

OTHER REVENUES
INVESTMENTS

CDA
(LOCAL)

INVESTMENT
OBJECTIVES

The investment policy of the District shall:

1. Ensure the safety of the invested funds of the District;
2. Maintain sufficient liquidity to provide adequate and timely working funds;
3. Attain the highest possible rate of return while providing necessary protection of principal consistent with District operating requirements as determined by the Board;
4. Compare the returns on its investment portfolio with the average return (bond equivalent basis) on the 90 day U.S. Treasury bill. The investment program shall seek returns at or above this threshold, consistent with risk limitations identified herein and prudent investment principles.
5. Match the maturity of investments to the daily cash flow requirements;
6. Diversify investments as to maturity, instruments, and financial institutions as permitted under state law;
7. Actively pursue portfolio management techniques; and
8. Make no investment for speculation.

INVESTMENT
AUTHORITY

The Superintendent or other person or persons designated by Board resolution shall serve as the investment officer of the District. The Board shall also appoint an investment committee consisting of at least three individuals: the Superintendent, the designated investment officer, and at least one additional person as designated by the Board annually. The investment officer and the investment committee shall recommend appropriate legally authorized and adequately secured investments 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 investment officer shall be bonded or shall be covered under a fidelity insurance policy. All investment transactions except investment pool funds and mutual funds shall be settled only upon majority consent and shall be settled on a delivery versus payment basis.

AUTHORIZED
INVESTMENTS

From those investments authorized by law and described further in CDA(LEGAL) under AUTHORIZED INVESTMENTS, 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 the U.S. or Texas or its agencies and instrumentalities and political subdivisions include collateralized

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mortgage obligations directly issued by a federal agency or instrumentality of the United States 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. Banker's acceptances of only the highest possible rating as permitted by Government Code 2256.012 and with the approval of the Board.
5. Commercial paper with the highest possible rating by Standards and Poor's and/or Moody's investment rating services as permitted by Government Code 2256.013.
6. Public funds investment pools as permitted by Government Code 2256.016–019.
7. No-load money market mutual funds as permitted by Government Code 2256.014.

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. The investment officer shall observe financial market indicators, study finance trends, and utilize available educational tools in order to maintain appropriate investment managerial expertise. 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.

INVESTMENT
MANAGEMENT

In accordance with Government Code 2256.005(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

Assets of the District shall be invested in instruments whose maturities do not exceed five years from the time of purchase, subject to the following:

1. A shorter maturity is required by law [see CDA(LEGAL)].
2. A longer maturity may be specifically authorized by the Board for a given investment, provided legal limits are not exceeded.

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3. Any internally created pool fund group of the District shall have a maximum dollar weighted maturity not to exceed three years.
4. In keeping with the concept of minimizing risk, bond proceeds may be invested at a maturity range not to exceed five years for individual securities and not to exceed three years for weighted average maturity, consistent with maximization of yield with consideration of cash flow needs and subject to possible limitations contained within the bond documents.

The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements, projected on a weekly, monthly, and annual basis. The District shall have procedures to determine cash flow requirements according to generally accepted accounting procedures.

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 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

Appropriate investments for each fund shall include only the securities described in this policy as authorized and suitable investments.

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.

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GENERAL FUNDS	Investment strategies for general funds (including any commingled pools containing general funds) shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to ensure required liquidity and preservation of capital while providing a market yield.
SPECIAL REVENUE FUNDS	Investment strategies for special revenue funds (including any commingled pools containing special revenue funds) shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to ensure required liquidity and preservation of capital while providing a market yield to enhance these funds.
TRUST AND AGENCY FUNDS	Investment strategies for trust and agency funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to ensure required liquidity and preservation of capital while providing a market yield to enhance these funds.
DEBT SERVICE FUNDS	Investment strategies for debt service funds shall have as their primary 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 one year are authorized provided legal limits are not exceeded. A diversified strategy shall be followed using suitable high-credit-quality and highly marketable securities to ensure required liquidity and preservation of capital while providing a market yield to enhance these funds.
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 and annual audited financial statements to the District and be in good standing with the Financial Industry Regulatory Authority (FINRA). [See SELLER OF INVESTMENTS, CDA(LEGAL)] Representatives of brokers/dealers shall be registered with the Texas State Securities

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	Board and must have membership in the Securities Investor Protection Corporation (SIPC).
SOLICITING BIDS FOR CD'S	In order to get the best return on its investments, the District may solicit bids and/or offers in writing, by telephone, or electronically.
INTEREST RATE RISK	<p>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.</p> <p>The District shall monitor interest rate risk using weighted average maturity and specific identification.</p>
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">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. <p>These controls shall be reviewed by the District's independent auditing firm.</p>
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 activity shall be presented annually to the Board.
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.

Keller ISD
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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.