

**Investment Authority**

The chief financial officer and/or other persons designated by Board resolution shall serve as the investment officers 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. The District may contract with a Securities and Exchange Commission (SEC)-registered investment adviser to assist in the management of the portfolio. All investment transactions except investment pool 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 issued, guaranteed, or insured by the United States or its agencies and instrumentalities, as permitted by Government Code 2256.009(a)(1)(4) with a maximum maturity of three years, and excluding mortgage-backed securities.
2. Obligations issued, guaranteed, or insured by the state of Texas or its agencies and instrumentalities as permitted by Government Code 2256.009(a)(2)(4) with a maximum maturity of three years.
3. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent as permitted by Government Code 2256.009 with a maximum maturity of three years.
4. Depository certificates of deposits fully insured or collateralized as permitted by Government Code 2256.010 that are issued by a state or national Federal Deposit Insurance Corporation (FDIC)-insured bank domiciled in Texas.
5. Texas credit union share certificates insured by the National Credit Union Share Insurance Fund.
6. Repurchase agreements as permitted by Government Code 2256.011. They must be fully collateralized as described in the Public Funds Investment Act (PFIA); must have a defined termination date; and securities purchased must be owned by the District, held in the District's name, and safekept with a third party selected and approved by the District. They must be placed through a primary dealer or a financial institution

doing business in Texas, reverse agreements must not exceed 90 days, and securities held as collateral must not mature later than the agreements' expiration dates.

7. Commercial paper with a stated maturity not to exceed 270 days, as permitted by Government Code 2256.013.
8. A money market mutual fund that complies with SEC Rule 2a-7 and strives to maintain a \$1 net asset value as permitted by Government Code 2256.014(a)(1-4).
9. Local Government Investment pools as permitted by Government Code 2256.016. The Board must authorize investment in the pool and it must strive to maintain a \$1 net asset value.
10. Fully insured or collateralized interest earning deposits in Texas banks.
11. 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.

**Safety and  
Investment  
Management**

The main goal of the investment program is to ensure its safety, as well as to maximize financial returns within current market conditions in accordance with this policy. The investment officers shall observe financial market indicators, study financial trends, and utilize available educational tools in order to maintain appropriate managerial expertise. Investments of the District shall be selected in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the portfolio must be diversified in such a way that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**Liquidity and  
Maturity**

The District's investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements, which can be reasonably anticipated based upon cash flow projections that are to be prepared on both a monthly and an annual basis. The District shall have procedures to determine cash flow requirements according to generally accepted financial and accounting procedures.

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow or specifically authorized by the Board, the District will not directly invest in securities maturing more than 36 months from the date of purchase. In no case will securities with a maturity of greater than 12 months exceed 50 percent of the total portfolio. The dollar weighted average maturity of the total portfolio shall not exceed one year.

**Diversity**

The District shall diversify its investments by security type and institution allowing for market conditions. The asset mix of the District's total portfolio gives sufficient flexibility to take advantage of market considerations within the context of this policy. The asset allocation guidelines refer to the maximum percentage at the time of purchase and are as follows:

Certificates of deposit	50%
Share certificates	50%
U.S. Treasury obligations	90%
U.S. government securities	75%
State and local obligations	45%
Repurchase agreements	50%
Public funds investment pools	100%
Maximum ownership of pool	10%
Commercial paper	35%
Money market mutual fund	40%

**Monitoring Market Prices**

Monitoring shall be done monthly, or more often if economic conditions warrant, by using appropriate market information. The investment officers shall keep the Board informed of significant changes in the market value of the District's investment portfolio. Information sources include financial/investment publications and electronic media, financial advisers, the depository bank, and advisers of investment firms.

**Monitoring Credit Rating Changes**

The investment officer or adviser shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio, which require credit ratings based on independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by policy, the investment officer or adviser shall notify the chief financial officer (CFO) of the loss of rating, and potential options for liquidation.

**Funds / Strategies**

Investments may be combined for investment purposes while recognizing their unique needs. Maximum maturity of any security is three years and the maximum dollar weighted average portfolio of the total portfolio shall not exceed one year. Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below.

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

Operating Funds	Investment strategies for operating funds (including any commingled pools containing operating funds) shall have the primary objective of ensuring that anticipated cash flows are matched with adequate investment liquidity. This will be accomplished through careful preparation of cash flow projections that will be used as a guide for the purchase of high-grade investments whose maturity closely matches the cash requirement.
Trust and Custodial Funds	Investment strategies for trust and custodial funds, including endowment funds and student activity 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 the primary objective of ensuring that the investment liquidity is adequate to cover debt service obligations on the required payment date. Security purchases shall not exceed unfunded debt service dates.
Debt Service Reserve Funds	Investment strategies for debt service reserve funds shall have as their primary objective the ability to generate a dependable revenue stream to the debt service fund from securities with a low degree of volatility.
Capital Project Funds	Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to meet capital project obligations. Maturities shall be made to coincide as nearly as practicable with the expected use of the funds.
Proprietary Funds	Proprietary funds, including the funds used to account for the workers' compensation self-insurance funds, shall have as their primary objective the ability to generate a dependable revenue stream for those funds with a low degree of volatility. These investments should be of high quality, with short- to medium-term maturities. Such securities will tend to hold their value during economic cycles.
Special Revenue Funds	Investment strategies for special revenue funds, including the food service fund and the campus activity fund, shall have as their objectives safety, liquidity, and maturity to meet anticipated cash flow requirements of the fund.
<b>Safekeeping and Custody</b>	The investments owned by the District shall be held by an independent third party with whom the District has a current safekeeping agreement. The District shall retain clearly marked receipts providing proof of the District's ownership.
<b>Brokers / Dealers</b>	Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), must provide

annual financial statements, and be in good standing with the Financial Industry Regulatory Authority (FINRA).

**Soliciting Bids /  
Offers**

In order to get the best return on its investments, the District may solicit bids/offers 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 stated maturity dates for all calculations of weighted-average maturity diversification and reporting.

The District shall monitor interest rate risk using weighted-average maturity and specific identification. The total portfolio shall have a benchmark for risk measurement of the six-month Treasury bill for the comparable period.

**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.
2. Avoidance of collusion.
3. Safekeeping.
4. Clear delegation of authority.
5. Written confirmation of all transactions.
6. Documentation of all transactions.
7. Cash flow forecasting designed to protect and sustain cash flow requirements of the District. The investment officer shall analyze and maintain a cash flow plan to monitor and forecast cash positions for investment purposes.
8. Competitive bidding: All security transactions shall be made on a documented competitive-bid basis to ensure that the District is receiving good market rates. When issued, U.S. agency securities should be compared to other securities available in the secondary market to determine competitiveness.

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 officers, a comprehensive report on the investment program and activity shall be presented annually to the Board.

**Annual Review**

The District's investment policy shall be reviewed and adopted by resolution of the Board no less than annually. Any changes made to the policy shall be noted in the adopted resolution.