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: April Financial and Investment Report

Date: May 23, 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 April 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 April, 2016.

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

The following investments matured in April:
- $ 7,513,094.26 Certificate of Deposit One (Capital Projects)
- $ 5,000,000.00 Certificate of Deposit One (General Fund)

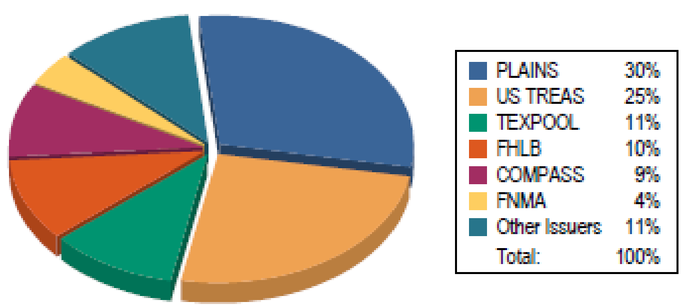
The following investments were purchased in April:
- $ 5,000,000.00 Certificate of Deposit One (General Fund)

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $279,297,911.99 as of April 30, 2016.

Fund	Yield to Maturity	Market Value
General Fund	0.527%	117,565,060.74
Special Revenue Funds	0.581%	1,165,935.95
Debt Service Funds	0.498%	37,709,371.31
Capital Projects Funds	0.408%	84,741,675.03
Capital Projects Funds - AFB	0.485%	38,115,868.96
Total	0.482%	$279,297,911.99

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."

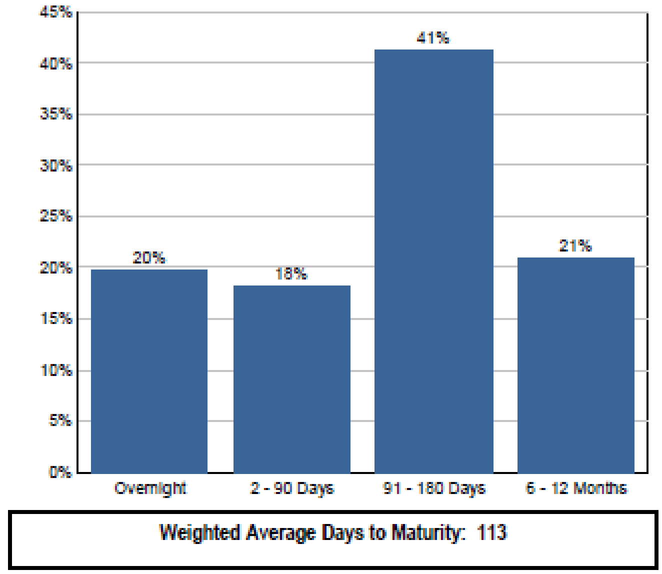
The District portfolio is concentrated in terms of **investment instruments** (Certificates of Deposit). These concerns are addressed by the low risk nature of the certificates of deposit and the maintenance of collateral by the various financial institutions to guarantee the safety of the investments.



Portfolio Composition by Security Type	
Local Government Investment Pool	11%
Certificates of Deposit	41%
Bank Deposit	9%
Agency Bullet	6%
Treasury	25%
AGCY DISCO	9%

Portfolio Composition by Issuer	
Texpool	11%
Plains	30%
Compass	9%
FHLB	10%
US Treasury	25%
Other Issuers	11%
FNMA	4%

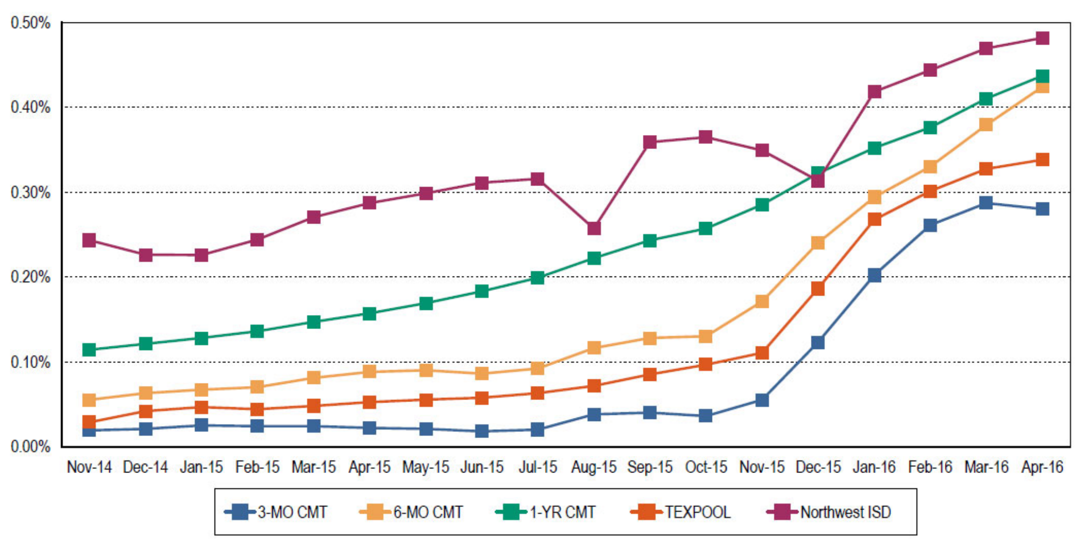
The District portfolio is diversified in terms of **maturity scheduling:**



Maturity Schedule

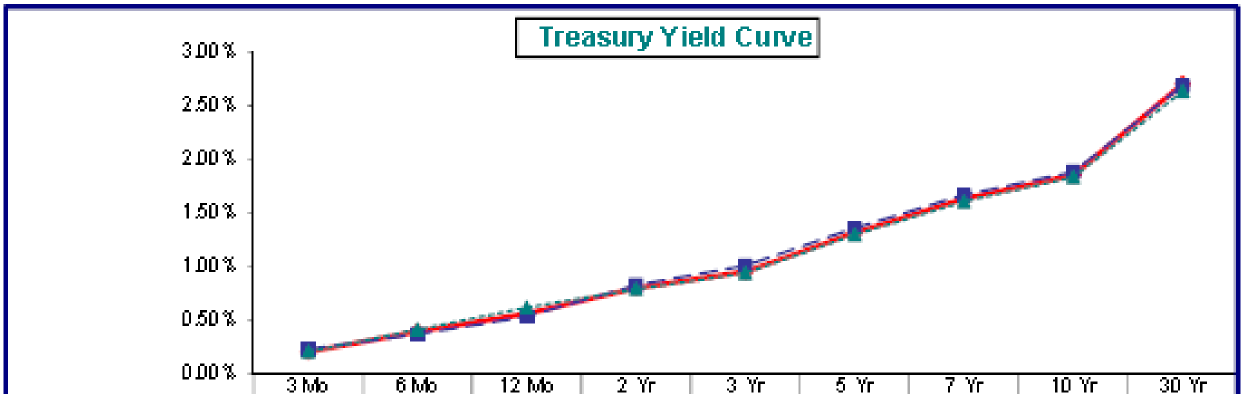
Overnight	22%	$ 62,737,853.81
0 – 3 Months	12%	33,013,007.97
3 –6 Months	45%	125,099,541.54
6 – 12 Months	21%	58,447,508.67

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	0.198%	0.386%	0.555%	0.794%	0.945%	1.310%	1.627%	1.847%	2.701%
One Week Ago	0.224%	0.361%	0.529%	0.822%	1.003%	1.353%	1.663%	1.877%	2.687%
One Month Ago	0.198%	0.406%	0.613%	0.784%	0.933%	1.290%	1.601%	1.828%	2.631%

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

Fed stays close to the vest; money funds show their cards

As the world combed through another murky Federal Reserve policy statement last month, cash managers had an additional task: making new SEC money fund rules as clear as possible.

The latest Federal Open Market Committee (FOMC) decision on April 27 not to raise the federal funds rate is best summarized as an “OK” statement. It was not overly negative or positive, which means it was impossible to read with any certainty. Nothing new there. Chair Janet Yellen and company downplayed global volatility but showed more concern about domestic activity. With her members starting to take sides on rates, she seemed to tiptoe between them in order to get to the summer for a better view of the economy. It makes sense, as the first quarter of the last couple of years has been out of step with the remainder. The FOMC statement emphasized the improvement of the labor market but reinforced that inflation still refuses to follow suit. Our in-house view still calls for two hikes in 2016—the first in June or July—but the market is already kicking the June meeting to the side.

In the weeks before the vague Fed statement came out, we were immersed in the implementation of some of the SEC’s money fund rule changes from 2014. On April 14, it began to require money market funds to disclose more information, such as the amount of liquid assets in their portfolios. Believe it or not, we are happy the SEC did this. It specifically designed these disclosure rules to come out six months ahead of requirements that institutional prime and municipal money funds float their net asset values (NAV) and create fees and gates procedures.

The disclosures will be crucial in getting clients comfortable with the reforms. We feel that the more they understand the changes, the less concerned they will be about them. We want investors to see that the floating NAVs—now reported out to the hundredth of a penny—are essentially steady and that our portfolios have well above 30% in weekly liquid assets. And we want them to realize that they have the ability to track all of this daily by themselves.

There's additional disclosure with regard to month-end portfolios. It used to be that certain portfolio characteristics provided to the SEC were not made public for 60 days. That has now been shortened to a 5-day lag. For clients who want to look at potential volatility in products, this will be very helpful.

Cash managers welcome all of this openness because we hope it will convince institutional clients to stay in prime and municipal funds. Certainly, clients are happy about the additional yield they've been getting lately. The yield of prime over government portfolios was about 20-22 basis points in April, well above the historic average of around 12. That should offer plenty of incentive for clients to take a close look at how they operate, especially as some may need to amend their own investment policies to invest in a floating NAV.

Earnings from Temporary Deposits and Investments are $44,961.18 for April and $463,569.02 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 30,042.80	$ 246,796.21
Special Revenue Funds	-61.61	2,085.48
Debt Service Funds	6,302.70	89,059.47
Capital Projects Funds	19,280.08	72,746.28
Capital Projects Funds – AFB	-10,602.79	52,881.58
Total	$ 44,961.18	$ 463,569.02

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Karen G. Rue, Ed.D., Superintendent

Jon Graswich, CPA, Associate Superintendent for Business and Operations