

TEXAS SCHOOL FOR THE DEAF

OTHER REVENUES: INVESTMENTS

CDA

SCOPE

This policy applies to public funds under control of the TSD Governing Board. It does not apply to Student Trust Funds, Student Activity Funds or funds used for other school-related clubs and associations. This policy does not apply to an investment donated for a particular purpose or under terms of use specified by the donor.

Government Code 2256.003-.004.

DELEGATION OF RESPONSIBILITY

The investments of the School shall be managed by an Investment Committee composed of the chairperson of the Budget and Audit Committee of the Board, the Superintendent, and the Business Manager. The Investment Committee, by authority of the Board, shall make investments for the School. The Chair of the Budget and Audit Committee shall be the chair of the Investment Committee. Any investment brokers employed to execute investment transactions for the School shall be selected by the Investment committee. Investment transactions with banks and savings and loan associations (certificates of deposit and other similar instruments) and any other transactions not requiring the use of a broker shall be carried out under the direction of the Investment Officer.

INVESTMENT OFFICER

The Superintendent or other person designated by the Board shall serve as the Investment Officer of the School, shall recommend appropriate legally authorized and adequately secured investments, and shall invest School funds as directed by the Board and in accordance with the School's written investment policy and generally accepted accounting procedures. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs. The Investment Officer shall be bonded or shall be covered by a fidelity insurance policy. 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, the Board shall permit investment of School funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of the US or Texas or its agencies and instrumentalities and political subdivisions including collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States as permitted by Gov't Code 2256.009.
2. Certificates of deposit as permitted by Gov't Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Gov't Code 2256.011.
4. Banker's acceptances as permitted by Gov't Code 2256.012.
5. Commercial paper as permitted by Gov't Code 2256.013.
6. Mutual funds as permitted by Gov't Code 2256.014:
7. Public funds investment pools as permitted by Gov't Code 2256.016 and 2256.019.

CHANGE IN LAW

The School is not required to liquidate investments that were authorized investments at the time of purchase.

Gov't Code 2256.017

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SAFETY AND INVESTMENT MANAGEMENT

The Investment Officer shall observe financial market indicators, study financial trends, and utilize available educational tools in order to maintain appropriate 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 balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

LIQUIDITY AND MATURITY

Assets of the School shall be invested in instruments whose maturities do not exceed one year from the time of purchase, subject to the following exceptions:

1. A shorter maturity is required by law.
2. A longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.
3. For pooled fund groups, the dollar-weighted average stated maturity not to exceed 180 days.

The School's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements, projected on a weekly, monthly, and annual basis. The School shall have procedures to determine cash flow requirements according to generally accepted financial and 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 over concentration of assets in a specific class of investments, specific maturity, or specific manner.

MONITORING MARKET PRICES

Monitoring shall be done monthly and more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment. The Investment Officer shall keep the Board informed of significant declines in the market value of the School'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 advisors, and representatives/advisors of investment pools or money market fund.

FUNDS/STRATEGIES

Investments of the expendable trust fund shall be consistent with this policy and shall have as their primary objective safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

SAFEKEEPING AND CUSTODY

The cash, collateral, and investments of the School shall be held by an independent third party with whom the School has a current custodial agreement. The School shall retain clearly marked receipts providing proof of the School's ownership, or the School may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with School funds.

BROKERS/DEALERS

Prior to handling investments on behalf of the School, broker/dealers must submit required written documents and annual audited financial statements to the School and be in good standing with the National Association of Securities Dealers. Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC).

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SOLICITING BIDS In order to get the best return on its investments, the School may solicit bids in writing, by telephone, or electronically.

INTERNAL CONTROLS The Investment Committee shall establish and document in writing a system of internal controls and must designate 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 School. Controls deemed most important shall include:

1. Separation of transaction authority from accounting and record keeping.
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.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the School's internal auditor.

QUARTERLY REPORTS Not less than quarterly, the School's investment officer shall prepare and submit to the Board a written report of investment transactions for all funds covered by the Public Funds Investment Act for the preceding reporting period. This report shall be presented to the Board not less than quarterly, within a reasonable time after the end of the period. The report must:

1. Contain a detailed description of the investment position of the School on the date of the report.
2. Be prepared jointly and signed by all School investment officers.
3. Contain a summary statement of each pooled funds that states:
 - a. Beginning market value for the reporting period.
 - b. Additions and changes to the market value during the period.
 - c. Ending market value for the period.
4. State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested.
5. State the maturity date of each separately invested asset that has a maturity date.

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6. State the account or fund or pooled group fund in the School for which each individual investment was acquired.
7. State the compliance of the investment portfolio of the School as it relates to the School's investment strategy expressed in the School's investment policy and relevant provisions of law.

If the School invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by the auditor.

Gov't Code 2256.023

SELECTION OF BROKER At any time, the Investment Committee decides to use the services of a broker, at least annually, the Board shall review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the School.

Gov't Code 2256.025

ANNUAL REVIEW The investment policy and the investment strategy shall be reviewed by the Board not less than annually. The Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

Gov't Code 2256.005

ANNUAL AUDIT The Board shall require the School's internal auditor to perform a compliance audit of management controls on investments and adherence to the Board's established investment policies. The School shall report the results of this audit to the State Auditor.

INVESTMENT TRAINING Each member of the TSD Governing Board and its Investment Officer shall attend at least one training session relating to the person's responsibilities under the Public Funds Investment Act (PFIA) within 6 months after taking office or assuming duties. This training must include education in investment controls, security risks, strategy risks, market risks, and compliance with PFIA. An investment officer shall attend a training session of not less than once in a two-year period.

Gov't Code 2256.007 (a) (c) (d)

STANDARD OF CARE Investments shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investments shall be governed by the objectives specified in Government code 2256.006, in the order of priority specified therein.

Gov't Code 2256.006

PERSONAL A School investment officer who has a personal business relationship with an entity

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INTEREST

seeking to sell an investment to the School shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined by Government Code Chapter 573, to an individual seeking to sell an investment to the School shall file a statement disclosing the relationship with the Board and with the Texas Ethics Commission. For purposes of this policy, an investment officer has a personal business relationship with a business organization if:

1. The Investment Officer owns ten percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
2. Funds received by the Investment Officer from the business organization exceed ten percent of the Investment Officer's gross income for the previous year; or
3. The Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

Gov't Code 2256.005

**SELLER OF
INVESTMENTS**

A copy of policy CDA shall be presented to any person seeking to sell an authorized investment to the School. For purposes of this policy, a business organization includes investment pools. The registered principal of the business organization seeking to sell an authorized investment shall execute in writing an instrument stating:

1. The registered principal has received and thoroughly reviewed this policy; and
2. The registered principal acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the School and the organization.

The Investment Officer of the School may not buy any securities from a person who has not delivered to the School an instrument in substantially this form.

Gov't Code 2256.005 (k) (I)

**ELECTRONIC FUNDS
TRANSFER**

The School may use electronic means to transfer or invest all funds collected or controlled by the School.

Gov't Code 2256.051

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