

Appendix H: Special Journal – Current Investments

Current Investments Journal

Once your district begins to receive money it has an obligation to spend or invest that money wisely. There are many sources for a district's money supply. Some of the major sources include: water and wastewater revenues; developer advances; proceeds from the sale of bonds or BANS; and tax revenues.

A district may sell bonds to finance the construction of water, wastewater, and drainage facilities. Any money remaining after we approved expenses from the bond sale must be invested; however money invested cannot earn interest at an interest rate that exceeds the net effective interest rate on your district's bonds.

The principal and interest on the bonds is usually payable from an annual ad valorem tax levied against taxable property in the district. Sometimes, net revenues from the district's water and wastewater operations may be used. District revenues should be invested to earn your district as much money as possible, subject to the net effective interest rate on the bonds.

Your district is authorized to invest in direct or indirect obligations of the United States, the State of Texas, or any county, city, school district, or other political subdivision of the state. You can also place the district's funds in certificates of deposit (CD) of state or national banks or savings and loan associations within the state, provided that they are secured in the manner required for the security of the funds (Government Code Chapter 2256, Subchapter A; Refer to the *Guide's Cash Management* section on page 2-29 for more information).

Your district should require its depository to secure all district funds held. The depository should provide security for any amount in excess of the insured amount (FDIC Regulation 330.15); however the district's designated investment officer must request the pledging of these securities. For additional information, see Government Code Chapter 2257 (Public Funds Collateral Act).

Investments are usually in the form of money markets, CDs, treasury bills (T-Bill), or pooled investments. Money market accounts will usually generate a monthly statement that can be reconciled. No monthly statement will be issued for a CD or T-Bill. Information needed for a current investment journal includes:

- CD or T-Bill number
- Name of depository
- Purchase date and maturity
- Amount invested
- Interest rate
- Origin of funds
- Interest earned at maturity
- Amounts renewed or transferred to other accounts

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