LOCKHART INDEPENDENT SCHOOL DISTRICT
REPORT OF INVESTMENT ACTIVITY
For the period ending September 30, 2017

Introduction

House Bill 2459, which was passed during the 1995 legislative session, amended a section of the Education Code dealing with investments. Code Section 2256.023 as amended, requires that the Investment Officer of the District prepare a report of investment activity and position. Monthly financial reports and invested fund statements are included in Board agendas and become a part of the permanent record. However, it is prudent to provide more detailed information on a regular basis. This report covers the quarter July 1, 2017 through September 30, 2017.

Cash

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. First Lockhart National Bank (FLNB) deposits for safekeeping and trust with the Federal Reserve System, pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of securities is waived only to the extent of Federal Deposit Insurance Corporation (FDIC) insurance.

The District's cash balances were properly collateralized and insured at all times during the period. The highest combined balances of bank deposits at FLNB for the quarter ended September 30, 2017, occurred during the month of July 2017, in the amount of $7,282,142. FDIC insurance for government accounts is $250,000 for the combined amount of all time deposits, and an additional $250,000 for the combined amount of all interest-bearing demand deposits. The total par value of U.S. Treasury notes pledged as collateral in June was $8,493,026. FLNB provides a minimum interest rate of 1.0% on an annual basis, per the bank depository contract. Interest is credited on investments as earned on a monthly basis and is recorded on the District's books as earned. Interest accrues on investments with maturities longer than one month. As of September 30, 2017, the District General Fund has earned interest from all investments in the amount of $44,840.00.

Investments

Temporary investments balances are held by Texas Local Government Investment Pools (TexPool, Lone Star, and Texas Term/TexasDaily.

TexPool Prime is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe, efficient, and liquid investment alternative for the placement of local government funds in authorized, short-term, fully-collateralized investment. TexPool Prime invests in U.S. Government securities, repurchase agreements collateralized by U. S. Government securities and AAA-rated no-load money market mutual funds, commercial paper and certificate of deposits. TexPool Prime is rated AAAm by Standard & Poor's, the highest rating a local government pool can

achieve. The weighted average maturities may be authorized longer than one year provided legal limits are not exceeded.

The State, with the authority of the Texas Legislature, created the Texas Treasury Safekeeping Trust Company (the Trust Company). This is a special purpose trust company with direct access to the service of the Federal Reserve Bank to manage, disburse, transfer, safe-keep and invest public funds and securities more efficiently and economically. The Comptroller of Public Accounts is the sole officer, director and shareholder of the Trust Company. Federated Investors manage the daily operations of the pool under a contract with the State Comptroller. Federated Investors is the administrator for the TexPool program providing Participant Services and Marketing functions to TexPool participants. Federated Investors is also the investment manager and provides for accounting, custodial, and transfer agency services to TexPool. Interest is accrued daily and paid monthly.

The Lone Star Investment Pool (LSIP) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, and Texas Government Code, Chapter 2256. The objective of the Pool is to maintain the safety of principal, while providing participating participant with the highest possible rate of return for invested funds.

Participants in the Pool own pro rata interests in the underlying assets of the fund in which they participate. Currently the District's funds are invested in LSIP Corporate Overnight Fund. It is designed for funds that may be required for immediate expenditure. The objective of the Corporate Overnight Fund is to provide participating government entities with safety of principal, daily liquidity, and the highest possible rate of return. The fund seeks to offer daily liquidity and maintain net asset value of one dollar. The dollar-weighted average maturity of the Corporate Overnight Fund is 60 days or fewer. LSIP is also rated AAAm by Standard & Poor's.

Texas Daily/Term is a portfolio established by the Texas Term advisory board pursuant to the provisions of the Texas Term common investment contract. Texas Daily offers governmental entities such as Texas schools a convenient method of pooling funds for temporary investment. It operates as a money market fund and seeks to maintain a constant net asset value of $1.00 per share, while offering liquidity and as high a level of current income as is consistent with the preservation of principal. The net income of Texas Daily is calculated daily and each month is reinvested in additional shares of the Daily Portfolio.

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Investment Strategy by Fund

The strategy of the Maintenance and Operations Fund, Capital Projects, Payroll, and School Nutrition Fund is to closely match projected cash needs during the year through legal, authorized investments. Only investments authorized by Board Policy CDA (Legal) and CDA (Local) will be purchased. Investments should be purchased with the intent of holding until maturity. Liquidity and safety are predominant considerations with continued emphasis on yield, but not to the impairment of the other two objectives.

Debt Service Fund - All legal authorized investments should closely match projected cash needs during the year. Investment maturities may be authorized longer than one year provided legal limits are not exceeded. Only investments authorized by Board Policy CDA (legal) and CDA (local) will be purchased, with the objective of timing maturity with the dates that the districts' debt is due. Investments should be purchased with the intent of holding until maturity. The same comments affecting M&O investment operations are applicable to the Debt Service fund investments.

2014 Bond Proceeds - Bond funds are invested only as authorized by Board Policy CDA (legal) and CDA (local), with the objective of timing maturity with the District's bond draw schedule. While interest earned monthly is recorded on the District's books as earned interest, interest accrues on investments with maturity dates longer than one month. Investment maturities may be authorized longer than one year provided legal limits are not exceeded. Only investments authorized by Board Policy CDA (legal) and CDA (local) will be purchased.

Student Activity / Agency Funds - All legal authorized investments should closely match projected cash needs during the year. Investment maturities may be authorized longer than one year provided legal limits are not exceeded. Only investments authorized by Board Policy CDA (legal) and CDA (local) will be purchased.

Conclusion

Interest is credited on investments as earned on a monthly basis and is recorded on the District's books as earned. Therefore, the District's investment earnings will always reflect compounded interest earned in relation to capital invested, term of investment, and market conditions. The investment pools are in relatively short-term securities; consequently the risk to the District is minimal.

	First Lockhart National Bank	Texpool Prime	LoneStar Investment Pool	Texas Daily	Texas Term
July 2017					
Average Monthly Return	1.00%	1.20%	1.18%	0.96%	.98-1.02%
Weighted Average Maturity	N/A	47	43	38	46
Annualized Expense Ratio	N/A	0.06%	0.06%	0.10%	0.20%
Standard & Poor's Rating	N/A	AAAm	AAAm	AAAm	AAAf
August 2017					
Average Monthly Return	1.00%	1.24%	1.21%	1.00%	1.01-1.07%
Weighted Average Maturity	N/A	51	40	41	31
Annualized Expense Ratio	N/A	0.06%	0.06%	0.10%	0.20%
Standard & Poor's Rating	N/A	AAAm	AAAm	AAAm	AAAf
September 2017					
Average Monthly Return	1.01%	1.26%	1.23%	1.03%	1.03-1.20%
Weighted Average Maturity	N/A	51	47	n/av	n/av
Annualized Expense Ratio	N/A	0.06%	0.06%	0.10%	0.20%
Standard & Poor's Rating	N/A	AAAm	AAAm	AAAm	AAAf

N/A = not applicable
n/av = not available at the time of report

Glossary:

AAAm= Extremely strong capacity to meet its financial commitments. Safety is excellent and has a superior capacity to maintain principal value and limit exposure to loss.

AAAf/S1+ = The fund's portfolio holdings provide extremely strong protection against losses from credit. The S1+ rating indicates that bond funds possess low sensitivity to changing market conditions. The level of risk is less than or equal to a portfolio of government securities maturing within 1-3 years.

AAAV-1+ = Funds with this rating are considered to have the lowest market risk (stable value). The rating is assigned to only money market funds or local government investment pools that should not experience loss of principal value to shareholders or participants even in severely adverse interest rate environments. (Rating by Fitch IBCA, a nationally recognized rating agency.)

Quarterly Investment Report
For Quarter Ended: September 30, 2017

Texpool	Balance on 09/30/2017	Balance on 06/30/2017	Net Change
Interest & Sinking Fund	$ 1,152,991	$ 4,421,694	$ (3,268,703)
General/Operating Fund	$ 9,288,138	$ 10,092,894	$ (804,756)
School Nutrition	$ 398	$ 454,948	$ (454,550)
C.D. Marshall JHS Scholarship	$ 36,290	$ 36,676	$ (386)
Burditt Scholarship Fund	$ 10,725	$ 10,692	$ 33
GF Hudnall Scholarship	$ 14,735	$ 14,690	$ 45
J.M. Moore Scholarship	$ 23,614	$ 23,540	$ 74
Latricia White Scholarship	$ 13,338	$ 13,296	$ 42
Mary B. C. Sanders Scholarship	$ 5,667	$ 5,648	$ 19
Bus Interest & Sinking	$ 225,496	$ 152,523	$ 72,973
Hazelett Scholarship	$ 19,658	$ 19,597	$ 61
Canning Engineering Scholarship	$ 23,225	$ 23,153	$ 72
Total Funds	$ 10,814,275	$ 15,269,351	$ (4,455,076)
Interest Rate	1.26%	0.87%	

LoneStar Investment Pool	Balance on 09/30/2017	Balance on 06/30/2017	Net Change
Interest & Sinking Fund	$ 1,086	$ 1,083	$ 3
General/Operating Fund	$ 1,824,876	$ 1,819,338	$ 5,538
School Nutrition Fund	$ 358	$ 5,343	$ (4,985)
Total Funds	$ 1,826,320	$ 1,825,764	$ 556
Interest Rate	1.23%	n/a	

Texas Term/Texas Daily	Balance on 09/30/2017	Balance on 06/30/2017	Net Change
Texas Daily/Texas Term General Funds	$ 3,152,806	$ 3,152,424	$ 382
Texas Daily/Term Bond Proceeds	$ 4,258,027	$ 6,732,802	$ (2,474,775)
Texas Daily School Nutrition Funds	$ 2,818	$ 2,498	$ 320
Texas Daily/Texas Term Debt Svce	$ 15,255	$ 15,217	$ 38
Texas CD Program Bond Funds	$ -	$ 726,000	$ (726,000)
Total Funds	$ 7,428,906	$ 10,628,941	$ (3,200,035)
Interest Rate	Ranges 1.03 to 1.20%	Ranges 0.85% to 1.10%	

First Lockhart National Bank	Balance on 09/30/2017	Balance on 06/30/2017	Net Change
Interest & Sinking Fund	$ 90,715	$ 354,465	$ (263,750)
General/Operating Fund	$ 1,477,552	$ 4,784,311	$ (3,306,759)
Redemption Account	$ 2,079	$ 2,074	$ 5
Payroll	$ 886,184	$ 532,934	$ 353,250
Bus Interest & Sinking Fund	$ 1,687	$ 1,407	$ 280
School Nutrition	$ 141,025	$ 153,428	$ (12,403)
Fiduciary Funds	$ 13,908	$ 9,814	$ 4,094
Top Ten Scholarship Funds	$ 190,037	$ 115	$ 189,922
Roland Endowment Funds	$ 19,695	$ 19,645	$ 50
Bond Proceeds	$ 125,040	$ 223,698	$ (98,658)
Bond Proceeds One-Year CD @1.25%	$ -	$ 1,023,616	$ (1,023,616)
Total Funds	$ 2,947,922	$ 7,105,507	$ (4,157,585)
Interest Rate	1.01%	0.6000%	

Accrued Interest
As of September 30, 2017

	As of 9/30/2017
2014 Bond Proceeds	
Texas Daily/Term Bond Proceeds	$ 14,005
Total Accrued Interest	**$ 14,005**
Interest Rate	1.2000%

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Compliance

We, the approved Investment Officers of Lockhart ISD, hereby certify that the above Investment Report represents the investment position of the district in compliance with the Board approved Investment Policy, the Public Funds Investment Act (Texas Government Code 2256), and Generally Accepted Accounting Principles (GAAP).

Respectfully submitted,

Tina Knudsen

Tina Knudsen, Chief Financial Officer

Michelle Wylie

Michelle Wylie, Accountant