

# Hallsville Independent School District

## For the Consideration of the Board of Trustees

**Date of Board Meeting:** September 16, 2024

**Agenda Item#:** \_\_\_\_\_

**Topic:** Adopt Resolution on Investment Policy and Strategies

**Background and Rationale:**

As required by the Texas Government Code 2256 and School Board Policy, the District's investment policy and strategies must be reviewed annually. The policies and strategies in place were adopted with the assistance of TASB Policy Services and meet all state laws and District fiscal needs.

**Board Policy CDA (Local) is recommended as presented, with no changes proposed. The attached PFIA Compliance Checklist reflects that our current policy contains all of the required language to comply with state law.**

**Relationship to Strategic Plan:**

The District's strategies for general operating and capital project funds will continue to have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. Our current policy allows nine (9) different types of investment instruments. We currently are directly investing in only certificates of deposit and public investment pools. However, the pools are invested in multiple types of instruments to ensure adequate diversification.

**Personnel Affected:**

**Recommendation:**

**Administration recommends that the Board of Trustees adopt the attached Resolution on Investment Policy and Strategies.**



\_\_\_\_\_  
Signature  
(Person Bringing Information to the Board)



\_\_\_\_\_  
Superintendent's Signature

**RESOLUTION  
HALLSVILLE INDEPENDENT SCHOOL DISTRICT  
BOARD OF TRUSTEES**

**WHEREAS**, Hallsville Independent School District (the "District") has been legally created and operates pursuant to the general laws of the State of Texas applicable to independent school districts; and

**WHEREAS**, the Board of Trustees is required under the Public Funds Investment Act, Section 2256.005(e) to review its investment policy and investment strategies not less than annually or upon changes to the legal policy [CDA (Legal)] as recommended by the Texas Association of School Boards (TASB);

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE HALLSVILLE INDEPENDENT SCHOOL DISTRICT THAT:**

Section 1: The Investment Policy, in the form attached hereto as Exhibit "A", is hereby adopted, as the 1<sup>st</sup> and Final Reading of the investment policy CDA (Local) for the District.

Section 2: The provisions of this Resolution shall be effective as of the date of adoption and shall remain in effect until modified by action of the Board of Trustees.

**PASSED AND APPROVED** this 16th day of September, 2024.

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Mr. Jay Nelson, President  
Board of Trustees  
Hallsville Independent School District

ATTEST:

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Mr. Troy Crafton, Secretary  
Board of Trustees  
Hallsville Independent School District

**Investment Authority**

The Superintendent and business manager or other person 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.

All investment transactions shall require the approval of two authorized signers. At least one signer must be the Superintendent, the business manager, or other person designated by Board resolution to serve as an investment officer.

**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.
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 funds investment pools as permitted by Government Code 2256.016.

**Safety**

The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to maximize financial returns

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CDA  
(LOCAL)

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.

**Liquidity and  
Maturity**

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

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 overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

**Monitoring Market  
Prices**

The investment officer shall monitor the investment portfolio and 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. Monitoring shall be done at least quarterly, as required by law, and more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.

**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.

**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

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and consider preservation and safety of principal, liquidity, market-ability of an investment if the need arises to liquidate before ma-turity, diversification of the investment portfolio, and yield.

Operating Funds	Investment strategies for operating funds (including any commin-gled 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.
Custodial Funds	Investment strategies for custodial funds shall have as their pri-mary objectives preservation and safety of principal, investment li-quidity, and maturity sufficient to meet anticipated cash flow re-quirements.
Debt Service Funds	Investment strategies for debt service funds shall have as their pri-mary 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 capi-tal project obligations. Maturities longer than one year are author-ized provided legal limits are not exceeded.
All Other Funds	Investment strategies for all other funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
<b>Safekeeping and Custody</b>	The District shall retain clearly marked receipts providing proof of the District's ownership. The District may delegate, however, to an investment pool the authority to hold legal title as custodian of in-vestments purchased with District funds by the investment pool.
<b>Sellers of Investments</b>	<p>Prior to handling investments on behalf of the District, a bro-ker/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>
<b>Soliciting Bids for CDs</b>	In order to get the best return on its investments, the District may solicit bids for certificates of deposit in writing, by telephone, or electronically, or by a combination of these methods.

**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.

The District shall monitor interest rate risk using weighted average maturity and specific identification.

**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.
7. Avoidance of bearer-form securities.
8. Dual signatures of persons authorized by the Board for all outgoing transfer requests from investment accounts.

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

**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.

## Public Funds Investment Act Compliance Checklist (Texas Counties)

The following questionnaire should be used as a limited guide to evaluating the requirements of the Public Funds Investment Act (Chapter 2256, Government Code). **This checklist does not imply that an Investment Policy or Investment Program is in compliance with the PFIA.** Each entity should review its own investment program with its attorneys and auditors to determine its compliance with the Act.

[Section 2256.005(a)(b)] - Policy items		
Does entity have a written investment policy approved by your governing body?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Do the policies specifically identify a list of public funds in its custody (See CAFR) which it has authority to invest individually or combined? Section 2256.002(3)(B) and 2256.002(9)	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the policy list the authorized investments for the investment of the entity's funds?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the policy state the maximum stated maturity of any individual investment and, for pooled fund groups, the maximum dollar-weighted average maturity?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the policy include procedures to monitor the market price or rating changes of investments and the requirement that all transactions, excluding investment pools and mutual funds, be settled on a delivery versus payment basis?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(c) and Section 2256.015(c)(2)] – Bidding		
Has the entity adopted a requirement that bids for certificates of Deposit (statutory MAY) must be solicited? (bidding optional unless policy indicates SHALL)	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the entity prior to purchasing bonds receive bids from at least three separate providers (SHALL) with no material financial interest in the bonds from which proceeds were received	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(d)] - Strategy Items		
Has the entity adopted a written investment strategy for each fund or group of funds under its control?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the strategy describe the objectives for the fund using the priorities of suitability, preservation and safety of principal, liquidity, marketability, diversification, and yield in that order?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(e)] - Policy & Strategy Review		
Does the entity review the investment policy and investment strategy at least annually?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the entity adopt a written instrument stating that it has reviewed the policy and strategy?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(f-i)] - Investment Officers		
Has the entity designated one or more officers or employees as Investment Officers?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the entity require its Investment Officer to disclose personal business relationships with a business organization offering to sell investments to the organization and have forms been completed?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the entity require its Investment Officer to disclose whether he/she is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the entity?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(k-l)] - External Business Policy Certification		
Has a written copy of the investment policy been presented to every business organization offering to engage in an investment transaction with the entity, including investment pools, banks, and investment management firms?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Has a written instrument from each business organization been received acknowledging that the investment policy has been received and reviewed and that procedures and controls have been implemented to preclude unauthorized transactions?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Has a qualified representative as defined in Section 2256.002(10) of each business organization signed the written instrument?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(m-n)] – Compliance Audit		
Is a compliance audit of management controls on investments and adherence to the entity's established investment policies performed in conjunction with the annual financial audit?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>

## Public Funds Investment Act Compliance Checklist (Texas Counties)

[Section 2256.008] - Investment Officer Training	
Have the applicable training requirements been met by the Investment Officer and each employee involved in the investment process?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Has each investment officer attended a training session at least once every two years and received training from an independent source approved by the governing body?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Has the investment officer presented a report to the governing body on changes to the Public Funds Investment Act, if any, within six months after the end of each regular legislative session?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Has the treasurer, the chief financial officer, and the investment officer attended at least one training session containing at least 10 hours of instruction within 12 months after taking office or assuming duties?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Has each official attended a training session at least once every two years and received at least 10 hours of instruction from an independent source approved by the governing body or a designated investment committee?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Has an independent source of investment training been approved by the governing body or a designated investment committee?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Investment Type	Restrictions/Qualifications
Obligations Issued, Guaranteed, or Insured by the U.S. or its Agencies and Instrumentalities, including letters of credit [Section 2256.009(a)(1)(4)]	None
Obligations Issued, Guaranteed, or Insured by the State of Texas or its Agencies and Instrumentalities [Section 2256.009(a)(2)(4)]	None
Collateralized Mortgage Obligations [Section 2256.009(a)(3) and (b)(1-4)]*	10 yr. or less stated final maturity date
	Cannot be either an Interest-Only or Principal-Only CMO
	Cannot be an inverse floater
Obligations of States (other than Texas), Agencies, Counties, Cities and Other Political Subdivisions [Section 2256.009(a)(5)]	Rated not less than A or its equivalent by at least one nationally recognized investment rating firm
State of Israel Bonds [Section 2256.009(a)(6)]	None
Certificates of Deposit (Section 2256.010)	Issued by a depository institution that has its main office or a branch office in Texas. Must be guaranteed or insured by FDIC or National Credit Union Share Insurance Fund and secured as described in the PFIA or other applicable law.
	Issued by one or more federally insured depository institutions, wherever located, provided that the funds are invested through a depository institution that has its main office or branch office in Texas and that the full amount of the principal and accrued interest of each certificate of deposit is insured by the U.S. or an instrumentality of the U.S. The depository institution through which the entity's funds are invested shall receive an amount of deposits from customers of other federally insured depository institutions that is equal to or greater than the amount of funds invested.
Repurchase Agreements (Section 2256.011)	Must be fully collateralized as described in the PFIA
	Must have a defined termination date



## Public Funds Investment Act Compliance Checklist (Texas Counties)

Repurchase Agreements ( <i>Section 2256.011</i> )-Continued	Securities purchased must be pledged to the entity, held in the entity's name, and deposited with the entity or with a third party selected and approved by the entity
	Placed through a primary dealer or a financial institution doing business in Texas
	Reverse agreements must not exceed 90 days; securities held as collateral must not mature later than the agreement's expiration date
Securities Lending Program ( <i>Section 2256.0115</i> )	Must be collateralized at not less than 100%, including accrued income
	Loans may be terminated at any time
	Loans must be secured as described in the PFIA
	Securities held as collateral must be pledged to the entity, held in the entity's name and deposited with the entity or with a third party selected and approved by the entity
	Placed through a primary dealer or a financial institution doing business in Texas
	Securities lending agreement may not have a term greater than one year
Bankers' Acceptances ( <i>Section 2256.012</i> )	270 day or less stated maturity from date of issuance
	Accepted by a bank rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized rating agency
Commercial Paper ( <i>Section 2256.013</i> )	270 day or less stated maturity from date of issuance
	Rated not less than A-1 or P-1 or an equivalent by at least two nationally recognized rating agencies, or;
	Rated not less than A-1 or P-1 or an equivalent by one nationally recognized rating agency plus fully secured by an irrevocable letter of credit issued by a domestic bank
No-Load Money Market Mutual Fund [ <i>Section 2256.014 (a) and (c)</i> ]	Registered with and regulated by the Securities and Exchange Commission
	Provide a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940
	Must have a dollar-weighted average stated maturity of 90 days or less
	Must include in its objectives maintenance of a stable net asset value of \$1 per share
	Investing entity may not own more than 10% of the fund's total assets
Mutual Fund [ <i>Section 2256.014 (b) and (c)</i> ]	Registered with the Securities and Exchange Commission
	Must have an average weighted maturity of less than two years
	Can only invest in obligations approved by the Act
	Rated not less than AAA or its equivalent by at least one nationally recognized investment rating firm

## Public Funds Investment Act Compliance Checklist (Texas Counties)

Mutual Fund [Section 2256.014 (b) and (c)]-Continued	Comply with information and reporting requirements for investment pools as described in the Act
	Amount limited to 15% of investing entity's monthly average fund balance, excluding bond proceeds, reserves, and debt service funds.
	Ineligible for investment of bond proceeds, reserves, and debt service funds
	Investing entity may not own more than 10% of the fund's total assets
Guaranteed Investment Contracts (Section 2256.015)	Authorized for bond proceeds investment only
	Must have a defined termination date
	Must be secured by U.S. Government direct or agency obligations approved by the Act in an amount equal to the bond proceeds
	Security must be pledged to the entity and deposited with the entity or a third party
	Term must be limited to five years from the date of bond issuance, excluding reserves and debt service funds
	Must comply with terms and conditions concerning eligibility as an authorized investment as specified in Section 2256.015(c) of the Act
	Must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received as specified in Section 2256.015(c)(2) of the Act
Investment Pools [Section 2256.016]	Governing body must authorize investment in pool
	Can only invest in obligations approved by the Act
	Provide an offering circular containing information required by the Act
	Provide investment transaction confirmations
	Provide a monthly report containing information required by the Act
	Pool created to function as a money market mutual fund must mark its portfolio to market daily and stabilize at a \$1 net asset value.
	Must have an advisory board as specified by the Act
	Rated not less than AAA or an equivalent rating by at least one nationally recognized rating service.
<b>[Section 2256.023] - Investment Reports</b>	
Is the investment report prepared jointly by all investment officer(s), investment employees and submitted to the governing body at least quarterly?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Do the reports contain the information required by the Act?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Does the report describe in detail the investment position of the entity on the date of the report?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Does the report include a summary statement of each pooled fund group that states the beginning market value, additions and changes, ending market value, and accrued interest?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Does the report include book 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?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Does the report include the maturity date of each invested asset?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Does the report reflect the account or fund in the local government for which each investment was acquired?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>

## Public Funds Investment Act Compliance Checklist (Texas Counties)

<b>[Section 2256.023] - Investment Reports-Continued</b>	
Does the report include a statement on the compliance of the investment portfolio of the local government as it relates to the investment policy strategy and PFIA?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Do all investment officers and all employee(s) involved in the investment process sign the reports?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
It the report presented to the governing body within a reasonable time after the end of the period?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Do the reports include a statement of compliance of the investment portfolio with the Act and the investment strategy?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Does an independent auditor review the reports at least annually if your investments include obligations other than money market mutual funds, investment pools, or depository bank investment accounts and is it reported to the governing body by the auditor?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
<b>[Section 2256.003(b)] - Investment Management Firm</b>	
If the entity has contracted with an investment management firm to provide for the investment and management of its public funds or other funds under its control, is the investment management firm registered either under the Investment Advisers Act of 1940 or with the State Securities Board?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Is the contract with the investment management firm limited to a maximum term of two years with renewal or extension subject to approval of the governing body by order, ordinance, or resolution?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
<b>[Section 2256.025] - Qualified Brokers List</b>	
Has the governing body or designated investment committee adopted a list of qualified brokers?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>
Does the governing body or designated investment committee review, revise, and approve the list at least annually?	Present <input type="checkbox"/> <input type="checkbox"/> Not Present <input type="checkbox"/>