

Administrators Operating Guide is intended to supplement and define Board policies, serve as administrative regulations and official directives.

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### 21.1 CASH MANAGEMENT

Cash management is the control of the TISD funds from the time they are received until the time of disbursement. The Executive Director of Financial Services will be responsible for the daily transactions included in the following:

- Obtain daily bank balances
- Estimate cash receipts and disbursements
- Invest available funds
- Evaluate and adjust collateral

Cash flow projections will be maintained as a vehicle to forecast asset balances available for investment. A spreadsheet is maintained daily that details the existing cash balances, major revenue sources, and anticipates cash disbursements. This tool is used to project balances following tax deposits, campus deposits, investment maturities, grant revenues, food service deposits, payroll costs, accounts payable clearings, medical self insurance claims, and workers compensation claims.

All employees with authority to make investment transactions are responsible for obtaining investment training. The Public Funds Investment Act, Section 2256.008, requires that all employees responsible for investing attend at least one 10-hour training session within 12 months of assuming duties and receive at least 10 hours of instruction from an independent source approved by the investment committee once every 2 years.

An investment policy will be in effect and will be reviewed annually by an investment committee.

An investment report will be submitted quarterly to the Board of Trustees. The report shall describe the investment position at quarter end. The report shall include a summary of any deposits in any pool(s) and shall include the beginning and ending market values, additions and changes, and fully accrued interest for the period. Each investment shall be listed with its maturity date at book and market value. The investment portfolio shall also show a break down of each fund's investment capacity. Portfolio performance is to be benchmarked against the average daily rate of the 90-day T-Bill. Quarterly investment reports will be reviewed annually by an independent auditor.

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## **21.2 DEPOSITORY AGREEMENT**

The Tyler Independent School District's depository greatly influences cash transactions. A depository will be selected through a bid process every two years, with the option to renew for up to three consecutive two-year periods. This institution must be FDIC insured, and monies deposited must be invested in accordance with the Texas Education Code School Depository Act, Chapter 45, Subchapter G, of the Education Code. The Uniform Bank Bid and Depository Contract also applies in Title 19, Part II, Subchapter D, of the Texas Administrative Code.

The District currently manages twenty-one accounts:

1 General Operating	This account handles the maintenance and operational transactions of the District.
2 General Operating NOW	This account bears interest for the General Operating Fund.
3 Online Store	This account handles receipts for payments by credit card for various District activities that are campus based.
4 Trust & Agency	This account handles campus and student activity transactions for Funds 461, 865, 810 and 899.
5 Trust & Agency NOW	This account bears interest for the Trust and Agency accounts.
6 Food Service	This account handles the maintenance and operational transactions of Food Service.
7 Food Service NOW	This account bears interest for the Food Service Fund.
8 Financial Clearing ZBA	Accounts Payable checks are cleared through this account and reimbursed by the operating fund.
9 Payroll Clearing ZBA	Payroll checks are cleared through this account and reimbursed by the operating fund.
10 Health Ins Clearing HFTPA	Health Insurance checks are cleared through this account and reimbursed by the Insurance Fund.
11 Insurance Fund	Claim payments processed by the District's claims administrator are drawn from this account.
12 Insurance Fund NOW	This account bears interest for the Insurance Fund.
13 P E A T	Property & Liability (claims after 12-1-05) payments processed by the District's Claims Administrator are drawn from.
14 Consolidation Application	Special Revenue monies (other than Campus Activity) are deposited into this account.

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## 21.2 DEPOSITORY AGREEMENT, CONT.

15 General Operating MM	This is an investment account bearing interest for the General Operating Fund.
16 Capital Investment MM	This is an investment account bearing interest for the Capital Investment Fund.
17 Food Service MM	This is an investment account bearing interest for the Food Service Fund.
18 Debt Service MM	This is an investment account bearing interest for the Debt Service Fund.
19 Insurance MM	This is an investment account bearing interest for the Insurance Fund.
20 T & A MM	This is an investment account bearing interest for the Trust & Agency accounts.
21 Capital Projects MM	This is an investment account bearing interest for Capital Projects.

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### **21.3 OTHER REVENUES INVESTMENT**

#### **Investment Authority**

The Assistant Superintendent of Finance & Operations and the Executive Director of Financial Services shall serve as the investment officers 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), 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, 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 money market mutual funds and no-load 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.

#### **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. The investment officers shall observe financial market indicators, study financial 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.

#### **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 one year 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.

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### **21.3 OTHER REVENUES INVESTMENT, cont.**

#### **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 declines 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 advisors, and representatives/advisors 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.

#### **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.

#### **Agency Funds**

Investment strategies for agency 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. Maturities longer than one year are authorized provided legal limits are not exceeded.

#### **Capital Projects**

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

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### **21.3 OTHER REVENUES INVESTMENT, cont.**

#### **Insurance Funds**

Investment strategies for insurance funds shall have as their primary objectives safety, investment, liquidity, and maturity sufficient to meet anticipated cash flow requirements.

#### **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.

#### **Brokers / Dealers**

Prior to handling investments on behalf of the District, brokers/dealers 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 National Association of Securities Dealers.

#### **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**

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.

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

#### **21.4 COLLATERAL**

The management of collateral is defined by The Public Funds Collateral Act, Section 2257, and is exclusive of any conflicting law. Collateral is required for deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are set forth in the district's bi-annual depository contract, as approved by the Board of Trustees and the State.

Obligations pledged to secure deposits will be held by a third party, separate from the pledging institution. Written custodial agreements are included in the District's depository agreement. The custodial bank determines the market value of the pledge collateral on a daily basis. The District uses this market value to determine that pledged collateral is adequate to cover its deposits.



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#### **21.5 INVESTMENT PURCHASING CONTROL**

Treasury Bills, Notes, Bonds Repurchase Agreements and Government Agencies' securities shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid until verification has been made that the Trustee received the correct security. The security shall be held in the name of the District on behalf of the District. The Trustee's records shall assure the notation of the District's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the District.