Northwest Independent School District

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

To:	Board of Trustees
From:	Ryder Warren, Ed.D., Superintendent of Schools
Subject:	July Financial and Investment Report
Date:	August 22 2016

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 July 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 July, 2016.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending July, 2016, and is submitted in accordance with the provisions of the Public Funds Investment Act.

The following investments matured in July:

- $ 5,022,500.00 Certificate of Deposit One (Capital Projects AFB)
- $10,000,000. 00 Treasury Note One (General Fund)
- $ 7,523,672.13 Certificate of Deposit One (Capital Project)

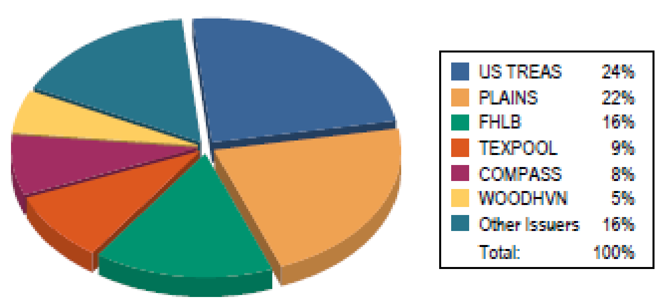
No investments were purchased in July.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $229,932,020.93 as of July 31, 2016.

Fund	Yield to Maturity	Market Value
General Fund	0.597%	80,591,270.36
Special Revenue Funds	0.585%	1,165,625.61
Debt Service Funds	0.497%	38,564,372.28
Capital Projects Funds	0.448%	71,472,009.59
Capital Projects Funds - AFB	0.417%	38,138,743.09
Total	0.504%	$229,932,020.93

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."

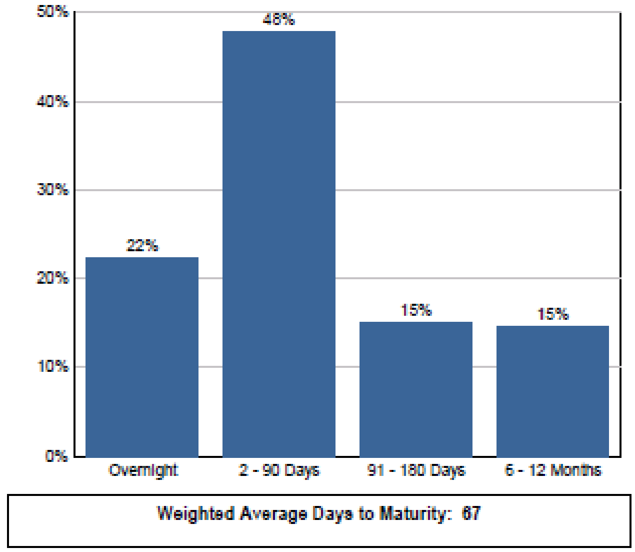
The District portfolio is concentrated in terms of **investment instruments** (Certificates of Deposit). These concerns are addressed by the low risk nature of the certificates of deposit and the maintenance of collateral by the various financial institutions to guarantee the safety of the investments.



Portfolio Composition by Security Type	
Local Government Investment Pool	9%
Certificates of Deposit	36%
Bank Deposit	10%
Agency Bullet	8%
Treasury	24%
AGCY DISCO	13%

Portfolio Composition by Issuer	
Texpool	9%
Plains	22%
Compass	8%
FHLB	16%
US Treasury	24%
Other Issuers	16%
Woodhaven	5%

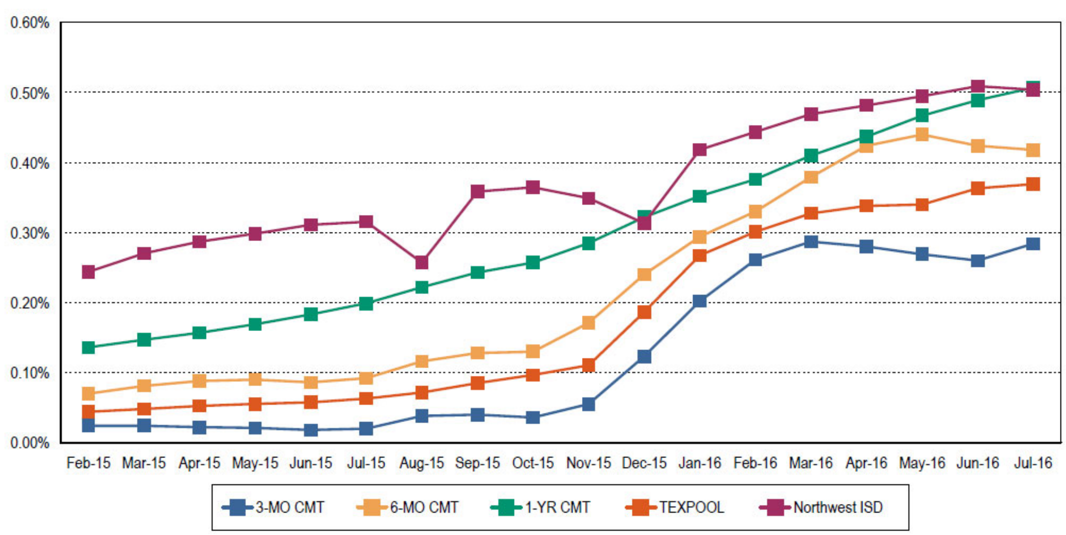
The District portfolio is diversified in terms of **maturity scheduling:**



<u>Maturity Schedule</u>

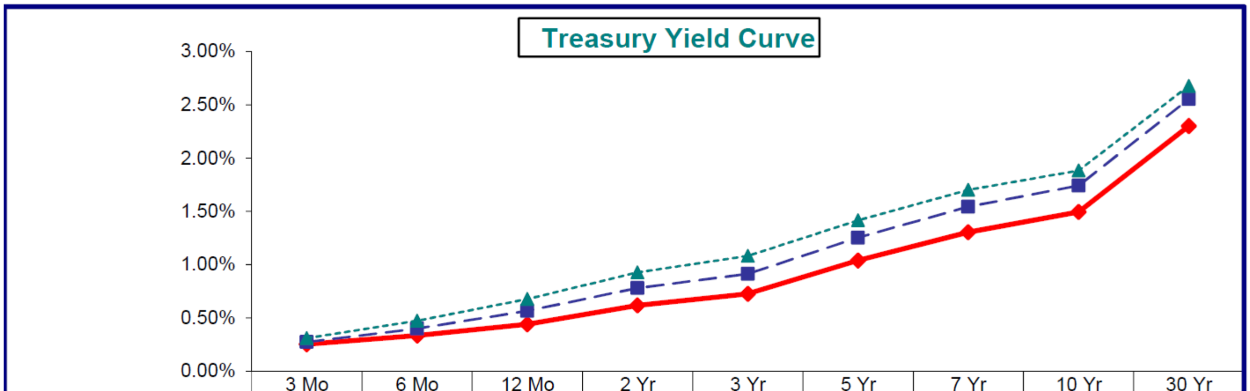
Overnight	22%	$ 51,384,291.79
0 – 3 Months	48%	110,104,570.44
3 –6 Months	15%	34,808,801.59
6 – 12 Months	15%	33,634,357.11

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	0.254%	0.335%	0.442%	0.617%	0.725%	1.037%	1.305%	1.495%	2.300%
One Week Ago	0.274%	0.401%	0.565%	0.779%	0.912%	1.253%	1.543%	1.742%	2.554%
One Month Ago	0.310%	0.473%	0.678%	0.926%	1.082%	1.416%	1.701%	1.883%	2.677%

The **TexPool Economic & Market Commentary for August, 2016**, notes that,

Fed optimism comes at opportune time

The statement released by the Federal Reserve after each of its policy-setting meetings is intentionally ambiguous so as not to tip its hand or rattle markets if it doesn't take action on rates, as was the case last week. One trick of the trade for deciphering "Fedspeak" is to look for what is not said as much as what is said. The lack of any mention in last week's statement of the surprise U.K. vote to leave the European Union is a good sign. Most expected the Fed to cite global sources of volatility and weakness as factors for why it did not hike rates. Not only does the absence of a Brexit reference suggest that Chair Janet Yellen and company were not spooked by the global volatility that followed, it also lends more weight to their optimism about the signs of strength in the U.S. economy. The domestic economy must be doing well if it is able to overshadow concerns the Fed might have about the U.K. split.

Economic statistics over the last month did exceed most expert's expectations, especially those concerning employment, housing and consumers. Even certain measures of inflation are finally warming up. All of this is why we continue to be of the opinion the Fed likely will raise the target rate by 25 basis points sometime this year.

The optimistic tone of the Federal Open Market Committee (FOMC) statement could hardly come at a better time for cash managers, considering the uncertainty for money markets as the Oct. 14 implementation date of the SEC's money fund reforms creeps closer. While the requirement that institutional prime and tax-free money funds float their net asset value (NAV) is at the heart of the changes, cash managers are currently more concerned about whether or not clients in their prime products will move funds to government ones. That unknown has most prime funds being conservative and favoring liquidity, all of which has narrowed spreads. We have our weighted average maturity targeted at 40-50 days for government portfolios and 35-45 for prime, but specifically for what we believe to be the core assets of each portfolio. The London interbank offered rate has risen across the curve.

Federated's broad strategy for this unique time in U.S. financial history is to have a bucket for all participants to transfer their funds into, including government, private, retail and separate accounts. And we stick to our opinion that spreads for prime portfolios will eventually grow enough to entice some clients back into them.

It is worth noting that the New York Fed's reverse repo program will be crucial to this period. If cash flows to government securities are so great as to push down their yields to extremely low levels, cash managers can instead go to the Fed at a floor of 25 basis points, as long as they have access to this facility, as we do. This program has been, and continues to be, vital to nightly operations. You might even say unambiguously so.

Earnings from Temporary Deposits and Investments are $69,901.60 for July and $69,901.60 year-to-date for all funds.

Fund	**Month**	**Year-To-Date**
General Fund	$ 41,874.88	$ 41,874.88
Special Revenue Funds	-55.76	-55.76
Debt Service Funds	7,055.21	7,055.21
Capital Projects Funds	30,272.51	30,272.51
Capital Projects Funds – AFB	-9,245.24	-9,245.24
Total	$ 69,901.60	$ 69,901.60

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D., Superintendent

Jon Graswich, CPA, Associate Superintendent for Business and Operations