Tomball Independent School District's

ANNUAL INVESTMENT REPORT

Fiscal Year 2011-2012

John Neubauer, Superintendent

Jim Ross, Chief Financial Officer

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TexPool Information Statement and Investment Policy
Texas Gov't. Code Chapter 2256 – Public Funds Investment Act
Board Policy CDA (Legal)
Board Policy CDA (Local)

Introduction

The Board of Trustees of Tomball ISD requires that a comprehensive report on the investment program and investment activity be presented annually. The annual report shall include a performance evaluation that may include, but is not limited to, comparisons to the 91-day U.S. Treasury Bills, six-month U.S. Treasury Bills, the Fed Funds Rate, and rates from investment pools. The annual report shall also include a review of the activities and total yield for the preceding 12 months, suggest policies, strategies, and improvements that might enhance the investment program, and propose an investment plan for the ensuing year.

This report has been prepared in compliance with the Tomball ISD annual reporting requirements for investments. The report is also designed to provide an overview of the deliberative process regarding investments by the designated district investment officers; the Superintendent, Chief Financial Officer, and Director of Risk Management.

Legal Requirements for Investments

State and federal laws establish rules within which all school districts are expected to operate when investing public funds. The Public Funds Investment Act (PFIA), codified in Chapter 2256 of the Texas Government Code, provides investment guidelines for the majority of political subdivisions in the state, including school districts.

The PFIA was first passed in 1987. It was significantly rewritten in 1995 in response to the Texas State Auditor reports on investment losses at Texas institutions and in review of investment problems in Texas counties and elsewhere. In 1997 amendments further clarified the intent of the 1995 requirements. Additional amendments have since been passed by the Texas Legislature, primarily clarifying and improving public funds investment options.

The PFIA is merely part of the whole, not inclusive of all investment requirements. Public funds investors must understand and comply with all applicable investment requirements, such as for bond proceeds in compliance with Chapter 45 of the Texas Education Code, collateral for public funds as stipulated in Chapter 2257 of the Texas Government Code, and the Governmental Accounting Standards Board (GASB). There may also be additional requirements for investments in local policies and procedures outlined in Board Policy CDA (Local), which district investment officers must incorporate into their overall investment program and strategies.

The full text of Chapter 2256 of the Texas Government Code (commonly referred to as the Public Funds Investment Act) can be found at http://www.statutes.legis.state.tx.us/ , and Board Policy CDA (Legal) and Board Policy CDA (Local) can be accessed from the District website. Local policies are superseded by state and federal laws, but local policies may be more restrictive. The investment policy for Tomball ISD is more restrictive than state or federal law, and the designated investment officers of the district must comply with these more restrictive regulations.

Required Annual Action by the Board of Trustees

Chapter 2256 of the Texas Government Code requires the Board of Trustees take action on three investment related issues annually. Those are:

1) In accordance with Section 2256.005(e) the Board of Trustees shall review the district's investment policy and investment strategies not less than annually. Following the annual review the Board must adopt a *written resolution* stating that it has reviewed the investment policy and strategies, and that the resolution as adopted records any changes made to either the investment policy or strategies.

2) In accordance with Section 2256.008(a) the Board of Trustees must approve of an independent source, or sources, for *investment training* required to be provided to the district's designated investment officers. And,

3) In accordance with Section 2256.025 the Board of Trustees shall annually review, revise and adopt a *list of qualified brokers* authorized to engage in investment transactions with the district's designated investment officers.

This report contains the resolutions and recommendations the Board of Trustees must take action on annually. The first is titled *Resolution Stating Review of Investment Policies and Strategies and Designation of Investment Officers for the Tomball Independent School District* , the next is titled *Resolution Approving Investment Training Providers*, and the final action item is to approve the *Recommended Broker/Dealers List*. Each requires separate board action to be recorded in the minutes of the Board meeting.

Standards of Care & Investment Strategies

Section 2256.006 of the Texas Government Code and Board Policy state, "Investments shall be made with judgment and care, under prevailing circumstances, 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. Investment of funds shall be governed by the following investment objectives, in order of priority:

1) preservation and safety of principal;
2) liquidity, and
3) yield."

Board Policy CDA (Local) further states, "The main goal of the investment program is to ensure its safety and maximize financial returns within current market conditions … Investments shall be made in a manner that ensures the preservation of capital … No individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio."

Authorized Investments

Chapter 2256 of the Texas Government Code specifically sets guidelines for the types of investments authorized for purchase by governmental entities in the state. Board Policy CDA (Legal) follows these guidelines for authorized investments for school districts and list ten types of investments that are acceptable for school districts. For further information on the state authorized investments for school districts refer to this policy.

Board Policy CDA (Local) sets policy for Tomball ISD that places further limits on investments for the district. The Board of Trustees of Tomball ISD limits investments to:

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 Gov. Code 2256.010.
3) Fully collateralized repurchase agreements as permitted by Gov. Code 2256.011.
4) A securities lending program as permitted by Gov. Code 2256.0115.
5) Banker's acceptances as permitted by Gov. Code 2256.012.
6) No-load money market mutual funds and no-load mutual funds as permitted by Gov. Code 2256.014.
7) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements of Gov. Code 2256.015.
8) Public funds investment pools as permitted by Government Code 2256.016.

Types of Investment Risks

All investments involve risks. There is a risk of losing money, but there is also a risk of not earning all that could. A balance must be established between the high rate of return with riskier investments and the risk of earning less than possible. This balance is basically seeking to achieve a *market rate of return*, a general term referring to the approximate interest rate that could be earned in a specific maturity range at any given point in time. Districts should work to achieve a targeted market rate of return, and if a higher return than the targeted rate is pursued, then make certain everyone understands the risks involved. The primary investment risks for public entities are:

Credit Risk: The risk that the issuer of a security will not be able to pay interest or principal on a timely basis. Texas Government Code Chapter 2256, CDA(Legal) and CDA(Local) have minimized credit risk with the list of authorized investment types.

Liquidity Risk: The risk that the investment cannot be sold and that cash cannot be obtained when needed.

Collateral Risk: The risk there will be insufficient collateral to fully compensate the district if the institution fails and cannot convert the investment to cash as agreed.

Market Risk: The risk that the price of the security could change and create an unrealized or realized loss.

Volatility Risk: The risk that a security will rise or fall sharply in price within a short-term time period.

Opportunity Cost Risk: Opportunity cost is the difference between a current investment return and an alternative investment offering a higher return.

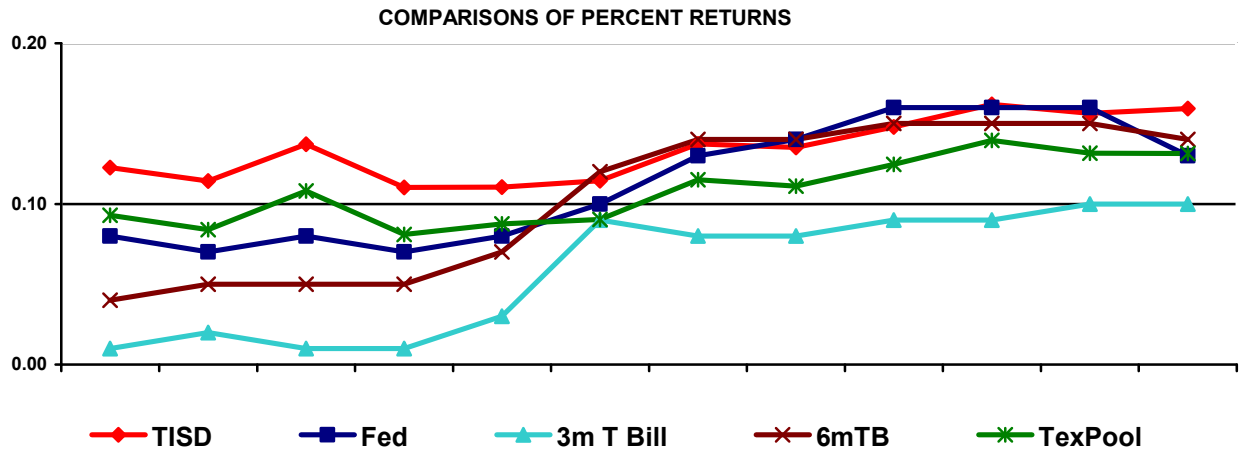
Diversification Risk: The risk that the types of investments do not spread the maturity, liquidity, credit and market risks sufficiently enough to minimize fluctuations in the overall portfolio value and income. There are three major categories of diversification risks: diversification by maturity, diversification by issuer, and diversification by type.

The designated investment officers for the district should thoroughly understand the risks associated with the different types of authorized investments. Different investment instruments have differing inherent risks in reaction to changing market conditions. Each investment should be carefully considered based on the risk tolerance of the district and the prevailing market conditions. All risk factors must be considered by investment officers each time an investment is made.

Use of Benchmarks to Assess Strategies for 2011-2012

An investment benchmark is an important part of a well-constructed investment policy statement. The Tomball ISD Board of Trustees included the use of benchmarks in local board policy CDA. This policy states the return on district investments is to be compared to the 91-day U.S. Treasury Bills, six-month U.S. Treasury Bills, the Fed Funds Rate, and rates from investment pools. The use of these benchmarks is appropriate for the risk tolerance of the district, and for the type of investments the district allows. The table below shows the performance of district investments compared to these benchmarks:

2011-2012	TISD	Fed Funds	3-mo T-Bill	6-mo T-Bill	TexPool
SEP	0.1226	0.08	0.01	0.04	0.0929
OCT	0.1142	0.07	0.02	0.05	0.0839
NOV	0.1371	0.08	0.01	0.05	0.1080
DEC	0.1103	0.07	0.01	0.05	0.0810
JAN	0.1105	0.08	0.03	0.07	0.0875
FEB	0.1144	0.10	0.09	0.12	0.0903
MAR	0.1374	0.13	0.08	0.14	0.1150
APR	0.1351	0.14	0.08	0.14	0.1110
MAY	0.1478	0.16	0.09	0.15	0.1246
JUN	0.1620	0.16	0.09	0.15	0.1395
JUL	0.1564	0.16	0.10	0.15	0.1316
AUG	0.1595	0.13	0.10	0.14	0.1313
Average	**0.1339**	**0.1133**	**0.0592**	**0.1042**	**0.1081**



Review of Investment Portfolio and Strategies for 2011-2012

As we assess in retrospect the investing environment from September 2011 through August 2012, it was worse than any year in the past for Tomball ISD. With a sense that all readers of this report are likely aware of the sequence of events that created the global economic meltdown, I will not be discussing the events that occurred to create this investing environment; but, instead will focus on the actions taken to protect the principal of the District's investments.

The targeted benchmark for the year was the TexPool average monthly rate. This benchmark was chosen based on speculation the Federal Reserve Board would not take action on the fed funds effective rate and TexPool could exceed that rate. The Fed did not change the rate and instead locked it in until the end of 2014. The District had an average annual earnings rate of 0.1339%, which exceeded all benchmark standards. The District had realized and unrealized interest income in all funds totaling $147,091 from September 1, 2011 through August 31, 2012. Interest income by fund was as follows:

	2011-2012	2010-2011	2009-2010	2008-2009
General Fund	$114,621	$136,991	$ 231,522	$ 810,102
Food Service Fund	692	539	422	4,042
Campus Activity Funds	109	138	199	993
Debt Service Fund	7,886	9,324	12,944	40,304
Capital Projects Fund	19,905	16,075	74,830	507,307
Workers' Comp Fund	3,404	4,393	6,467	32,550
Scholarship Foundation Fund	474	572	790	3,485
	$147,091	$168,032	$ 327,174	$1,398,783

The District received a higher rate of return than the benchmarks with the purchase of CD's from Prosperity Bank (the District's depository bank). These CDs were set with maturities occurring in April and August of 2012. With concern for market value declines in the securities being pledged, the District required a 110% collateral pledge and a monthly 3rd party 'mark to market' on all pledged collateral for CDs.

Due to market conditions the District maintained an extremely conservative investment strategy focused solely on the safety of principal. The approach on investing was to:

- Not purchase any agency securities for the fiscal year due to the fact that most agency securities are still heavily leveraged with mortgage-backed paper.
- Closely monitor the collateral pledged by the bank by requiring our 3rd party custodian provide more frequent reports on 'market values' of pledged securities, in particular mortgage-backed agency securities.
- Add an investment source by requiring our depository bank pay interest on all funds held on deposit. This was accomplished with the depository bid in the summer of 2011. The rate of return is 0.15% on all funds.
- Continue to closely examine TexPool and its current investment portfolio by reviewing how much, and in what, they were investing.
- Stay focused on the fundamentals of governmental investing with the primary concern being the ***safety of principal***, followed by the provision of liquidity and not investment speculation for higher interest rate returns.

Portfolio Composition

The District's portfolio by month was as follows for 2011-2012:

Funds In Thousand							
	Cash		Bank CD'S		TexPool		Total
SEP	1,438	1.59%	9,044	10.00%	79,989	88.41%	90,471
OCT	3,016	3.31%	9,050	9.93%	79,058	86.76%	91,124
NOV	5,589	6.30%	9,030	10.18%	74,074	83.52%	88,693
DEC	6,438	6.23%	9,030	8.74%	87,830	85.03%	103,298
JAN	7,847	5.97%	9,058	6.89%	114,614	87.15%	131,519
FEB	4,382	3.82%	9,058	7.91%	101,139	88.27%	114,579
MAR	5,308	4.83%	9,058	8.24%	95,612	86.94%	109,978
APR	5,207	4.97%	9,063	8.65%	90,560	86.39%	104,830
MAY	5,199	5.22%	9,009	9.05%	85,353	85.73%	99,561
JUN	4,501	4.83%	9,009	9.66%	79,753	85.51%	93,263
JUL	4,003	4.51%	9,011	10.16%	75,681	85.33%	88,695
AUG	4,002	5.11%	9,011	11.51%	65,246	83.37%	78,259

As of August 31, 2012 the District's portfolio was comprised of Certificates of Deposit (11.51%) , TexPool investments (83.37%), and funds at Prosperity Bank (5.12%). The majority of District funds continue to be invested in TexPool. Therefore further discussion of TexPool is warranted and would be appropriate for readers of this report.

TexPool Local Government Investment Pool

TexPool, organized in 1989, is the largest and oldest local government investment pool in the State of Texas. TexPool, like its participants, is governed by and must be compliant with the Texas Public Funds Investment Act. The Texas State Comptroller of Public Accounts oversees TexPool which is rated by Standards & Poor as AAAm.

The typical portfolio structure of TexPool is 40% in U.S. Government Treasuries & Agencies and 60% in Repurchase Agreements (repos). A repo is economically similar to a secured loan, with the buyer receiving securities as collateral to protect against default. There is little that prevents any security from being employed in a repo; but TexPool only accepts U.S. Treasury or Government bills as securities involved in a repo. In this exchange legal title to the securities clearly passes from the seller to TexPool.

Although the underlying nature of a repo is that of a loan, the terminology differs from that used when talking of loans because the seller does actually repurchase the legal ownership of the securities from the buyer at the end of the agreement. Although the actual effect of the whole transaction is identical to a cash loan, in using the 'repurchase' terminology, the emphasis is placed upon the current legal ownership of the collateral securities by the respective parties.

Repurchase agreements (repos) have seen slightly higher interest rate yields and in response TexPool shifted from a 40% investment in repos to a 60% investment. Important is the Federal Reserve Board selling shorter-term treasuries into longer-termed. This sale of shorter securities is keeping repo rates elevated while making Treasuries relatively more attractive compared with government agencies.

Investment Strategies for 2012-2013

Before discussing the investment strategies for 2012-2013 it would be appropriate to state that little can be earned in investment income until economic healing in the United States leads to a normalization of domestic interest rates. Federal funds rates have now been within the unprecedented low range of zero to 0.25% for three consecutive years.

As the investment officers of the District our primary reason is the fact we are seeing very slow economic growth across the nation with no significant increase in sight. We believe consumer spending, not government spending, is the key to actual economic increases, and consumers are just beginning to spend again. As we see it consumers should continue to increase spending modestly as long as a sluggish job market doesn't worsen. In addition to this concern we have concerns about the following conditions:

- The consumer confidence index fell in August 2012 by the most in 10 months and the lowest level since last November. Notably, the drop-off was led by a sharp plunge in the consumer expectations component. Most of those surveyed for the index indicated they expect their incomes to continue to decline.

- The median household income fell 5% between June 2009 and June 2012, which is more than the 2.6% drop during the Great Recession between December 2007 and June 2009.

- Consumers are weary of tax increases coming in every form, from every governmental level – a tax tsunami following the national election in November 2012. Both individuals and companies are well aware of the economic conditions driving higher taxes. But what is not known is to what extent these increases will occur and the actual impact of the increases. We believe that because of this, companies are producing all they can now under known conditions with existing staff in order to maximize profits and build reserves. Individuals are simply not spending, bracing for the uncertain impact of these tax increases or possible loss of employment.

- Banks are holding huge amounts of cash, but are not lending. They have become the 'log jam' for the Federal Reserve's flooding of cash into the economy. We believe banks are being especially cautious and will not loosen on loans until unemployment decreases enough to slow the foreclosure and bankruptcy rates.

- Unemployment has remained high for over thirty months. Now economic forecasts are indicating a strong concern about a second wave of unemployment increases this year driven by state and local government layoffs.

- The national debt is a growing concern for all.

With Federal Reserve Board action closely connected to consumer spending, the key concern for investors is the Fed's announcement to keep rates at current levels until the end of 2014. The unprecedented magnitude and duration of the Fed's low interest rate has exerted a heavy price on the District's interest income. Despite our desire and need to earn more in interest income, we understand we have little opportunity to do so with the Fed rate at this level. We will not be over-aggressive in pursuing value and our overriding focus will be the safety of principal and meeting cash liquidity needs.

Our strategy will be to continue keeping the weighted average maturity of investments very short and liquid. We understand interest income for the District will likely remain extremely low with economic growth moving up and down for several more years.

Resolution Stating Review of Investment Policies and Strategies and Designation of Investment Officers for the Tomball Independent School District for 2012-2013

WHEREAS, Section 2256.005, Texas Government Code, as amended, requires the governing body of an investing entity review its investment policy and investment strategies not less than annually;

WHEREAS, the Board of Trustees of the Tomball Independent School District, "District", has adopted an Investment Policy for the District, in board policy CDA (Local), pursuant to Chapter 2256, Texas Government Code, as amended; AND

WHEREAS, the Board of Trustees wishes to designate one or more employees of the District as investment officer to be responsible for the investment of its funds consistent with the Investment Policy;

NOW BE IT THEREFORE RESOLVED BY THE BOARD OF TRUSTEES OF THE TOMBALL INDEPENDENT SCHOOL DISTRICT THAT:

Section 1. The Investment Policy described in CDA (Local), and investment strategies contained in such policy, has been reviewed and is hereby approved with no changes.

Section 2. The Superintendent, Chief Financial Officer, and Director of Risk Management of the District are hereby named as investment officers of the District to be responsible for the investment of its funds consistent with the Investment Policy.

Section 3. The provisions of this Resolution shall be effective as of the date of adoption and shall remain in effect until modified by action of the Board of Trustees.

Section 4. It is hereby found, determined, and declared that sufficient written notice of the date, time, place and subject of the meeting of the Board of Trustees of Tomball Independent School District at which this Resolution was adopted was posted at a place convenient and readily accessible at all times to the general public at the regular meeting place of the governing body for the time required by law preceding this meeting, as required by Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Resolution and the subject matter thereof has been discussed, considered and formally acted upon. The Board of Trustees further ratifies, approves and confirms such written notice and the contents and posting thereof.

ADOPTED November 14, 2012.

ATTEST:

_____
President of the Board of Trustees

_____
Secretary of the Board of Trustees

Resolution Approving Investment Training Providers: 2012-2013

WHEREAS, Section 2256.008(a), Texas Government Code, as amended, requires the Treasurer, Chief Financial Officer if the Treasurer is not the Chief Financial Officer and investment officer of a local government to attend an investment training session not less than once in a two-year period and receive not less than ten hours of instruction relating to investment responsibilities from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer; as provided in the investment policy of the local government;

WHEREAS, the Texas Association of School Boards (TASB), the Texas Association of School Administrators (TASA), the Texas Association of School Business Officials (TASBO) or its local affiliates, and Region IV Education Service Center provide investment training sessions relating to investment responsibilities; AND

WHEREAS, the Board of Trustees of Tomball Independent School District, "District", wishes to approve TASB, TASA, TASBO or its local affiliates, TexPool, and Region IV as independent sources of instruction to provide investment training sessions required by Section 2256.008(a);

NOW BE IT THEREFORE RESOLVED BY THE BOARD OF TRUSTEES OF THE TOMBALL INDEPENDENT SCHOOL DISTRICT THAT:

Section 1. TASB, TASA, TASBO or its local affiliates, TexPool, and Region IV are hereby approved as independent sources of instruction relating to investment responsibilities for the designated investment officers of the District as required by Section 2256.008(a), Texas Government Code, as amended.

Section 2. It is hereby found, determined, and declared that sufficient written notice of the date, time, place and subject of the meeting of the Board of Trustees of Tomball Independent School District at which this resolution was adopted was posted at a place convenient and readily accessible at all times to the general public at the regular meeting place of the governing body for the time required by law preceding this meeting, as required by Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Resolution and the subject matter thereof has been discussed, considered and formally acted upon. The Board of Trustees further ratifies, approves and confirms such written notice and the contents and posting thereof.

ADOPTED November 14, 2012.

ATTEST:

_____
President of the Board of Trustees

_____
Secretary of the Board of Trustees

Recommended Broker/Dealers List for 2012-2013

A broker is an individual, investment bank, investment firm, or commercial bank that finds a willing buyer and a willing seller and then executes transactions with each. A dealer is an individual, investment bank, investment firm, or commercial bank that purchases or sells securities for purchase or sale to other investors. All broker/dealer firms are required to register with the Securities and Exchange Commission (SEC) and join a self-regulatory organization such as the National Association of Securities Dealers (NASD) or the New York Stock Exchange (NYSE).

Primary brokerage firms are banks and securities investment firms that are pre-approved to trade in U.S. Government securities with the Federal Reserve System. In order to trade with the Federal Reserve these firms are monitored by the Federal Reserve and must meet the highest capital standards. All government securities are initially sold exclusively to these firms, who in turn resale to other investment firms or individual investors.

There is a second tier of brokerage firms. These firms are not monitored by the Federal Reserve and are typically called *national* or *regional* brokerage firms. These firms must be registered with the Securities and Exchange Commission. Many do business world-wide, but primarily nationally by regions within the United States.

The last broker/dealer firm is the independent. An independent is usually acting only as a broker mediating transactions between the primary and regional firms and willing buyers. Independent brokers in Texas must be registered with the Texas State Securities Board.

In compliance with Texas *Government Code 2256.025*, Board Policy CDA (Legal) states, "The Board or a designated investment committee, shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District." It is recommended the following investment broker/dealer firms be adopted as the approved list for the district:

Specific Brokerage Firms:

Banc of America Securities LLC.	*Primary Dealer*
J.P. Morgan Securities Inc.	*Primary Dealer*
Morgan Stanley & Co. Inc	*Primary Dealer*
UBS Paine Webber	
A.G. Edwards	
SAMCO Capital Markets	
Duncan Williams	
Vining Sparks	
Coastal Securities	
First Tennessee	
Oppenheimer	
First Public Investments	

Each broker/dealer is asked to provide a certification letter acknowledging their receipt and understanding of the District's investment policies. (A copy of this letter follows.) Each broker/dealer is asked to provide a copy of their registration with the Texas State Securities Board and their membership certificate in the National Association of Securities Dealers. Independent broker/dealers are also asked to provide a list of references that identifies the governmental entities they currently serve, or have served in the past. Having received all the requested documentation from the listed broker/dealers, it is recommended the Board approve the broker/dealer representatives listed below:

Specific Representatives of Brokers/Dealers or Independent Brokers:

Mike Smith	Vining Sparks IBG
Anne Jenkins	A.J. Capital Corp. (independent)
John Saragusa	Coastal Securities
Trent Toon	First Public (TASB)

TOMBALL INDEPENDENT SCHOOL DISTRICT

BROKER/DEALER CERTIFICATION LETTER
[as required by Texas Government Code 2256.005(k)]

I, as a registered principal or manager for the firm _____ do hereby certify that I, and the broker covering this account, _____ have received and reviewed the investment policy of the Tomball Independent School District.

We acknowledge this firm has implemented reasonable internal procedures and controls in an effort to preclude investment transactions conducted between this firm and the Tomball Independent School District that are NOT specifically authorized by the District's Investment Policy. The firm cannot be held responsible for the makeup of the District's entire portfolio or an interpretation of said portfolio, which requires an analysis of subjective investment standards.

Signature _____

Printed Name _____

Title _____

Date _____

TEXPOOL
ACCOUNT ANALYSIS

AND

DETAIL ON SECURITIES AND CERTIFICATES OF DEPOSIT

The district had realized and unrealized interest income totaling **$147,091** for the 2011-2012 fiscal year. Most of this interest income was received from investments in TexPool. TexPool is a major component of the investment strategy for the district. Because of the importance of TexPool, information on TexPool and its investment policies have been included in the appendices of this report.

The following pages detail the investment activity for the entire year with TexPool investments divided by quarter. The list certificates of deposit are those instruments held during the fiscal year ending as of August 31, 2012.

Tomball ISD Investment Report
Annual Investment Report for Year Ending August 31, 2012

TexPool Investment Pool

Title:	*Tomball Scholarship Foundation*		Book Value		Market Value
	Beginning of 1st Quarter	$	433,950.26	$	433,950.26
09/30/11	Deposits		1,107.38		
09/30/11	Interest		33.15		
10/31/11	Deposits		928.00		
10/31/11	Withdrawals		(598.44)		
10/31/11	Interest		31.01		
11/30/11	Deposits		919.00		
11/30/11	Interest		38.65		
End of 1st Quarter		$	436,409.01	$	436,409.01
	Beginning of 2nd Quarter	$	436,409.01	$	436,409.01
12/31/11	Deposits		1,335.00		
12/31/11	Interest		30.04		
01/31/12	Deposits		1,214.00		
01/31/12	Withdrawals		(6,543.00)		
01/31/12	Interest		32.18		
02/28/12	Deposits		916.00		
02/28/12	Interest		31.04		
End of 2nd Quarter		$	433,424.27	$	433,424.27
	Beginning of 3rd Quarter	$	433,424.27	$	433,424.27
03/31/12	Deposits		4,924.00		
03/31/12	Withdrawals		(102.97)		
03/31/12	Interest		42.38		
04/30/12	Deposits		1,069.00		
04/30/12	Withdrawals		-		
04/30/12	Interest		40.06		
05/31/12	Deposits		3,004.75		
05/31/12	Withdrawals		(3,498.30)		
05/31/12	Interest		46.52		
End of 3rd Quarter		$	438,949.71	$	438,949.71
	Beginning of 4th Quarter	$	438,949.71	$	438,949.71
06/30/12	Deposits		893.00		
06/30/12	Withdrawals		-		
06/30/12	Interest		50.39		
07/31/12	Deposits		1,009.50		
07/31/12	Withdrawals		-		
07/31/12	Interest		49.26		
08/31/12	Deposits		1,504.88		
08/31/12	Withdrawals		(410.00)		
08/31/12	Interest		49.27		
End of 4th Quarter		$	442,096.01	$	442,096.01

Title:	*Payroll Operating*		Book Value		Market Value
	Beginning of 1st Quarter	$	8,891,323.27	$	8,891,323.27
09/30/11	Deposits	$	20,000,000.00		
09/30/11	Withdrawals		(4,097,000.00)		
09/30/11	Interest		593.90		
10/31/11	Withdrawals		(5,485,000.00)		
10/31/11	Interest		1,545.26		
11/30/11	Deposits		539,906.14		
11/30/11	Withdrawals		(5,587,406.14)		
11/30/11	Interest		1,406.78		
End of 1st Quarter		$	14,265,369.21	$	14,265,369.21

Beginning of 2nd Quarter		$	14,265,369.21	$	14,265,369.21
12/31/11	Withdrawals		(5,650,000.00)		
12/31/11	Interest		733.71		
01/31/12	Deposits		20,600,000.00		
01/31/12	Withdrawals		(6,107,184.01)		
01/31/12	Interest		1,634.93		
02/28/12	Withdrawals		(4,930,000.00)		
02/28/12	Interest		1,440.59		
End of 2nd Quarter		$	18,181,994.43	$	18,181,994.43
Beginning of 3rd Quarter		$	18,181,994.43	$	18,181,994.43
03/31/12	Withdrawals		(5,510,000.00)		
03/31/12	Interest		1,465.78		
04/30/12	Deposits		20,000,000.00		
04/30/12	Withdrawals		(5,038,000.00)		
04/30/12	Interest		1,154.24		
05/31/12	Withdrawals		(5,193,000.00)		
05/31/12	Interest		2,608.66		
End of 3rd Quarter		$	22,446,223.11	$	22,446,223.11
Beginning of 4th Quarter		$	22,446,223.11	$	22,446,223.11
06/30/12	Withdrawals		(5,577,000.00)		
06/30/12	Interest		2,224.22		
07/31/12	Deposits		20,000,000.00		
07/31/12	Withdrawals		(5,270,255.73)		
07/31/12	Interest		2,195.50		
08/31/12	Withdrawals		(6,077,000.00)		
08/31/12	Interest		3,188.74		
End of 4th Quarter		$	25,529,575.84	$	25,529,575.84

Title:	***Debt Service Account***		**Book Value**		**Market Value**
Beginning of 1st Quarter		$	2,737,561.76	$	2,737,561.76
09/30/11	Deposits		22,877.08		
09/30/11	Withdrawals		(53,408.06)		
09/30/11	Interest		207.00		
10/31/11	Deposits		376,019.80		
10/31/11	Withdrawals		(46.56)		
10/31/11	Interest		200.46		
11/30/11	Deposits		794,697.69		
11/30/11	Withdrawals		(138.38)		
11/30/11	Interest		306.37		
End of 1st Quarter		$	3,878,277.16	$	3,878,277.16
Beginning of 2nd Quarter		$	3,878,277.16	$	3,878,277.16
12/31/11	Deposits		3,738,544.29		
12/31/11	Interest		401.26		
01/31/12	Deposits		10,905,150.11		
01/31/12	Withdrawals		(836,763.38)		
01/31/12	Interest		983.89		
02/28/12	Deposits		3,011,521.99		
02/28/12	Withdrawals		(13,628,363.38)		
02/28/12	Interest		890.72		
End of 2nd Quarter		$	7,070,642.66	$	7,070,642.66
Beginning of 3rd Quarter		$	7,070,642.66	$	7,070,642.66
03/31/12	Deposits		17,830.61		
03/31/12	Withdrawals		(4,797.98)		
03/31/12	Interest		691.20		
04/30/12	Deposits		12,043.82		
04/30/12	Withdrawals		(1,513.40)		
04/30/12	Interest		647.21		
05/31/12	Deposits		11,662.40		
05/31/12	Withdrawals		(3,013.89)		
05/31/12	Interest		751.16		
End of 3rd Quarter		$	7,104,943.79	$	7,104,943.79

Beginning of 4th Quarter		$	7,104,943.79	$	7,104,943.79
06/30/12	Deposits		4,355.10		
06/30/12	Interest		814.78		
07/31/12	Deposits		1,212,528.25		
07/31/12	Withdrawals		(917.18)		
07/31/12	Interest		880.32		
08/31/12	Deposits		2,894.01		
08/31/12	Withdrawals		(6,645,402.51)		
08/31/12	Interest		480.81		
End of 4th Quarter		$	1,680,577.37	$	1,680,577.37

Title:	***THS Activity Reserves***		**Book Value**		**Market Value**
Beginning of 1st Quarter		$	100,026.62	$	100,026.62
09/30/11	Interest		7.65		
10/31/11	Interest		7.15		
11/30/11	Interest		8.87		
End of 1st Quarter		$	100,050.29	$	100,050.29
Beginning of 2nd Quarter		$	100,050.29	$	100,050.29
12/31/11	Interest		6.90		
01/31/12	Interest		7.48		
02/28/12	Interest		7.20		
End of 2nd Quarter		$	100,071.87	$	100,071.87
					page 3
Beginning of 3rd Quarter		$	100,071.87	$	100,071.87
03/31/12	Withdrawals		(41.42)		
03/31/12	Interest		9.79		
04/30/12	Interest		9.15		
05/31/12	Withdrawals		(49.39)		
05/31/12	Interest		10.62		
End of 3rd Quarter		$	100,010.62	$	100,010.62
Beginning of 4th Quarter		$	100,010.62	$	100,010.62
06/30/12	Interest		11.45		
07/31/12	Interest		11.19		
08/31/12	Interest		11.14		
End of 4th Quarter		$	100,044.40	$	100,044.40

Title:	***General Fund Operating***		**Book Value**		**Market Value**
Beginning of 1st Quarter		$	30,374,010.55	$	30,374,010.55
09/30/11	Deposits		16,983,283.62		
09/30/11	Withdrawals		(23,214,330.35)		
09/30/11	Interest		2,426.47		
10/31/11	Deposits		10,101,485.23		
10/31/11	Withdrawals		(3,335,941.66)		
10/31/11	Interest		1,801.00		
11/30/11	Deposits		315,837.22		
11/30/11	Withdrawals		(745,902.78)		
11/30/11	Interest		2,731.56		
End of 1st Quarter		$	30,485,400.86	$	30,485,400.86
Beginning of 2nd Quarter		$	30,485,400.86	$	30,485,400.86
12/31/11	Deposits		22,301,849.15		
12/31/11	Withdrawals		(3,344,985.04)		
12/31/11	Interest		2,520.72		
01/31/12	Deposits		31,335,898.10		
01/31/12	Withdrawals		(27,135,309.18)		
01/31/12	Interest		3,334.88		
02/28/12	Deposits		7,660,431.68		
02/28/12	Withdrawals		(1,642,844.73)		
02/28/12	Interest		4,146.83		
End of 2nd Quarter		$	59,670,443.27	$	59,670,443.27

Beginning of 3rd Quarter		$	59,670,443.27	$	59,670,443.27
03/31/12	Deposits		705,408.46		
03/31/12	Withdrawals		(65,910.74)		
03/31/12	Interest		5,854.98		
04/30/12	Deposits		278,246.88		
04/30/12	Withdrawals		(20,042,511.42)		
04/30/12	Interest		5,283.09		
05/31/12	Deposits		705,829.15		
05/31/12	Withdrawals		(49,314.94)		
05/31/12	Interest		4,345.96		
End of 3rd Quarter		$	41,217,674.69	$	41,217,674.69
Beginning of 4th Quarter		$	41,217,674.69	$	41,217,674.69
06/30/12	Deposits		776,235.32		
06/30/12	Withdrawals		(34,354.34)		
06/30/12	Interest		4,746.26		
07/31/12	Deposits		935,035.38		
07/31/12	Withdrawals		(20,040,606.12)		
07/31/12	Interest		4,105.44		
08/31/12	Deposits		10,781,087.87		
08/31/12	Withdrawals		(7,678,246.55)		
08/31/12	Interest		2,616.77		
End of 4th Quarter		$	25,968,294.72	$	25,968,294.72

Title:	***Capital Projects Fund 9.8m***		**Book Value**		**Market Value**
Beginning of 1st Quarter		$	55,073.73	$	55,073.73
09/30/11	Interest		4.23		
10/31/11	Interest		3.95		
11/30/11	Interest		4.91		
End of 1st Quarter		$	55,086.82	$	55,086.82
Beginning of 2nd Quarter		$	55,086.82	$	55,086.82
12/31/11	Interest		3.78		
01/31/12	Interest		4.05		
02/28/12	Interest		3.96		
End of 2nd Quarter		$	55,098.61	$	55,098.61
Beginning of 3rd Quarter		$	55,098.61	$	55,098.61
03/31/12	Interest		5.39		
04/30/12	Interest		5.00		
05/31/12	Interest		5.81		
End of 3rd Quarter		$	55,114.81	$	55,114.81
Beginning of 4th Quarter		$	55,114.81	$	55,114.81
06/30/12	Interest		6.34		
07/31/12	Interest		6.14		
08/31/12	Interest		6.16		
End of 4th Quarter		$	55,133.45	$	55,133.45

Title:	***Self-Funded Workers Comp Reserves***		**Book Value**		**Market Value**
Beginning of 1st Quarter		$	3,246,875.25	$	3,246,875.25
09/30/11	Deposits		29,205.25		
09/30/11	Withdrawals		(113,354.00)		
09/30/11	Interest		244.33		
10/31/11	Deposits		29,542.24		
10/31/11	Withdrawals		(18,424.08)		
10/31/11	Interest		225.56		
11/30/11	Deposits		29,962.91		
11/30/11	Withdrawals		(55,486.93)		
11/30/11	Interest		279.06		
End of 1st Quarter		$	3,149,069.59	$	3,149,069.59

Beginning of 2nd Quarter		$	3,149,069.59	$	3,149,069.59
12/31/11	Deposits		30,105.75		
12/31/11	Withdrawals		(31,364.44)		
12/31/11	Interest		216.02		
01/31/12	Deposits		28,945.07		
01/31/12	Withdrawals		(20,037.62)		
01/31/12	Interest		233.76		
02/28/12	Deposits		30,406.74		
02/28/12	Withdrawals		(40,461.61)		
02/28/12	Interest		225.05		
End of 2nd Quarter		$	3,147,338.31	$	3,147,338.31
Beginning of 3rd Quarter		$	3,147,338.31	$	3,147,338.31
03/31/12	Deposits		29,156.13		
03/31/12	Withdrawals		(23,310.72)		
03/31/12	Interest		306.86		
04/30/12	Deposits		29,398.60		
04/30/12	Withdrawals		(33,384.12)		
04/30/12	Interest		287.66		
05/31/12	Deposits		31,231.22		
05/31/12	Withdrawals		(59,636.52)		
05/31/12	Interest		329.32		
End of 3rd Quarter		$	3,121,716.74	$	3,121,716.74
Beginning of 4th Quarter		$	3,121,716.74	$	3,121,716.74
06/30/12	Deposits		29,106.24		
06/30/12	Withdrawals		(30,739.77)		
06/30/12	Interest		357.24		
07/31/12	Deposits		27,068.37		
07/31/12	Withdrawals		(14,366.37)		
07/31/12	Interest		349.24		
08/31/12	Deposits		27,007.83		
08/31/12	Withdrawals		(14,448.85)		
08/31/12	Interest		349.76		
End of 4th Quarter		$	3,146,400.43	$	3,146,400.43

Title:	***Capital Projects Fund 75.0m***		**Book Value**		**Market Value**
Beginning of 1st Quarter		$	1,105,581.32	$	1,105,581.32
09/30/11	Interest		84.38		
10/31/11	Interest		78.75		
11/30/11	Interest		98.14		
End of 1st Quarter		$	1,105,842.59	$	1,105,842.59
Beginning of 2nd Quarter		$	1,105,842.59	$	1,105,842.59
12/31/11	Interest		75.92		
01/31/12	Interest		81.97		
02/28/12	Interest		79.30		
End of 2nd Quarter		$	1,106,079.78	$	1,106,079.78
Beginning of 3rd Quarter		$	1,106,079.78	$	1,106,079.78
03/31/12	Interest		108.08		
04/30/12	Interest		100.94		
05/31/12	Interest		117.05		
End of 3rd Quarter		$	1,106,405.85	$	1,106,405.85
Beginning of 4th Quarter		$	1,106,405.85	$	1,106,405.85
06/30/12	Interest		126.85		
07/31/12	Interest		123.71		
08/31/12	Interest		123.45		
End of 4th Quarter		$	1,106,779.86	$	1,106,779.86

Title:	*Capital Projects Fund 53.4m*		Book Value		Market Value
	Beginning of 1st Quarter	$	117,392.83	$	117,392.83
	09/30/11 Interest		8.92		
	10/31/11 Interest		8.39		
	11/30/11 Interest		10.46		
	End of 1st Quarter	$	117,420.60	$	117,420.60
	Beginning of 2nd Quarter	$	117,420.60	$	117,420.60
	12/31/11 Interest		8.09		
	01/31/12 Interest		8.70		
	02/28/12 Interest		8.42		
	End of 2nd Quarter	$	117,445.81	$	117,445.81
	Beginning of 3rd Quarter	$	117,445.81	$	117,445.81
	03/31/12 Interest		11.48		
	04/30/12 Interest		10.76		
	05/31/12 Interest		12.40		
	End of 3rd Quarter	$	117,480.45	$	117,480.45
	Beginning of 4th Quarter	$	117,480.45	$	117,480.45
	06/30/12 Interest		13.51		
	07/31/12 Interest		13.10		
	08/31/12 Interest		13.08		
	End of 4th Quarter	$	117,520.14	$	117,520.14

Title:	*Capital Projects Fund 28.9m*		Book Value		Market Value
	Beginning of 1st Quarter	$	13,487.32	$	13,487.32
	09/30/11 Interest		1.01		
	10/31/11 Interest		1.00		
	11/30/11 Interest		1.22		
	End of 1st Quarter	$	13,490.55	$	13,490.55
	Beginning of 2nd Quarter	$	13,490.55	$	13,490.55
	12/31/11 Interest		0.98		
	01/31/12 Interest		0.97		
	02/28/12 Interest		0.98		
	End of 2nd Quarter	$	13,493.48	$	13,493.48
	Beginning of 3rd Quarter	$	13,493.48	$	13,493.48
	03/31/12 Interest		1.30		
	04/30/12 Interest		1.24		
	05/31/12 Interest		1.39		
	End of 3rd Quarter	$	13,497.41	$	13,497.41
	Beginning of 4th Quarter	$	13,497.41	$	13,497.41
	06/30/12 Interest		1.55		
	07/31/12 Interest		1.54		
	08/31/12 Interest		1.51		
	End of 4th Quarter	$	13,502.01	$	13,502.01

Title:	*Capital Projects Fund 30.9m*		Book Value		Market Value
	Beginning of 1st Quarter	$	29,605,242.89	$	29,605,242.89
	09/30/11 Deposits		61,140.64		
	09/30/11 Withdrawals		(2,722,457.98)		
	09/30/11 Interest		2,156.05		
	10/31/11 Deposits		4,451.62		
	10/31/11 Withdrawals		(2,593,422.65)		
	10/31/11 Interest		1,856.16		
	11/30/11 Withdrawals		(308,281.26)		
	11/30/11 Interest		2,143.76		
	End of 1st Quarter	$	24,052,829.23	$	24,052,829.23

Beginning of 2nd Quarter		$	24,052,829.23	$	24,052,829.23
12/31/11	Withdrawals		(3,294,430.99)		
12/31/11	Interest		1,487.64		
01/31/12	Deposits		3,709.37		
01/31/12	Withdrawals		(1,988,883.51)		
01/31/12	Interest		1,508.54		
02/28/12	Withdrawals		(3,953,014.10)		
02/28/12	Interest		1,166.16		
End of 2nd Quarter		$	14,824,372.34	$	14,824,372.34
Beginning of 3rd Quarter		$	14,824,372.34	$	14,824,372.34
03/31/12	Deposits		14,000.00		
03/31/12	Withdrawals		(693,048.51)		
03/31/12	Interest		1,421.87		
04/30/12	Withdrawals		(269,315.90)		
04/30/12	Interest		1,281.10		
05/31/12	Deposits		3,416.57		
05/31/12	Withdrawals		(691,849.99)		
05/31/12	Interest		1,413.10		
End of 3rd Quarter		$	13,191,690.58	$	13,191,690.58
Beginning of 4th Quarter		$	13,191,690.58	$	13,191,690.58
06/30/12	Withdrawals		(768,817.76)		
06/30/12	Interest		1,490.04		
07/31/12	Withdrawals		(926,526.74)		
07/31/12	Interest		1,359.12		
08/31/12	Deposits		1,437.32		
08/31/12	Withdrawals		(828,048.85)		
08/31/12	Interest		1,221.01		
End of 4th Quarter		$	10,673,804.72	$	10,673,804.72

Tomball ISD Investment Report
Annual Investment Report for Year Ending August 31, 2012

Securities Investments and Certificates of Deposit

	Security Description	Coupon Rate	Par Amount	Price	Principal Amount	Accrued Interest	Total Price	Settlement Date	Maturity Date	Days Held to Maturity	Yield to Maturity	Paid to Maturity	Gain to Maturity	Market Value
GENERAL FUND														
	CD Prosperity	0.700%	3,043,791	100.000	3,043,791	0	3,043,791	04/19/11	04/19/12	365	0.700%	3,065,098	21,307	Matured
*	CD Prosperity	0.350%	3,000,000	100.000	3,000,000	0	3,000,000	04/19/12	04/19/13	365	1.250%	3,010,500	10,500	3,000,000
	CD Prosperity	0.450%	3,011,195	100.000	3,011,195	0	3,011,195	03/21/11	11/03/11	227	0.450%	3,019,622	8,427	Matured
*	CD Prosperity	0.400%	3,000,000	100.000	3,000,000	0	3,000,000	11/03/11	11/03/12	365	1.500%	3,012,000	12,000	3,000,000
	CD Prosperity	0.450%	3,000,000	100.000	3,000,000	0	3,000,000	06/15/11	01/31/12	230	0.450%	3,008,507	8,507	Matured
*	CD Prosperity	0.400%	3,008,504	100.000	3,008,504	0	3,008,504	01/31/12	09/17/12	230	1.250%	3,085,388	76,884	3,008,504

* Certificates of Deposit have been secured at 110% of par value with pledged collateral held by a third party banking institution.

This report has been prepared in compliance with Board Policy CDA and Public Funds Investment Act.

John Neubauer	Jim Ross	Rich Vela
SUPERINTENDENT	CHIEF FINANCIAL OFFICER	DIRECTOR OF RISK MANAGEMENT