Investment Authority

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 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.

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 the U.S. government, its agencies, and instrumentalities, or guaranteed by governmental entities, as permitted by Government Code 2256.009.
2. FDIC-insured or collateralized depository certificates of deposit to include CDARS placed through a Texas bank, as permitted by Government Code 2256.010.
3. Insured share certificates of Texas-based credit unions, as permitted by Government Code 2256.010.
4. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
5. A securities lending program, as permitted by Government Code 2256.0115.
6. Prime banker's acceptances, as permitted by Government Code 2256.012.
7. A1/P1 commercial paper, as permitted by Government Code 2256.013.
8. AAA-rated, SEC-registered money market mutual funds that strive to maintain a $1 net asset value, as permitted by Government Code 2256.014.
9. 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.
10. Public funds investment pools that strive to maintain a $1 net asset value, as permitted by Government Code 2256.016.
11. FDIC-insured or collateralized interest bearing accounts in any bank in Texas to include spread money market accounts through a Texas bank.

Safety and Investment Management

The main goal of the investment program is to ensure its safety and 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. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Liquidity and Maturity

All funds may be commingled for investment purposes while recognizing the unique needs of each type of fund. The total portfolio of the District shall have a maximum dollar weighted maturity of one year. 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 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 shall be from an independent source. 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 strategy defined below.

Operating Funds

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.

Custodial Funds

Investment strategies for custodial 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 as their objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. All successive debt service dates shall be funded before longer investment are made.

Capital Projects

Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations.

Safekeeping and Custody

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 investments purchased with District funds by the investment pool.

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 and representatives with distributors of investment pools 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). Distributors of investment pools shall also be a registrant in good standing with the Municipal Securities Rulemaking Board (MSRB).

Soliciting Bids for CDs

In order to get the best return on its investments, the District shall solicit competitive bids for all investments.

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 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.

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