

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

INVESTMENT  
AUTHORITY

The Superintendent or other person(s) 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.

INVESTMENT  
ADVISORS

The District may choose to appoint, subject to Board approval, an SEC-registered investment advisor ("advisor") to assist the District's financial staff in the management of the District's funds. The advisor must be registered with the Securities and Exchange Commission under the Investment Advisor's Act of 1940 and also must be registered with the Texas State Securities Board as an investment advisor. To be eligible for consideration, the advisor shall demonstrate knowledge of, and experience in, the management of public funds. An appointed advisor shall act within the guidelines of this investment policy and shall not transact business on behalf of the District without obtaining prior written authorization from the District investment officer.

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.
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 money market mutual funds and no-load 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.

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9. Public funds investment pools as permitted by Government Code 2256.016.

SAFETY AND  
INVESTMENT  
MANAGEMENT

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

CREDIT RISK AND  
CONCENTRATION OF  
CREDIT RISK

The District shall minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, and concentration of credit risk, the risk of loss attributed to the magnitude of investment in a single issuer, by:

1. Limiting investments to the safest types of investments.
2. Pre-qualifying the financial institutions and brokers/dealers with which the District will do business.
3. Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

INTEREST RATE RISK

The District shall manage the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates by limiting the maximum weighted average maturity of the investment portfolio to 365 days. The District shall, in addition:

1. Structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
2. Invest operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
3. Diversify maturities and staggering purchase dates to minimize the impact of market movements over time.

LIQUIDITY AND  
MATURITY

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of ~~180~~**365** days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed ~~one~~ **two** years from the time of purchase. **No more than 20% of the portfolio, excluding flexible repurchase agreement, may mature beyond 365 days.** 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.

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	<p>The District shall have procedures to determine cash flow requirements according to generally accepted financial and accounting procedures.</p>
DIVERSITY	<p>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.</p>
MONITORING MARKET PRICES	<p>The investment officer shall monitor the investment portfolio and 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. Monitoring shall be done monthly or more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.</p>
FUNDS / STRATEGIES	<p>Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below.</p>
OPERATING FUNDS	<p>Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.</p>
AGENCY FUNDS	<p>Investment strategies for agency funds shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.</p>
DEBT SERVICE FUNDS	<p>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 <del>three</del> <b>two</b> years are authorized provided legal limits are not exceeded.</p>
CAPITAL PROJECTS	<p>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. Maturities longer than <del>one</del> <b>two</b> years are authorized provided legal limits are not exceeded.</p>
INTERNAL SERVICE FUNDS	<p>Investment strategies for internal service funds shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.</p>

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TRUST FUNDS	Investment strategies for trust funds shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
SAFEKEEPING AND CUSTODY	The cash, collateral, and investments of the District shall be held by an independent third party with whom the District has a current custodial agreement. 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. If the District chooses to utilize the services of an investment advisor, the advisor shall exercise due diligence in the selection of trade counter-parties.
SOLICITING BIDS FOR CD'S	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.
INTERNAL CONTROLS	<p>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:</p> <ol style="list-style-type: none"><li>1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds.</li><li>2. Avoidance of collusion.</li><li>3. Custodial safekeeping.</li><li>4. Clear delegation of authority.</li><li>5. Written confirmation of telephone transactions.</li><li>6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.</li><li>7. Avoidance of bearer-form securities.</li></ol>

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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.

PERFORMANCE  
BENCHMARK

The District has selected weighted-average yield-to-maturity at cost as its preferred measure of investment performance. This shall be calculated on a monthly basis by multiplying each individual security yield-to-maturity at time of purchase by its adjusted book value, totaling the product of these calculations and dividing by the total adjusted book value of the portfolio.