

**Annual  
Investment Report**

**Snyder Independent School District**

**As of August 31, 2012**

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Annual Investment Report  
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In addition to monthly investment reports provided to the Board of Trustees, we have prepared an annual investment report for Snyder Independent School District (SISD). In accordance with Texas Government Code §2256.005, this report should be used as a resource to review SISD's investment strategy and district policy on an annual basis.

Management believes that cash in excess of what is needed for daily operations should be invested in ways to protect the principal and liquidity, and to maximize the yield. SISD invests in four investment pools: FICA, TexPool, TexasTERM and TexSTAR. The structures are as follows:

Federally Insured Cash Account (FICA) invests in:

- A. A portfolio of FDIC insured overnight money market deposit accounts. All deposits have full FDIC insurance. Deposits are backed by the full faith and credit of the U.S. Government. There is no term commitment on FICA deposits. FICA provides weekly liquidity.
- B. The amount of money from a FICA Account that is deposited in any single Depository Bank, as shown on the records of the FICA Custodian (U.S. Bank National Association), will never exceed the standard maximum deposit insurance amount (the "SMDIA") as set forth by the FDIC. The current SMDIA is \$250,000.

TexPool invests in:

- A. Obligations of the United States Government, its agencies or instrumentalities with a maximum final maturity of 397 days for fixed rate securities and 24 months for variable rate notes.
- B. Fully collateralized repurchase agreements or reverse repurchase agreements (i) with defined termination dates, (ii) secured by obligations of the United States, its agencies, or its instrumentalities, including certain mortgage-backed securities, (iii) that require purchased securities to be pledged to the investing entity, in the entity's name, and deposited at the time of investment with the investing entity or a third party, and (iv) that are placed through primary government securities dealers, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.  
The term of a reverse repurchase agreement may not exceed 90 days after the date of delivery. Money received under a reverse repurchase agreement may be used to acquire additional authorized investments provided such investments mature not later than the expiration date stated in the reverse repurchase agreement.
- C. No-load money market mutual fund that (i) is registered with and regulated by the Securities and Exchange Commission, (ii) provides a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, (iii) maintains a dollar-weighted average maturity of 90 days or fewer, and (iv) includes in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share.
- D. Securities lending programs that comply with various limitations.

TexasTERM invests in:

- A. Obligations of or guaranteed by the United States Government or its agencies and instrumentalities with a maximum maturity of 13 months.
- B. Fully collateralized direct repurchase agreements having a defined termination date and secured by obligations of the United States Government or its agencies and instrumentalities. Repurchase agreements are only to be placed with primary government securities dealers or financial institutions that have their main office or a branch office in the State of Texas.

- C. Certificates of deposit issued by depository institutions that have their main office or a branch office in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, to the extent not insured, secured by obligations of the U.S. Government or its agencies or instrumentalities;
- D. No-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service whose investments consist only of government obligations and fully collateralized repurchase agreements as described in sections A and B above. The money market mutual fund must maintain a dollar-weighted average stated maturity of 60 days or less and include in its investment objectives the maintenance of a stable net asset value of \$1.00.
- E. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is rated not less than A-1, P-1 or the equivalent by at least two nationally recognized credit rating agencies.

TexSTAR invests in:

- A. Obligations of or guaranteed or insured by the United States Government or its agencies and instrumentalities with a maximum final stated maturity limited to 397 days for fixed rate securities and 24 months for variable rate notes.
- B. Fully collateralized repurchase agreements and reverse repurchase agreements with a defined termination date not to exceed 95 calendar days unless the repurchase agreement has a put option that allows the fund to liquidate the position at par (principal plus accrued interest) with no more than 7 days notice to the counterparty and secured by any obligation of the United States or its agencies or its instrumentalities. The repurchase and reverse repurchase agreements must be placed with primary government securities dealers and/or state or national banks doing business in the State of Texas.

## CONCLUSION

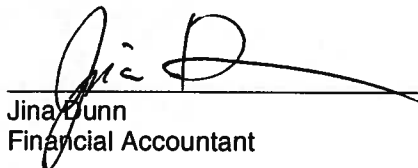
Each investment pool provides competitive rates of return while offering next day withdrawals. Because of the funds being heavily invested in U.S. obligations, the portfolio holdings provide a strong protection against loss. In our opinion, the pools provide a prudent avenue to invest excess funds for two reasons. They have the ability to initiate and monitor transactions and balances electronically, and the pools are required to disclose available market trends and investment information allowing us to monitor the market and their management's investment decisions and activities.

In addition to the investment pools, SISD also maintains checking with our depository bank - Prosperity Bank. These accounts earn monthly interest based on the money market rate at the bank, not to earn less than 1 percent less FDIC Insurance fees. Prosperity provides collateralization in an amount that is equal to funds anticipated to be on deposit from day to day.

Management feels our investments have met district objectives and met all requirements of the Public Funds Investment Act. We have diversified the portfolio over the 2011-2012 fiscal year while keeping competitive interest rates and keeping majority of funds liquid to meet cash flow demands. No changes to the CDA (LOCAL) policy are recommended at this time.



Dr. Randy Burks  
Chief Financial Officer



Jina Dunn  
Financial Accountant

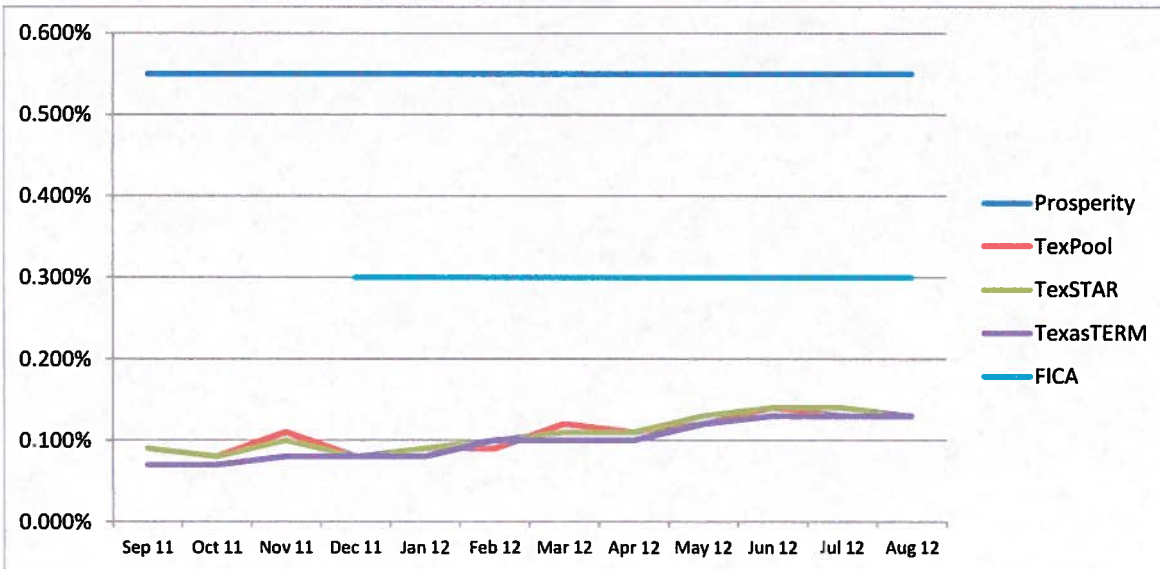
**SNYDER INDEPENDENT SCHOOL DISTRICT**  
**Annual Investment Report**  
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	FICA	Texpool	TexStar	Texas Term	Certificate of Deposits	Prosperity Bank
Ending Balance as of August 31st	\$ 15,026,362.72	\$ 9,781,071.64	\$ 133,748.79	\$ 3,120,292.67	\$ -	\$ 7,105,970.05
Total Interest Earned	26,362.72	10,357.70	238.28	2,980.33	108.18	97,265.69
Interest Rate as of August 31st	0.30%	0.13%	0.13%	0.13%		0.550%
WAM as of August 31st	4.5 Days	40 Days	49 Days	56.6 Days		

Year to Date Information:

Ending Investment Balance as of Aug 31st 35,167,445.87

Total General Fund Interest Earned	111,993.37
Total Food Service Interest Earned	452.20
Total Debt Service Fund Int Earned	17,459.63
Total Construction Fund Int Earned	2,655.55
Total Internal Service Fund Int Earned	4,752.15
<b>Total Interest Earned</b>	<u>137,312.90</u>



OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

INVESTMENT  
AUTHORITY

The Superintendent or other person designated by Board resolution shall serve as the investment officer of the District and shall invest District funds as directed by the Board and in accordance with the District's written investment policy and generally accepted accounting procedures. All investment transactions except investment pool funds and mutual funds shall be executed on a delivery versus payment basis.

APPROVED  
INVESTMENT  
INSTRUMENTS

From those investments authorized by law and described further in CDA(LEGAL), the Board shall permit investment of District funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. A securities lending program as permitted by Government Code 2256.0115.
5. Banker's acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014.
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.
9. Public funds investment pools as permitted by Government Code 2256.016.

SAFETY AND  
INVESTMENT  
MANAGEMENT

The main goal of the investment program is to ensure its safety and maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

LIQUIDITY AND  
MATURITY

Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The District's investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.

DIVERSITY

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

MONITORING MARKET  
PRICES

The investment officer shall monitor the investment portfolio and shall keep the Board informed of significant declines in the market value of the District's investment portfolio. Information sources may include financial/investment publications and electronic media, available software for tracking investments, depository banks, commercial or investment banks, financial advisors, and representatives/advisors of investment pools or money market funds. Monitoring shall be done at least quarterly, as required by law, and more often as economic conditions warrant by using appropriate reports, indices, or benchmarks for the type of investment.

FUNDS / STRATEGIES

Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below.

OPERATING FUNDS

Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

AGENCY FUNDS

Investment strategies for agency funds shall have as their objectives safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.

DEBT SERVICE  
FUNDS

Investment strategies for debt service funds shall have as their objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.

CAPITAL PROJECTS

Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded.



OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

SAFEKEEPING AND  
CUSTODY

The District shall retain clearly marked receipts providing proof of the District's ownership. The District may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with District funds by the investment pool.

BROKERS / DEALERS

Prior to handling investments on behalf of the District, brokers/dealers must submit required written documents in accordance with law. [See SELLERS OF INVESTMENTS, CDA(LEGAL)] Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), and be in good standing with the Financial Industry Regulatory Authority (FINRA).

SOLICITING BIDS FOR  
CD'S

In order to get the best return on its investments, the District may solicit bids for certificates of deposit in writing, by telephone, or electronically, or by a combination of these methods.

INTEREST RATE RISK

To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification.

The District shall monitor interest rate risk using weighted average maturity and specific identification.

INTERNAL CONTROLS

A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, they shall be designed to protect against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the District. Controls deemed most important shall include:

1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds.
2. Avoidance of collusion.
3. Custodial safekeeping.
4. Clear delegation of authority.
5. Written confirmation of telephone transactions.
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the District's independent auditing firm.

Snyder ISD  
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OTHER REVENUES  
INVESTMENTS

CDA  
(LOCAL)

PORTFOLIO REPORT

In addition to the quarterly report required by law and signed by the District's investment officer, a comprehensive report on the investment program and activity shall be presented annually to the Board.