

Investment Authority	<p>The Superintendent 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 this investment policy and generally accepted accounting procedures. The investment officer is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.</p>
Investment Officer	<p>The investment officer shall develop and maintain written administrative procedures for the operation of the investment program, which are consistent with this investment policy. Procedures will include reference to safekeeping, require and include PSA Master Repurchase Agreements (as applicable), wire transfer agreements, banking services contracts, and other investment-related activities.</p> <p>The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff. The investment officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the investment officer is not available.</p> <p>No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established.</p>
Authorization Resolution	<p>A trading resolution shall be established with this investment policy, authorizing the investment officer to engage in investment transactions on behalf of the District. The person authorized by the trading resolution to transact business for the District shall also be authorized to approve wire transfers used in the process of investing.</p>
Prudence	<p>The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The standard states the following:</p> <p>"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived." [See CDA(LEGAL)]</p>
Limitation of Personal Liability	<p>The investment officer and those delegated investment authority under this policy, when acting in accordance with the written proce-</p>

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dures, and in accordance with the prudent person rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

**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.

If additional types of securities are approved for investment by public funds by state statute, they shall not be eligible for investment by the District until this policy is amended and approved by the Board.

**Competitive Bidding
Requirements**

All securities, including certificates of deposit, shall be purchased or sold after three competitive offers/bids are taken to verify that the District is receiving fair market value/price for the investment.

**Delivery Versus
Payment**

All security transactions, including collateral for repurchase agreements, entered into by the District, shall be conducted on a delivery versus payment (DVP) basis.

Safety

All funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification, and yield. Investments shall be chosen in a manner that promotes diversity by market sector, credit, and maturity. The choice of high-grade government investments and high-grade money market instruments is designed to ensure the marketability of those investments should liquidity needs arise.

Safety of Principal

Safety of principal shall be the foremost objective of the District. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in 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 two years 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.

Diversification

Diversification of the portfolio shall include diversification by maturity and market sector and shall include the use of a number of brokers/dealers for diversification and market coverage. Competitive bidding shall be used on each sale and purchase.

Yield

The District's investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the District's risk constraints and cash flow needs of the portfolio. "Market rate of return" may be defined as the average yield of the current six-month U.S. Treasury Bill.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The District shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

**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 monthly or 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 and consider preservation and safety of principal, liquidity, marketability of an investment if the need arises to liquidate before maturity, diversification of the investment portfolio, and yield.

Investment for each fund shall be of the highest credit quality as suitable to the District's focus on safety. Liquidity needs shall be enhanced by the high credit quality and all funds shall be diversified for safety as well as yield. The overall weighted average of the combined portfolio, reflecting the specific needs of each fund, shall not exceed one year.

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.

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.

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. Maturities longer than one year are authorized provided legal limits are not exceeded. The next debt service date must be fully funded before longer investments may be made.

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Capital Project
Funds

Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded.

Employee Benefit
Reserve Fund

Investment strategies for the employee benefit reserve fund (health insurance reserve) shall have as their primary objective sufficient liquidity to meet claims as needed.

**Safekeeping and
Custody**

The laws of the state and prudent treasury management require that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by either the District, an independent third-party financial institution, or the District's designated depository.

All safekeeping arrangements shall be designated by the investment officer and an agreement of the terms executed in writing. The third-party custodian shall be required to issue safekeeping receipts to the District listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt shall be clearly marked that the security is held for the District or pledged to the District.

All securities pledged to the District for certificates of deposit or demand deposits shall be held by an independent third-party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization

Collateralization shall be required on any certificates of deposit over the amount covered by the Federal Deposit Insurance Corporation (FDIC) and any repurchase agreements.

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required shall be 102 percent of the market value of the principal and accrued interest. Collateral shall be held by an independent third-party safekeeping agent.

**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).

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**Soliciting Bids for
CDs**

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

The investment officer shall establish a system of written internal controls, which shall be reviewed annually with the independent auditor of the District. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentations by third parties, unanticipated market changes, or imprudent actions by employees of the District.

**Cash Flow
Forecasting**

Cash flow forecasting is designed to protect and sustain cash flow requirements of the District. Supplemental to the financial and budgetary systems, the investment officer shall maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

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.