

Sec. 5.12.1. STATUS AND USE OF STATE FUNDS.

Trinity Basin Preparatory is entitled to receive funding under Chapter 42, Education Code and in accordance with state law.

1. State funds received by Trinity Basin Preparatory are public funds for all purposes under state law, and may be used only for a purpose for which a school district may use local funds under Education Code 45.105(c), to wit:
 - a. Purchasing appliances and supplies;
 - b. Paying insurance premiums;
 - c. Paying janitors and other employees;
 - d. Buying school sites;
 - e. Buying, building, repairing, and renting school buildings, including acquiring school buildings and sites by leasing through annual payments with an ultimate option to purchase; and
 - f. For other purposes necessary and approved in the conduct of the public schools determined by the Board of Directors.
2. Any other use or application of such funds constitutes misuse and misapplication of public funds and is subject to the civil and criminal laws governing misuse or misapplication of Texas public funds.
3. State funds received by Trinity Basin Preparatory are held by Trinity Basin Preparatory in trust for the benefit of the students of Trinity Basin Preparatory. In their use of public funds, the Board of Directors, and the governing body and officer of a charter school, shall be held to the standard of care and fiduciary duties that a trustee owes a beneficiary under Texas law.
4. Pending their use, state funds received by Trinity Basin Preparatory must be deposited into a bank with which Trinity Basin Preparatory has entered into a depository contract. No later than December 1 of each year, Trinity Basin Preparatory shall file a copy of the depository contract with the Texas Education Agency division responsible for school financial audits, or, if there has been no change since the last filing, a statement to that effect in lieu of the depository contract.
 - a. State funds received by Trinity Basin Preparatory must be deposited into an account owned and controlled by Trinity Basin Preparatory pending their use. Once properly deposited, Trinity Basin Preparatory may immediately use the funds for any purpose described in section (1) above, subject to the standard of care and fiduciary duties described in section (3) above.
 - b. For purposes of this policy, the term “bank” means a bank, a savings and loan association, or a savings bank organized under the laws of this state, another state, or federal law that has its main office or a branch office in this state. The term does not include any bank the deposits of which are not insured by the Federal Deposit Insurance

Corporation (“FDIC”). Although the term excludes a bank the deposits of which are not insured by the FDIC, deposits exceeding FDIC-insured amounts need not be collateralized for the institution to constitute a "bank" under this policy.

- c. Notwithstanding the requirements of this policy listed above, if required by a contract executed prior to September 1, 2001, state funds may be deposited into an account managed by a bond trustee acting on behalf of Trinity Basin Preparatory for the sole purpose of complying with debt service obligations of Trinity Basin Preparatory on a bond issued under Chapter 53, Education Code.

Sec. 5.12.2. INVESTMENT OF STATE FUNDS.

The following provisions apply unless alternative requirements for investing state funds have been approved by the State Board of Education under 19 TAC § 100.103 (relating to Optional Open-Enrollment Charter Provisions for Contracting and Purchasing), and the open-enrollment charter has been amended by the Commissioner of Education to adopt the approved procedures.

1. Trinity Basin Preparatory shall invest state funds in accordance with a requirement in the Texas Public Funds Investment Act (Government Code §§ 2256.009–2256.016) that applies to a school district or the board of trustees of a school district
2. State funds invested by Trinity Basin Preparatory shall be maintained in a discrete charter investment account, separate and distinct from the operating accounts for the charter school and separate and distinct from any investment accounts related to non-charter activities.
3. Trinity Basin Preparatory shall invest state funds in accordance with any applicable provision or covenant contained in a debt instrument, bond indenture, or similar agreement.
4. Trinity Basin Preparatory shall not invest state or federal grant funds, unless investment of such funds is expressly authorized under the terms of the grant.
5. Investment of state funds 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.
 - a. Investment of state funds shall be governed by the following investment objectives, in order of priority:
 - i. Preservation and safety of principal;
 - ii. Liquidity; and
 - iii. Yield.

- b. In determining whether Trinity Basin Preparatory, or its employees or agents, have exercised prudence with respect to an investment decision respecting state funds, the determination shall be made taking into consideration:
 - i. The investment of all funds, or funds under Trinity Basin Preparatory’s control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
 - ii. Whether the investment decision was consistent with the written investment policy of Trinity Basin Preparatory.