Northwest Independent School District

P.O. Box 77070 Fort Worth, TX 76177-0070

To:	Board of Trustees
From:	Karen G. Rue, Ed.D, Superintendent of Schools
Subject:	August Financial and Investment Report
Date:	September 28, 2015

Background Information and Rationale:
All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. *Gov't Code 2256.026*

Support of Strategic Goals:
The review of the August Financial and Investment Report supports Strategic Goal V: Northwest ISD will invest resources to ensure that students, parents, and the community receive optimal educational services.

Budget and/or Fund Impact:
The Combined Statement of Revenues, Expenditures and Changes in Fund Equity for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Outlay Funds, and Totals (Memorandum Only) report activity for all funds through August, 2015.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending August, 2015, and is submitted in accordance with the provisions of the Public Funds Investment Act.

The following investments matured in August:
- $10,009,804.78 Certificate of Deposit Two (General Fund)
- $ 5,010,193.91 Certificate of Deposit One (Capital Projects Funds)
- $ 5,019,000.00 Certificate of Deposit One (Capital Projects AFB)
- $30,032,951.79 Certificate of Deposit Three (Interest & Sinking)

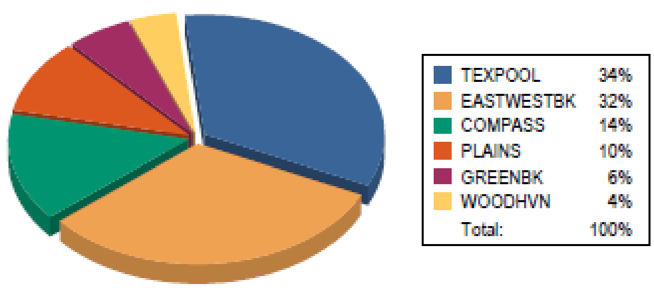
The District purchased the following investment in August:
- $ 5,019,000.00 Certificate of Deposit One (Capital Projects AFB)
- $10,000,000.00 Certificate of Deposit One (Interest & Sinking)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $252,716,380.28 *as* of August 31, 2015.

Fund	**Yield to Maturity**	**Market Value**
General Fund	0.345%	$ 84,451,351.18
Special Revenue Funds	0.306%	1,167,491.44
Debt Service Funds	0.343%	20,166,085.13
Capital Projects Funds	0.126%	109,392,700.31
Capital Projects Funds - AFB	0.393%	37,538,752.22
Total	0.257%	$ 252,716,380.28

Board Policy states that, "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 issuer."

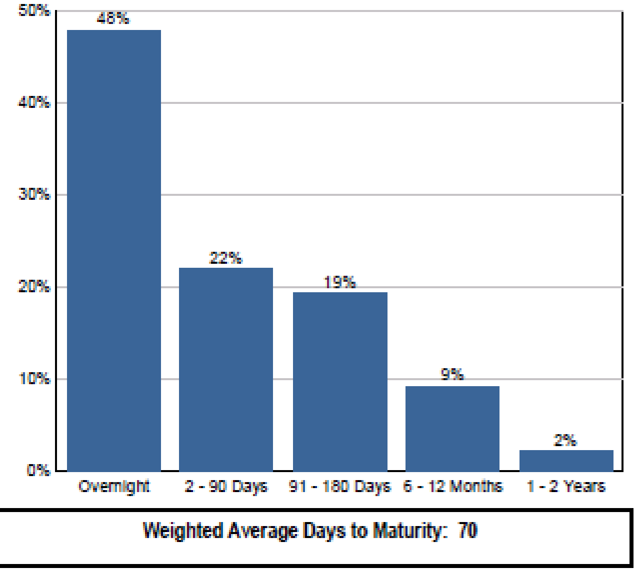
The District portfolio is concentrated in terms of **investment instruments** (Certificates of Deposit). These concerns are addressed by the low risk nature of the certificates of deposit and the maintenance of collateral by the various financial institutions to guarantee the safety of the investments.



Portfolio Composition by Security Type	
Local Government Investment Pool	34%
Certificates of Deposit	52%
Bank Deposit	14%

Portfolio Composition by Issuer	
TexPool	34%
EastWest	32%
Compass	14%
Greenbank	6%
Plains	10%
Woodhaven	4%

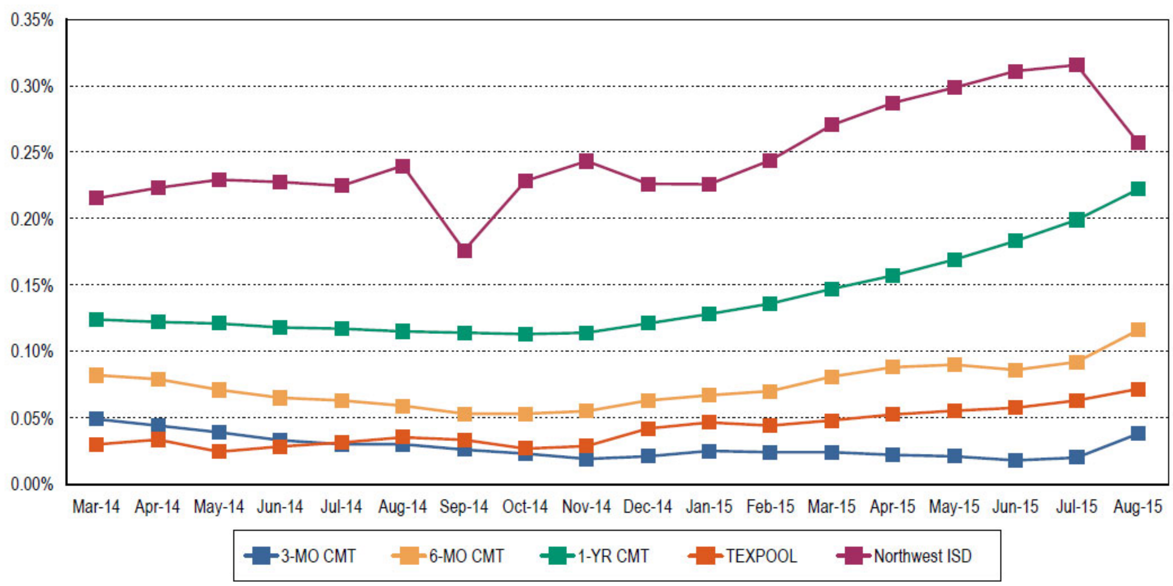
The District portfolio is diversified in terms of **maturity scheduling:**



Maturity Schedule

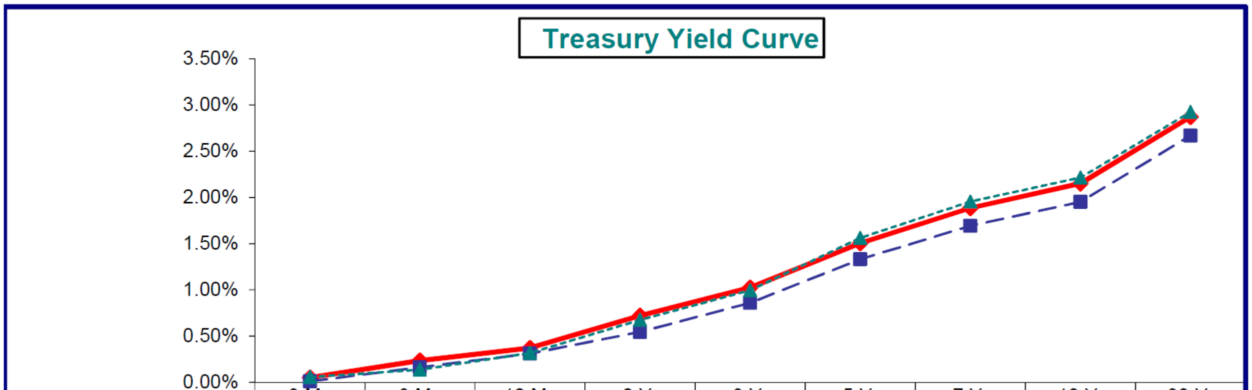
0 – 3 Months	48%	$120,977,118.91
3 – 6 Months	22%	55,112,069.69
6 – 9 Months	19%	48,604,369.76
9 – 12 Months	11%	28,022,821.92

The District portfolio currently outperforms all the **benchmark comparisons**.



Note 1: CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.



	3 Mo	6 Mo	12 Mo	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	30 Yr
Current	0.051%	0.234%	0.372%	0.720%	1.024%	1.504%	1.885%	2.151%	2.871%
One Week Ago	0.010%	0.163%	0.311%	0.544%	0.859%	1.329%	1.691%	1.953%	2.668%
One Month Ago	0.056%	0.137%	0.316%	0.676%	0.996%	1.561%	1.954%	2.214%	2.923%

The **TexPool Economic & Market Commentary for September, 2015**, notes that,

Fed hike still in the cards for 2015

The equity market ended August battered by choppy waves emanating from China. Money managers didn't have to navigate those, but we had ample concerns about how the turbulence could affect the Federal Reserve's desire to raise rates for the first time in many, many years. A speech by the Fed's vice chairman at the annual Jackson Hole conference more-or-less sums up the situation. Stanley Fischer said that the case for a hike continues to grow but that volatility coming from China and other issues could impact that decision. Yet he seemed to dismiss the benign inflation readings from the summer, saying there is "good reason" to expect it to rise, and pointed to improving U.S. economic data.

Regardless of his noncommittal stance and the equally noncommittal minutes of the July Federal Open Market Committee meeting, we are still of the opinion that 2015 is in the cards and that liftoff in September is more likely than in October or December. The economic statistics out between the end of July and the end of August are impossible to discount. Data has been very good, with housing and employment numbers coming in strong. The revised gross domestic product (GDP) reading for the second quarter of 3.7% was great. The only soft spot continues to be low inflation abetted by the low price of oil—probably the biggest reason that policymakers are still on the fence.

We think there's another reason that points to an imminent hike in the federal funds rate range, one that money market managers pay more attention to than most product managers. Lately, the New York Fed has been accelerating its fine tuning of repo rates, term repo and other policy tools it will be using to guide rates when they climb. The staff won't implement everything until the FOMC actually raises the target range, but it has experimented with several different strategies on money funds over the past year or so.

We have been asked whether or not the volatility in the equity market has caused the recent increased inflows to the money markets, because sometimes that happens. Although inflows were up in the months of June and July, we don't think that had anything to do with the volatility in the equity market and the bond market. It's worth pointing out that the China problems affected the longer part of the yield curve, not really impacting the short end that affect us.

From a portfolio positioning perspective we decreased the weighted average maturity (WAM) target range for our government portfolios, backing-up our expectation of a Fed move. It had been in the 40-50-day range and we decreased that to 35-45 days. It's also a reflection of short-term rates lately being a little bit more generous then they have been. We did not take the same approach with the prime portfolios, mainly because they were already at the short end of their WAM range of 40-50 days.

Earnings from Temporary Deposits and Investments are $69,254.90 for August and $101,108.30 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 17,032.15	$ 28,619.55
Special Revenue Funds	10.07	18.95
Debt Service Funds	23,675.55	23,780.28
Capital Projects Funds	9,386.87	13,394.11
Capital Projects Funds – AFB	19,150.26	35,295.41
Total	$ 69,254.90	$ 101,108.30

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Karen G. Rue, Ed.D.

Jon Graswich, CPA