

**Sec. 5.9.1. GUIDING PRINCIPLES.**

The Board of Directors (“Board”) and Superintendent of Trinity Basin Preparatory shall make investments with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of Trinity Basin Preparatory. Moreover, the Board and Superintendent shall invest funds in a manner comparable to that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

**Sec. 5.9.2. INVESTMENT OF SURPLUS CASH.**

In general, the Board and Superintendent shall limit investments to surplus cash. For purposes of this Policy, surplus cash is unrestricted bank funds in excess of one month’s projected cash operating expenses.

**Sec. 5.9.3. INVESTMENT OBJECTIVES.**

It is the policy of TBP that all funds shall be managed and invested with the objectives of maximizing yield while preserving liquidity and the safety and value of the principal invested. Surplus cash shall be invested in compliance with the following Board policy, Education Code Section 12.1053, Government Code Sections 2256.009 through 2256.0016, and 19 Texas Administrative Code, Chapter 100, related to the investment of state funds.

**Sec. 5.9.4. APPLICABILITY.**

This policy applies equally to local, state and Federal funds to the degree allowed by applicable law and rule.

**Sec. 5.9.5. DELEGATION OF INVESTMENT AUTHORITY.**

The Board authorizes the Chief Executive Officer, Chief Financial Officer, or their designees (“Investment Officers”) to manage the investment of funds under this Policy in a manner comparable to that of a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

**Sec. 5.9.6.     INTERNAL CONTROLS.**

Investment Officers shall establish a system of internal controls which will be reviewed annually with the independent auditor of Trinity Basin Preparatory. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of Trinity Basin Preparatory.

**Sec. 5.9.7.     ACCOUNT MAINTENANCE.**

Investment Officers shall ensure that investments are maintained in discrete and distinct accounts that separate funds pertaining to non-Trinity Basin Preparatory activities, functions, programs and services from public funds.

**Sec. 5.9.8.     INVESTMENT RECORDS.**

Investment Officers shall ensure that Trinity Basin Preparatory creates and maintains accurate and complete records of any and all investments of Trinity Basin Preparatory’s surplus cash.

**Sec. 5.9.9.     REPORTING.**

The Chief Financial Officer or other Financial Officer shall report to the Board sufficient information to evaluate the performance of the investment program during the monthly financial report. The Chief Financial Officer or other Financial Officer shall report balances of Surplus Cash, portfolio performance compared to the market yield of the six month and one-year U.S. Treasury Bill, uninsured balances and provide a list of the investment instruments and related institutions.

**Sec. 5.9.10.    CONTRACTUAL CONSIDERATIONS.**

The Board and Superintendent shall ensure that investments are made in accordance with any applicable provision or covenant contained in a debt instrument, bond indenture, or similar agreement.

**Sec. 5.9.11.    AUTHORIZATION THRESHOLDS.**

The Investment Officers shall maintain available cash, credit lines, and maturing investments to meet 60 days expected cash operating expenses without other sources of funds. Funds may be

invested in time-bank deposits with no single investment exceeding 24 months to maturity and aggregate of all investments not to exceed \$3,000,000.

**Sec. 5.9.12. DIVERSIFICATION AND MATURITY LIMITATIONS.**

Uninsured deposits or deposits in excess of insured limits shall be diversified amongst institutions such that no single institution holds more than 60% of uninsured surplus cash. Investment maturities shall also be staggered such that the weighted average availability without penalty of all Surplus Cash investments do not exceed 14 months.

**Sec. 5.9.13. DEPOSITORIES.**

Trinity Basin Preparatory will designate one banking institution as its central banking services provider. This institution will be used for normal banking services including disbursements, deposits, and safekeeping of TBP-owned securities. Other banking institutions from which TBP may purchase only certificates of deposit will also be designated as a depository.

**Sec. 5.9.14. AUTHORIZED INVESTMENTS.**

Pursuant to Texas Education Code Section 12.1053(b)(3), the Board and Superintendent shall only invest surplus cash in accordance with Texas Government Code Sections 2256.009 through 2256.016 as delineated in this subsection.

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment until this Policy has been amended and the amended version adopted by the Board.

*(a) Obligations of or Guaranteed by a Governmental Entity.*

1. Except as provided below, the following are authorized investments under this subsection.
  - i. Obligations, including letters of credit, of the United States or its agencies or instrumentalities, including Federal Home Loan Banks;
  - ii. Direct obligations of the State of Texas or its agencies and instrumentalities;
  - iii. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

- iv. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- v. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- vi. Bonds issued, assumed, or guaranteed by the State of Israel;
- vii. Interest-bearing banking deposits that are guaranteed or insured by:
  - A. the Federal Deposit Insurance Corporation or its successor; or
  - B. the National Credit Union Share Insurance Fund or its successor; and
- viii. Interest-bearing banking deposits other than those described by Subdivision (vii) if:
  - A. The funds invested in the banking deposits are invested through:
    - A broker with a main office or branch office in this state that Trinity Basin Preparatory selects from a list the governing body or designated investment committee of TBP adopts as required by Texas Government Code § 2256.025; or
    - A depository institution with a main office or branch office in this state that TBP selects;
  - B. The broker or depository institution selected as described by Subdivision (a) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for TBP's account;
  - C. The full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and
  - D. Trinity Basin Preparatory appoints as the entity's custodian of the banking deposits issued for TBP's account:
    - The depository institution selected as described by Subdivision (a);
    - An entity described by Texas Government Code § 2257.041(d); or

- A clearing broker dealer registered with the Securities and Exchange Commission and operating under 17 C.F.R. § 240.15c3-3.
2. The following investments are prohibited.
    - i. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
    - ii. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
    - iii. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
    - iv. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

*(b) Certificates of Deposit and Share Certificates.*

A certificate of deposit or share certificate is an authorized investment under this policy if the certificate is issued by a depository institution that has its main office or a branch office in the State of Texas and is:

1. Guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor;
2. Secured by obligations that are described by Section 5.9.14(a)(1) including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature prohibited by Section 5.9.14(a)(1); or
3. Secured in any other manner and amount provided by law for the deposits of Trinity Basin Preparatory.

*(c) Other Certificates of Deposit.*

In addition, an investment in a certificate of deposit is authorized under this policy if it is made under the following conditions:

1. The funds are invested by TBP through:
  - i. a broker that has its main office or a branch office in this state and is selected from a list adopted by TBP as required by Texas Government Code § 2256.025; or
  - ii. a depository institution that has its main office or a branch office in this state and that is selected by TBP;

2. The broker or the depository institution selected by TBP under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of TBP;
3. The full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
4. TBP appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Texas Government Code § 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to 17 C.F.R. § 240.15c3-3 as custodian for TBP with respect to the certificates of deposit issued for the account of TBP.

*(d) Repurchase Agreements.*

For purposes of this policy, “repurchase agreement” means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described below at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

A fully-collateralized repurchase agreement is an authorized investment under this subsection if the repurchase agreement:

1. Has a defined termination date;
2. Is secured by a combination of cash and obligations described by Sec. 5.9.14(a)(1)(i) and (g);
3. requires the securities being purchased by Trinity Basin Preparatory or cash held by it to be pledged to Trinity Basin Preparatory, held in Trinity Basin Preparatory’s name, and deposited at the time the investment is made with Trinity Basin Preparatory or a third party selected and approved by Trinity Basin Preparatory; and
4. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.

The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

Money received by Trinity Basin Preparatory under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

*(e) Securities Lending Programs.*

A securities lending program is an authorized investment if it meets the following conditions:

1. The value of the securities loaned is at least 100% collateralized, including accrued income;
2. A loan made under the program must allow for termination at any time;
3. A loan made under the program is secured by:
  - i. Pledged securities described in Subsection 5.9.14(a) above;
  - ii. Pledged irrevocable letters of credit issued by a bank that is organized and existing under the laws of the United States or any other state and continuously rated by at least one nationally recognized investment rating firm at not less than “A” or its equivalent; or
  - iii. Cash invested in accordance with Subsections 5.9.14(a), (g), (h), or (j).
4. The terms of the loan require that the securities being held as collateral be:
  - i. Pledged to Trinity Basin Preparatory;
  - ii. Held in Trinity Basin Preparatory’s name; and
  - iii. Deposited at the time the investment is made with Trinity Basin Preparatory or with a third party selected or approved by Trinity Basin Preparatory;
5. The loan is placed through a primary government securities dealer<sup>1</sup> or a financial institution doing business in the State of Texas; and
6. The agreement to lend securities has a term of one year or less.

*(f) Banker’s Acceptances.*

A banker’s acceptance is an authorized investment if it:

1. Has a stated maturity of 270 days or fewer from the date of its issuance;
2. Will be liquidated in full at maturity;
3. Is eligible for collateral for borrowing from a Federal Reserve Bank; and

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<sup>1</sup> Primary government securities dealer shall be defined pursuant to the Code of Federal Regulations, Title 5, Section 6801.102(f) as that regulation existed on September 1, 2003.

4. Is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than “A-1” or “P-1” or an equivalent rating by at least one nationally recognized credit rating agency.

*(g) Commercial Paper.*

Commercial paper is an authorized investment if it:

1. Has a stated maturity of 365 days or fewer from the date of its issuance; and
2. Is rated not less than “A-1” or “P-1” or an equivalent rating by at least:
  - i. Two nationally recognized credit rating agencies; or
  - ii. One nationally recognized credit rating agency provided the commercial paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

*(h) Mutual Funds.*

1. A no-load money market mutual fund is an authorized investment under this subsection if the mutual fund:
  - i. Is registered with and regulated by the Securities and Exchange Commission;
  - ii. Provides Trinity Basin Preparatory with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. § 78a, *et seq.*) or the Investment Company Act of 1940 (15 U.S.C. § 80a-1, *et seq.*);
  - iii. Complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 *et seq.*)
2. In addition to a no-load money market mutual fund permitted as an authorized investment above, a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:
  - i. Is registered with the Securities and Exchange Commission;
  - ii. Has an average weighted maturity of less than two years; and
  - iii. Either:
    - a. Has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or



- b. Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.
3. Trinity Basin Preparatory may not invest:
  - i. In the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in subsection 2;
  - ii. Any portion of bond proceeds, reserves, and funds held for debt service, in mutual funds described in subsection 2;
  - iii. Funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described above in an amount that exceeds 10% of the total assets of the mutual fund.

*(i) Guaranteed Investment Contracts.*

1. A guaranteed investment contract is an authorized investment for bond proceeds if the guaranteed investment contract:
  - i. Has a defined termination date;
  - ii. Is secured by obligations authorized by Section 5.9.14(a)(1)(i) above, excluding those obligations described by Subsection 5.9.14(a)(2) in an amount at least equal to the amount of bond proceeds invested under the contract; and
  - iii. Is pledged to Trinity Basin Preparatory and deposited with Trinity Basin Preparatory or with a third party selected and approved by Trinity Basin Preparatory.
2. Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this section in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.
3. To be eligible as an authorized investment:
  - i. The Board must specifically authorize guaranteed investment contracts as eligible investments in the order, ordinance, or resolution authorizing the issuance of bonds;
  - ii. Trinity Basin Preparatory must receive bids from at least three separate providers with no material financial interest in the bonds from which the proceeds were received;
  - iii. Trinity Basin Preparatory must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

- iv. The price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
- v. The provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

*(j) Investment Pools.*

1. An investment pool is an authorized investment if:
  - i. The Board authorizes the investment in the particular pool through policy or resolution; and
  - ii. The investment pool only invests the funds that it receives in the investments authorized in this policy. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this policy and the investment policies and objectives adopted by the investment pool.
2. In order to receive funds from and invest funds in the investment pool, the Superintendent or designee must receive an offering circular or other similar disclosure instrument containing, at a minimum, the following information:
  - i. The types of investments in which money is allowed to be invested;
  - ii. The maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
  - iii. The maximum stated maturity date any investment security within the portfolio has;
  - iv. The objectives of the pool;
  - v. The size of the pool;
  - vi. The names of the members of the advisory board of the pool and the dates their terms expire;
  - vii. The custodian bank that will safe keep the pool's assets;
  - viii. Whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
  - ix. Whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
  - x. The name and address of the independent auditor of the pool;

- xi. The requirements to be satisfied for Trinity Basin Preparatory to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the TBP to invest funds in and withdraw funds from the pool;
  - xii. The performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
  - xiii. The pool's policy regarding holding deposits in cash.
3. To maintain eligibility to receive funds from and invest funds on behalf of Trinity Basin Preparatory, an investment pool must furnish to the Superintendent or designee:
- i. Investment transaction confirmations; and
  - ii. A monthly report that contains, at a minimum, the following information:
    - A. The types and percentage breakdown of securities in which the pool is invested;
    - B. The current average dollar-weighted maturity, based on the stated maturity date, of the pool;
    - C. The current percentage of the pool's portfolio in investments that have maturities of more than one year;
    - D. The book value versus the market value of the pool's portfolio, using amortized cost valuation;
    - E. The size of the pool;
    - F. The number of participants in the pool;
    - G. The custodian bank that is safekeeping the assets of the pool;
    - H. A listing of daily transaction activity of TBP;
    - I. The yield and expense ratio of the pool, including a statement regarding how yield is calculated;
    - J. The portfolio managers of the pool; and
    - K. Any changes or addenda to the offering circular.
4. Trinity Basin Preparatory, by contract, may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with local funds.
5. For purposes of an investment pool for which a \$1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of

open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

6. The Superintendent or designee shall monitor the investment pool's compliance with the requirements above and the other statutory provisions promulgated in Section 2256.016 of the Texas Government Code.

**Sec. 5.9.15 REQUIRED TRAINING.**

Investment Officers shall receive continuing professional education pertaining to the appropriate investment of surplus cash in the authorized investments identified in this policy. Moreover, the Superintendent or designee shall require any Trinity Basin Preparatory employee involved in the investment of public funds to receive the same training.

**Sec. 5.9.16 ADMINISTRATIVE PROCEDURES.**

The Superintendent shall prepare administrative procedures as required to implement this policy.