Northwest INDEPENDENT SCHOOL DISTRICT

Teamwork | Pride | Excellence

To: Board of Trustees

From: Ryder Warren, Ed.D., Superintendent of Schools

Subject: September Financial and Investment Report

Date: October 22, 2018

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:

- Students will achieve success through meaningful learning experiences, innovative pathways, and personalized opportunities.
- Northwest ISD will recruit, value, and retain exceptional staff to create a rewarding learning environment.
- Northwest ISD will create and foster an environment where all stakeholders are engaged in the transformational work of the NISD family.

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 September, 2018.

The Investment Report, prepared by the District's investment advisors, First Southwest Asset Management, Inc., encompasses the month ending September, 2018, and is submitted in accordance with the provisions of the Public Funds Investment Act.

Also included with the investment information this month is the First Southwest Asset Management, Inc. Public Investor Update which recaps the Quarter Ending September 30, 2018.

The following investments matured in September:

- $15,000,000.00 Securities One (General Operating)

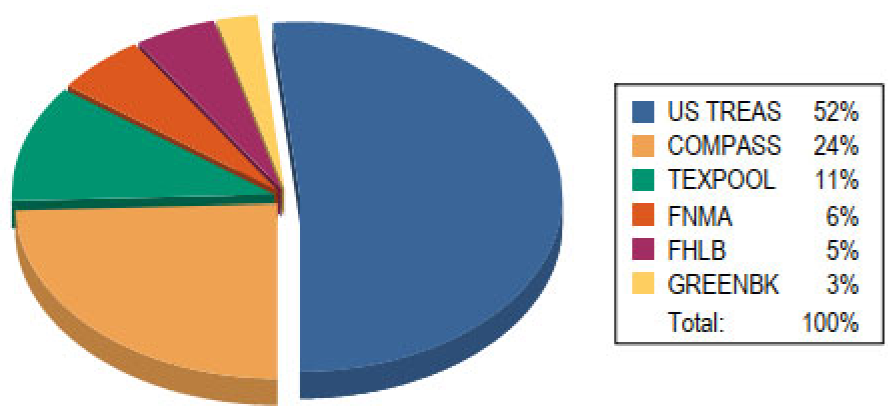
There were no purchases in the month of September.

Investments for the District's General Fund, Debt Service Funds, Capital Projects Funds, and Internal Service Funds total $189,744,267.27 as of September 30, 2018.

Fund	Yield to Maturity	Market Value
General Fund	1.920%	$ 68,464,847.96
Special Revenue Funds	1.983%	1,163,407.61
Debt Service Funds	2.042%	23,928,308.99
Capital Projects AFB Funds	1.995%	46,087.06
Capital Projects Funds	2.121%	96,141,615.65
Total	2.037%	$189,744,267.27

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."

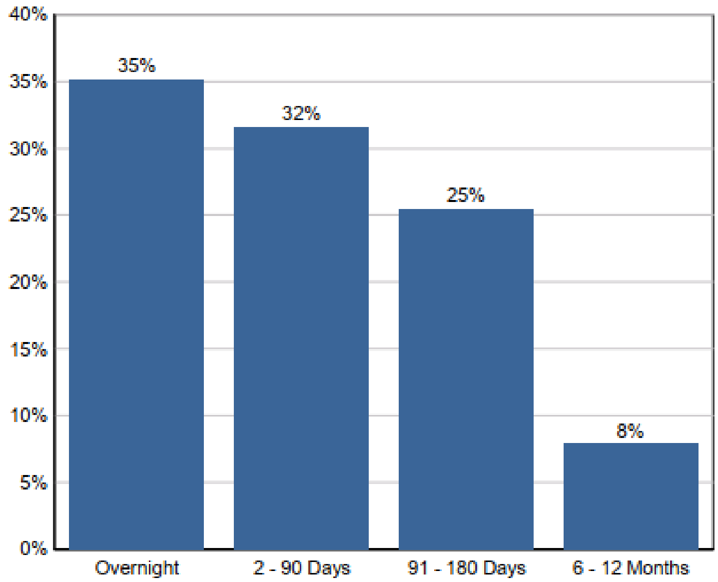
Investment Instruments and Financial Institutions



Portfolio Composition by Security Type	
Treasury	52%
Local Government Investment Pool	11%
Bank Deposit	24%
Agency Bullet	11%
Agency Disco	0%
Certificates of Deposit	3%

Portfolio Composition by Issuer	
Treasury	52%
TexPool	11%
Compass	24%
FHLB	5%
FNMA	6%
Greenbank	3%

Maturity Scheduling

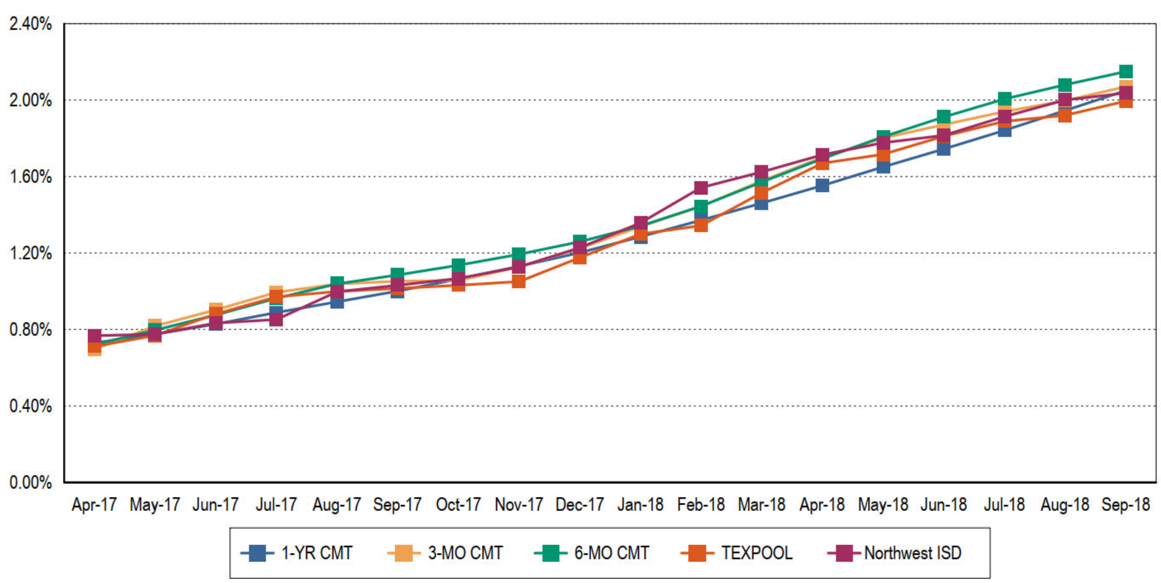


Weighted Average Days to Maturity: 67

Maturity Schedule

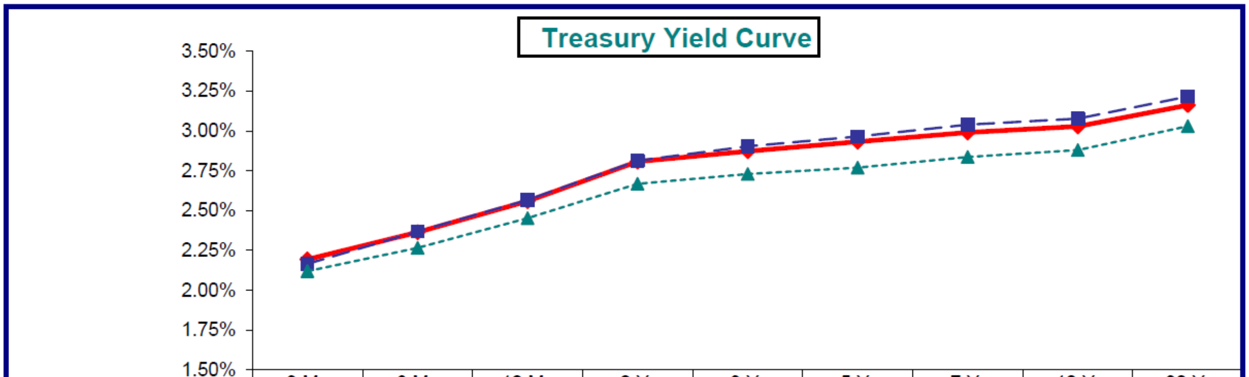
Overnight	35%	$ 66,619,672.27
0 – 3 Months	32%	$ 59,926,350.00
3 –6 Months	25%	$ 48,333,545.00
6 – 12 Months	8%	$ 14,864,700.00

Benchmark Comparison



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	2.194%	2.364%	2.560%	2.807%	2.872%	2.933%	2.990%	3.028%	3.162%
One Week Ago	2.166%	2.369%	2.567%	2.813%	2.904%	2.966%	3.039%	3.078%	3.216%
One Month Ago	2.120%	2.266%	2.453%	2.669%	2.730%	2.770%	2.837%	2.880%	3.030%

TexPool Monthly Newsletter: October, 2018

Coming around to our way of thinking

October 1, 2018

In recent weeks, we've begun to see a stirring in the financial press about the renewed worthiness of cash and money markets, especially prime institutional. What was once "in the doldrums," "left for dead" and dealt a "fatal blow" is now regaled with statements such as "prime time returns," "cash comes into focus" and having "increasing attractiveness."

Hmmm. This all sounds strangely familiar. Might that be because we at Federated—not to mention this column—have been saying this for months and quarters? What a Bloomberg article recently called, "Rising rates lift relative appeal of cash to decade high," we have said in marketing campaigns and presentations for some time. In particular, our mandate has been to focus liquidity clients on the comparisons between banks and prime. It's important to remember that, industry-wide, prime products tend to be more responsive than bank deposits to rising rates because they trade using the London interbank offered rate (Libor),which traditionally traces Fed hikes faster and that money funds provide a market rate, not an administrative one chosen by a bank or similar institution. It's a reason assets are flowing back into prime money funds in general; diversification is another one.

Well, better late than never for the popular press, which Reuters colorfully said a few days before the Federal Open Market Committee (FOMC) raised rates in its September meeting: With the "anticipated rate action, cash will join the party."

In addition to a much-expected 25-basis-point hike in the target range to 2-2.25%, the FOMC summary of economic projections indicated it expects one more hike before the end of 2018 and three similar hikes in 2019. The forecast extended to 2021 this time, with a rate of 3.4% implying no additional tightening.

A bit of inside baseball is that the Fed did not choose to further lower the interest paid on excess reserves (IOER) target compared to the upper end of the fed funds rate. Both rose a quarter point, so the difference between them remains 20 basis points.

We would expect yields on prime securities to continue to move higher over the fourth quarter and issuance of Treasuries to remain strong. Given the outlook for higher rates, we continue to invest in floating-rate securities and maintain the weighted average maturity (WAM) of our prime funds in a 30-40 day range and 25-35 days for government funds, with our municipal call shifting down five days to 25-35. Libor rose over the month, with 1-month at 2.26%, 3-month at 2.40% and 6-month at 2.60%.

Earnings from Temporary Deposits and Investments are $325,641.93 September and $1,197,534.34 year-to-date for all funds.

Fund	Month	Year-To-Date
General Fund	$ 164,921.89	$ 449,631.67
Special Revenue Funds	863.82	10,312.73
Debt Service Funds	13,707.03	269,626.27
Capital Projects Funds	146,073.72	458,939.36
Capital Project Funds AFB	75.47	9,024.31
Total	$ 325,641.93	$ 1,197,534.34

Recommendation: Review the enclosed Financial and Investment Report.

Respectfully submitted,

Ryder Warren, Ed.D. Superintendent	Jon Graswich, CPA Deputy Superintendent for Business & Operations	Brian Carter Chief Financial Officer