEEPING

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.

BROKERS/DEALERS

Prior to handling investments on behalf of the District, brokers/dealers 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 ~~National Association of Securities Dealers~~. **Financial Industry Regulatory Authority (FINRA)**.

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

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

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 record keeping 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.
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 ~~investment~~ activity shall be presented annually to the Board. ~~This report shall include a performance evaluation that may include, but not be limited to, comparisons to 91-day U.S. 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 ensuing year.~~