

Investment Authority

The Superintendent, director of finance, or other person designated by Board resolution shall serve as the qualified and capable investment officers of the District and shall invest all District funds identified in the comprehensive annual financial report as directed by the Board and in accordance with the District's written investment policy and generally accepted accounting procedures. All investment transactions involving securities and repurchase agreements shall be settled on a delivery versus payment basis.

**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, and other forms of deposits with financial institutions properly insured or collateralized.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by Government Code 2256.014.
5. 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.
6. 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 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. Further, investments shall be made in a manner that a person of prudence, discretion, and intelligence exercise in the management of his or her own affairs, not for speculation, but for investment, considering

the probable safety of one's own capital as well as the probably income to be derived. 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.

The investment officer shall seek to act responsibly as custodian of the public trust and shall avoid transactions that might impair public confidence in the District's ability to govern effectively.

**Liquidity and
Maturity**

The maximum dollar weighted maturity and state final maturity of District investments shall comply with provisions set out at Funds/Strategies below.

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, as appropriate.

**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 shall take all prudent measures consistent with this policy 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 and consider preservation and safety of principal, liquidity,

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marketability of an investment if the need arises to liquidate before maturity, diversification of the investment portfolio, and yield.

Operating Funds

Investment strategies for operating funds (including any commingled 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. Any approved investment instrument shall be considered suitable and shall provide acceptable marketability. The maximum dollar weighted maturity shall be 270 days, and the maximum stated final maturity shall be two years. The appropriate yield target shall be the District's main public funds investment pool yield.

Custodial Funds

Investment strategies for custodial funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. Any approved investment instrument shall be considered suitable and shall provide acceptable marketability. The maximum stated final maturity shall be two years. The appropriate yield target shall be the District's main public funds investment pool yield.

Debt Service Funds

Investment strategies for debt service funds shall have as their primary objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Any approved investment instrument shall be considered suitable and shall provide acceptable marketability. The maximum stated final maturity shall be the next debt service payment date not already funded by pending approved investment instruments. The appropriate yield target shall be the District's main public funds investment pool yield.

Capital Project
Funds

Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Any approved investment instrument shall be considered suitable and shall provide acceptable marketability. The maximum stated final maturity shall be the lesser of the anticipated cash flow schedule and the applicable "temporary period" allowed by the IRS. Achieving a positive spread to the cost of borrowing shall be the desired objective, within the limits of this policy's risk constraints. The default yield target shall be the District's main public funds investment pool yield.

**Safekeeping and
Custody**

The District shall retain clearly marked receipts providing proof of the District's ownership or a collateral pledge from an independent third party safekeeping agent or custodian. The District may delegate, however, to an investment pool the authority to hold legal title

as custodian of investments purchased with District funds by the investment pool.

Collateral

The District shall comply with state law in monitoring and management of pledged collateral. All instruments authorized in the Public Funds Collateral Act shall be eligible for pledge. Additionally, the District shall require a perfected security interest in compliance with federal and state regulations; therefore, the written agreement shall be:

1. Executed by the depository and the District contemporaneously with acquisition of the asset;
2. Approved by the board of directors of the depository or by a designated committee of the depository, and copy of the meeting minutes shall be delivered to the District; and
3. Made part of the depository's official record continuously from the time of its execution.

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). The District's authorized brokers/dealers shall include FTN Financial, Raymond James, and Wells Fargo Securities.

Competitive Environment

In order to get the best return on its investments, the District may solicit quotes from multiple providers in writing, by telephone, or electronically, or by a combination of these methods, for each investment transaction, including certificates of deposit.

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.

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.

Training

Each investment officer shall attend investment training in accordance with requirements of state law. Authorized independent training providers shall include:

- Texas Association of School Boards (TASB)
- Texas Association of School Administrators (TASA)
- Texas Association of School Business Officials (TASBO)
- Regional Education Service Centers
- American Institute of Certified Public Accountants (AICPA)
- Texas Society of Certified Public Accountants (TSCPA)
- University of North Texas Center for Public Management
- Government Treasurer's Organization of Texas (GTOT)
- Public Treasury Institute of North America