

Investment Policy



INVESTMENT POLICY FANNIN COUNTY, TEXAS

I. Purpose

Formal Adoption

This investment policy is authorized by the Fannin County Commissioners' Court in accordance with Chapter 2256, Texas Government Code, the Public Funds Investment Act, and Section 116.112, Local Government Code. A copy of the most recent version of the Public Funds Investment Act is attached hereto and incorporated by reference.

Scope

This investment policy applies to all of the investment activities of Fannin County. This policy establishes guidelines for 1) who can invest County funds, 2) how County funds will be invested, and 3) when and how periodic review of investments will be made. In addition to this Policy, bond funds (as defined by the Internal Revenue Service) shall be managed in accordance with their issuing documentation and all applicable state and federal law.

Review and Amendment

This policy shall be reviewed annually by the Commissioners' Court. Amendments must be approved by the Investment Committee and adopted by the Commissioners' Court. [Section 2256.005 (e)]

Investment Strategy

The investment strategy must describe the investment objectives for each particular fund according to the following priorities: [Section 2256.005 (d) (1-6)]

II. Investment Objectives

General Statement

Funds of the County will be invested in accordance with federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each fund as they are adopted by Commissioners' Court resolution. [Section 2256.005(d)].

Safety of Principal

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall first seek to ensure that capital losses are avoided, whether they be from security defaults or erosion of market value.

Maintenance of Liquidity

The County's investment portfolio must be structured in conformity with an asset/liability management plan (mmp) which provides for liquidity necessary to pay obligations as they become due, utilizing investment instruments, the final maturity of which, is one (1) year or less unless approved in advance by the Investment Advisory Committee.

Diversification

It will be the policy of the County to diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in specific maturities, a specific issuer or a specific class of investments. Investments of the County shall always be selected that provide for safety of principal, stability of income and reasonable liquidity prior to maturity.

Yield

It will be the objective of the County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and all state and federal law governing investment of public funds.

Maturity

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the maximum rate of return consistent with liquidity requirements. When the County has funds that will not be needed to meet current-year obligations, maximum restraints will be imposed based upon the investment strategy for each fund.

Quality and Capability of Investment Management

It is the County's policy to provide training required by the Public Funds Act, Sec. 2256.008 and periodic training in investments for the County Treasurer, who is also named County Investment Officer with the County Auditor as the backup, and other members of the Investment Advisory Committee through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, professional expertise and timeliness of the County Investment Officer in making investment decisions. The Investment Officer will be required to have 10 PFIA hours of education every two calendar years. The County Auditor will be required to have 15 PFIA hours of education every calendar year being a member of the County Investment Academy. The Investment Officer will be encouraged to achieve the CIO credential and maintain the CIO credential. The County Auditor is required to have the CIO credential and maintain as a member of the County Investment Academy. The Investment Officer and County Auditor are required to submit the required continuing education hours as required by the PFIA to the Fannin County Commissioners' Court as a matter of record.

III. Investment Responsibility and Control

Investment Advisory Committee

It is further the purpose of this policy to establish an Investment Advisory Committee comprised of four (4) members and a possibility of a fifth (5th) citizen member. Those members being the County Judge, the County Treasurer/Investment Officer, the County Auditor and one Commissioner alternating on an annual basis beginning with the precinct one Commissioner and followed by the Commissioners' of precincts 2, 3, and 4 and then repeating. The fifth member of the Investment Advisory Committee shall serve a minimum one calendar year term, and shall be a qualified citizen with experience in investment management suggested by the Investment Committee and approved by the Commissioners' Court. It will be the responsibility of the committee to oversee the investment of the County's funds and those proprietary and fiduciary funds that Fannin County has the responsibility and authority to invest. The Investment Officer shall serve as Chair of the Investment Committee and the County Auditor shall serve as Secretary. Meetings may be called, as deemed necessary, by any Investment Advisory member. A quorum consists of three members present.

County's Investment Officer

In accordance with sec.116.112 (a), Local Government Code and/or Government Code Chapter 2256, the County Investment Officer or County Auditor under the direction of the Fannin County Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County.

If the investment officer or auditor has a personal business relationship with an entity, or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment of the county, the Investment Officer or Auditor must file a statement disclosing that personal business interest, or relationship, with the Texas Ethics Commission and the Commissioners' Court in accordance with Government Code 2256.005(i).

Liability of Investment Officer

In accordance with sec. 113.005, Local Government Code, the County Investment Officer or Auditor is not responsible for any loss of the County funds through the failure or negligence of a depository. This section does not release the Investment Officer or County Auditor from responsibility for a loss resulting from the official misconduct or negligence of the Investment Officer, including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited. If the Investment Officer is other than the County Treasurer, that person must be fully bonded.

Citizen Member of Advisory Committee

The citizen member of the Investment Advisory Committee shall not be included on the Broker Dealer Listing. The citizen member shall refrain from personal business activity that could conflict with proper execution of the County's investment program or which could impair their ability to make impartial investment decisions.

IV. Investment Reporting

Regular Reports

In accordance with Government Code 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Fannin County Commissioners' Court a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

A. The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the:
 - b. beginning market value for the reporting period;
 - c. additions and changes to the market value during the period;
 - d. ending market value for the period; and
 - e. fully accrued interest for the reporting period;
- (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
 - a. the investment strategy expressed in the agency's or local government's investment policy; and
 - b. relevant provisions of this chapter.
- (9) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.
- (10) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Annual report

Annually, the County Investment Officer will prepare a written fiscal year report concerning the County's investment transactions for the preceding year and describing in detail the investment position of all of the funds for which the County has the investment authority and responsibility as of the date of the report.

Notification of investment changes

It shall be the duty of the County Investment Officer of Fannin County, Texas to notify the Fannin County Commissioners' Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

V. Investment Types

Authorized

The County Investment Officer or County Auditor shall use any or all of the following authorized investment instruments consistent with governing law (Government Code, Chapter 2256):

- A. Except as provided by Government Code 2256.009, the following are authorized investments:
 1. Obligations of the United States or its agencies and instrumentality's. [Section 2256.009 (a) (1)]
 2. Direct obligations of the state of Texas or its agencies and instrumentalities.[Section 2256.009 (a) (2)]
 3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the state of Texas 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. [Section 2256.009 (a) (4)]
 4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. [Section 2256.009 (a) (5)]

- B. Certificates of deposit if issued by state and/or national banks domiciled in this state or a savings and loan association domiciled in Texas that are: [Section 2256.010 (a) (1-3)]
 1. guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund or its successor; and
 2. secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment act, 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 described by Section 2256.009(a) of the Public Funds Investment act.
 3. Solicited for bid orally, in writing, electronically, or any combination of those methods. [Section 2256.005 (c) (1-4)]
 4. In addition to the authority to invest in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment if:
 - a) The funds are invested by an investing entity through: a broker that has its main office or branch office in Texas and is selected from a list adopted by the County as required by Section 2256.025 or
 - b) A depository institution that has its main office or a branch office in Texas and that is selected by the County
 - c) The broker or the depository institution selected by the County under Subsection (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 the County;
 - d) The full amount of the principal and the accrued interest of the certificate of deposit is insured by the United States or an instrumentality of the United States; and
 - e) The County appoints the depository institution selected by the County under Subsection (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with the respect to the certificates of deposit for the account of the County.

- C. Fully collateralized direct repurchase agreements as defined in the Public Funds Investment Act, if it (Section 2256.011):
 1. Has a defined termination date not to exceed 90 days;
 2. is secured by a combination of cash and obligations of the United States, its agencies or instrumentalities to include commercial paper or commercial bonds, if applicable described by Section 2256.013 or Section 2256.0204 of the Public Funds Investment Act; and
 3. requires the securities being purchased by the County or cash being held by the County, to be held in the County's name, and deposited at the time the investment is made with the county or with a third party selected and approved by

the county.

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.
- D. A prime domestic bankers' acceptance if it (Section 2256.012):
1. has a stated maturity of 270 days or less from the date of its issuance;
 2. will be, in accordance with its terms, liquidated in full at maturity;
 3. is eligible for collateral for borrowing from a Federal Reserve Bank; and
 4. is accepted by a bank organized and existing under the laws of the United States or any state, the short-term obligations of which (or of a bank holding company of which the bank is the largest subsidiary) are rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency.
- E. Commercial paper is an authorized investment if the commercial paper (Section 2256.013):
1. has a stated maturity of 365 days or less from the date of its issuance
 2. is rated not less than A-1, P-1, or the equivalent rating by at least:
 - a. two nationally recognized credit rating agencies; or
 - b. one nationally recognized credit rating agency and 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 thereof.
- F. Mutual funds and money market mutual funds with limitations described below (Section 2256.014):
1. A no-load money market mutual fund is authorized if it:
 - a. is registered with and regulated by the Securities and Exchange Commission;
 - b. has a dollar-weighted average stated portfolio maturity of 90 days or less;
 - c. included in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
 2. A no-load mutual fund is authorized if it:
 - a. is registered with the Securities and Exchange Commission;
 - b. has an average weighted portfolio maturity of less than 2 years;
 - c. is invested exclusively in obligations approved by this subchapter;
 - d. is continuously rated as to investment quality by at least one nationally recognized investment rating firm or not less than AA+ or its equivalent; and
 - e. conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
 3. Relative to mutual funds and money market mutual funds, the county may not:
 - a. invest in the aggregate more than 15% of Fannin County's monthly average fund balance, excluding bond proceeds, reserves and other funds held for debt service, in money market mutual funds or mutual funds, either separately or collectively;
 - b. invest any portion of bond proceeds, reserves and funds held for debt service in mutual funds; or
 - c. invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.
- G. Eligible investment pools (as discussed in the Public Funds Investment Act, Government Code Section 2256.016-2256.019) if the Commissioner' Court by resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. A county, by contract, may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
- H. In addition to investment in obligations, certificates, or agreements authorized herein, bond proceeds of the County may be invested in common trust funds or comparable investment devices owned or administered by banks domiciled in this state and whose assets consist exclusively of all or a combination of the obligations authorized herein. Common trust funds of banks domiciled in this state may be used if allowed under applicable federal regulations governing the investment of bond proceeds; and meet the cash flow requirements and the investment needs of the County. Competitive, written bids for common trust fund investments must be solicited initially from at least three banks in Fannin County.

If there are not three banks available for the investments within Fannin County, the County may solicit such bids from any bank within the state in addition to those banks that are located within the boundaries of the County.

I. ICS

1. Savings and/or demand deposit accounts placed through a depository institution that has a main office branch in the State of Texas and that contractually agrees to place funds in federally insured depository institutions through the Insured Cash Sweep services (ICS).
2. Savings accounts placed through a depository institution that has a main office or a branch office in the State of Texas and that contractually agrees to place the funds in federally insured depository institutions through the savings option of the Insured Cash Sweep service (ICS).
3. Demand deposit accounts placed through a depository institution that has a main office or branch office in the State of Texas and that contractually agrees to place funds in federally insured depository institutions the demand option of the Insured Cash Sweep service (ICS).

J. United States Treasury bills, bonds, and notes.

K. Securities from the following United States agencies that are backed by the full faith and credit of the United States of America.

- a. Government National Mortgage Association (GNMA) (Ginnie Mae)
- b. Small Business Administration (SBA)
- c. Farmers Home Administration (FmHA)
- d. General Services Administration (GSA)

Prohibited

The Fannin County Investment Officer or Auditor has no authority to purchase and is prohibited from purchasing any of the following investment instruments which are strictly prohibited:

- A. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- B. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- C. collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- D. Collateralized mortgage obligations of which the interest rate is determined by an index that adjusts opposite to the changes in a market index.

VI. Investment Responsibility and Control

Investment Institutions Defined

The Investment Officer or Auditor shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current depository bank contract:

- A. Depository bank;
- B. Other state bank, national bank, savings and loan association, or a state or federal credit union domiciled in Texas that are insured in full by either Federal Savings and Loan Insurance or Federal Deposit Insurance Corporation;
- C. Public Funds Investment Act Pools passage of a resolution by the Commissioners Court, as well as the required inter-local agreement; or
- D. Primary government securities brokers and dealers approved by Commissioners Court;
- E. Money Market Mutual Funds reviewed and recommended by the Investment Committee and approved by the Commissioners Court.

Investment Procedures

The county receives revenues from various sources, which are distributed among various funds. The daily receipts in excess of disbursements are deemed cash available for investment and or invested either in the County's depository bank, United States Government securities, Agency securities, investment pools or other investments as approved by the Commissioners Court.

Qualifications for Approval of Broker/Dealers

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to the County an authorized investment, including investment pools and money market mutual funds. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument (Attachment "A") substantially to the effect that the registered principal has:

- A. Completes and signs the County's certification letter.
- B. Provides references by public fund investment officers.
- C. Institutional investment experience.
- D. Be examined by and/or subject to the rules and regulations of one or more of the following agencies:
 - a) Securities and Exchange Commission (SEC)
 - b) Federal Deposit Insurance Corporation (FDIC)
 - c) National Credit Union Share Insurance Fund (NCUSIF)
 - d) Federal Reserve System
 - e) New York Stock Exchange (NYSE); or
 - f) The Comptroller of the Currency
- E. Acknowledge that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization; and
- F. Acknowledges receipt, thorough review and understanding of the County's investment policy

The Investment Officer or County Auditor may not purchase any securities from a person who has not delivered to the County an instrument in substantially the form provided above according to Section 2256.005(l).

In accordance with PFIA 2256.025, The Investment Committee shall submit to the Commissioners Court annually, a reviewed and revised list of qualified brokers that are authorized to engage in investment transactions with the County for adoption. Fannin County, the Investment Officer or the Auditor may only purchase securities from approved brokers/dealers. The Investment Officer may remove any broker/dealer from the approved list for failing to comply

with the County's investment policy and notice of this removal will be given to the Commissioners Court.

Removal by the Investment Officer from the approved list may be done for the following reasons:

- a) Placing the County's funds at risk
- b) Failure to maintain the requirements of this investment policy
- c) Failure to comply with the Texas Public Funds Investment Act
- d) Offering to sell investments other than eligible investments described in his policy to the County; or
- e) Consistently causing an administrative burden by inaccurate documentation, attempting to submit oral bids, or late verification of trade.

Standards of Operation

The County Investment officer or County Auditor shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

Delivery vs. Payment [Section 2256.005(b)(4)(e)]

All investments except PFIA Investment pools, or operating investments, shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By so doing, County funds are not released until the County has received the securities purchased through the Federal Reserve wire.

When competitive offers are sought, the County will send a Request for Offer form to at least three approved and qualified brokers/dealers. If a specific maturity date is required, offers will be requested for instruments which meet those purposes. The County will accept the offer, which, in its sole discretion, is determined to best provide the highest rate of return within the maturity required. Offers will not be accepted which do not meet the specified criteria in the request for offer or where the deadline specified on the request for offer(s) is not met.

For those situations where market conditions may dictate a change in the offer process noted above, the County may accumulate at least three unsolicited offers of investments for consideration to purchase. The investments considered must be comparable in structure, term, maturity, and rate. Furthermore, the offers accumulated must be no older than 5 business days prior to the date of the purchase notification.

Offers may be solicited in any manner provided by law, including e-mail. All offers must be from brokers/dealers previously approved and qualified by the Commissioners Court. All offers received and considered which lead to an acceptance of the offer must be documented and filed for auditing purposes.

Audit control

The County Investment Officer will establish liaison with the Fannin County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control.

The County Investment Officer is subject to audit by the Fannin County Auditor. In the event the Fannin County Auditor makes an investment said investment is subject to audit by an external auditor. In addition, it is the policy of the Fannin County Commissioners' Court, at a minimum to have an annual audit of all County funds, investments and investment procedures by an independent auditing firm. The County Investment Officer and the County's investment procedures shall be subject to an annual compliance audit of management controls on investments and adherence to the County's established investment policies in accordance with Government Code 2256.005(m).

Standard of Care

- A. In accordance with Government Code 2256.006, 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) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) diversification of the investment portfolio; and
- (5) Yield.

B. In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the County's control, over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) Whether the investment decision was consistent with the written investment policy of the entity.

VII. Investment Collateral and Safekeeping

Collateral or Insurance

The Investment Officer or Auditor shall insure that all County funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

- A. FDIC insurance coverage;
- B. obligations of the United States or its agencies and instrumentalities;
- C. direct obligations of the state of Texas or its agencies;
- D. other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state of Texas or the United States or its agencies and instrumentalities;
- E. obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; or
- F. Any other manner allowed by Government Code Chapter 2257 (Public Funds Collateral Act).

Safekeeping

All purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank. All certificates of deposit, insured by FDIC, purchased outside the depository bank shall be held in safekeeping by either the County or a County account in a third party financial institution. All pledged securities by the depository bank shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank.

2023 Education Schedule

Member	Hours	Period Begins	Period Ends
County Treasurer	10 hrs./2 years	10/01/23	09/30/25
County Auditor	15 annually	10/01/23	09/30/24

****The County Auditor is required to have 15 hours annually as having the CIO credential and to maintain credential as a member of the County Investment Academy****

TAC County Investment Academy formerly known as Texas Association of County Investment Officer (CIO)

Here are some highlights of the program:

- The program will be planned and administered in partnership with a major university.
- The current CIO certification program will be replaced with the County Investment Academy, which will continue to provide both basic and advanced investment training.
- A new “Basics of County Investments” program has been developed. Persons successfully completing this program will be admitted as Members of the Academy. Membership in the Academy can be maintained by earning 15 hours of continuing education per calendar year.
- No annual dues will be charged. Maintenance of Academy membership will be based solely upon completion of prescribed educational hours. Registration fees will be charged for each event.
- You do not have to be a Member of the Academy in order to participate in the educational conferences. All programs will be open to all county officials and staff.

Commissioner Rotating Year Assignment

Commissioner Precinct #1	10/01/26	09/30/27
Commissioner Precinct #2	10/01/23	09/30/24
Commissioner Precinct #3	10/01/24	09/30/25
Commissioner Precinct #4	10/01/25	09/30/26

FANNIN COUNTY - FUND INVESTMENT STRATEGY

GENERAL FUNDS - Accounts for all financial resources traditionally associated with governments which are not required legally to be accounted for in another fund. Shall be invested to insure funds are available to meet operating demands.

SPECIAL REVENUE FUNDS - Accounts that are legally restricted to expenditure for a particular purpose. Usually grant funds under the direction of a certain department. Maturity no longer than twelve (12) months except on special projects for which the department can provide cash flow projections.

DEBT SERVICE FUNDS - Accumulated for payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in same manner for payment. Invested to meet obligation payments ____ on and ____ each year.

CAPITAL PROJECT FUNDS - Acquisition and construction of major capital facilities. Invested to meet needs over the length of the project. Based on cash flow projections provided by the appropriate entity.

TRUST AND AGENCY FUNDS - Assets held by the County in a fiduciary capacity for other governmental entities. If invested, such funds shall be invested to insure funds are available when reports and funds are disbursed.

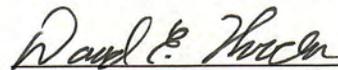
SURPLUS FUNDS - Funds not expended during a budget year. Shall be maintained and accounted for using generally accepted accounting principles. May be used to increase yields to defer taxes.

COUNTY CLERK TRUST FUNDS - Funds that are deposited in the registry of the County Courts and the Commissioners' Court. Usually invested in a pooled fund, no-load money market mutual fund, insured certificates of deposit, savings accounts and money market checking accounts. Shall provide for immediate liquidity except when ordered invested with a longer maturity by the Court.

DISTRICT CLERK TRUST FUNDS - Funds that are deposited in the registry of the Districts Courts. Usually invested in a pooled fund, no-load money market mutual fund, insured certificates of deposit, savings accounts and money market checking accounts. Need immediate liquidity except when ordered invested with a longer maturity by the Court.

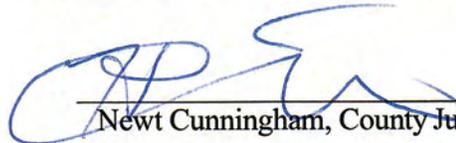
**INVESTMENT POLICY
FANNIN COUNTY, TEXAS
For the year beginning October 1, 2023**

The Fannin County Investment Committee, having reviewed the Investment Policy on **October 10, 2023** respectfully requests that the Commissioners' Court of Fannin County approve said policy as presented. The Committee's recommendation for Citizen Member is.

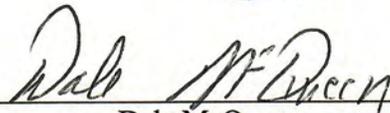


David Woodson, Fannin County Treasurer

Approved by the Commissioners' Court of Fannin County this 10th day of October, 2023.



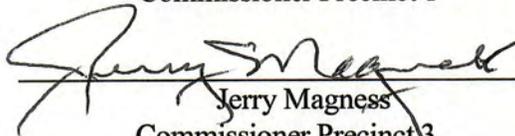
Newt Cunningham, County Judge



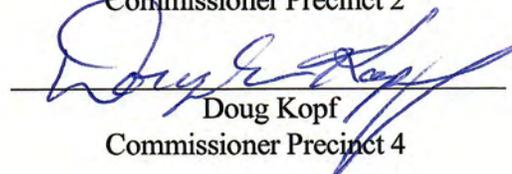
Dale McQueen
Commissioner Precinct 1



A.J. Self
Commissioner Precinct 2



Jerry Magness
Commissioner Precinct 3



Doug Kopf
Commissioner Precinct 4

Fannin County Certification

I hereby certify that I have personally read and understand the investment policy of Fannin County, Texas, and have implemented reasonable procedures and controls designed to fulfill said policy's objectives and conditions. Transactions between this firm and Fannin County will at all times reflect due concern for the preclusion of imprudent investment activities.

All sales personnel of this firm dealing with Fannin County's account have been informed of the County's investment horizons, limitations, strategies, and risk constraints. Sales personnel will be updated on these guidelines whenever material changes to the County's policy are communicated to our firm by the Education Fannin County Investment Officer.

This firm will notify Fannin County immediately by phone and in writing in the event of a material adverse change in our financial condition. This firm pledges to exercise due diligence in informing Fannin County of all foreseeable risks associated with financial transactions conducted with our firm.

Firm: _____

Registered Principal: _____

Dealer Registration Number: _____

Title: _____

Signature / Date: _____

I, David Woodson, have provided Fannin County's policies and copies of the Texas Government Code Title 10 Chapter 2256 which regulates public funds investments with

_____ (name) of _____ (firm) and will maintain this agreement on file.

David Woodson, Fannin County Treasurer/
Fannin County Investment Officer

Date: _____

Revisions to policy:

Revised (AW) 11/6/2017 added ICS

Revised (AW) 3/21/2019 changed dates and members

Revised (AW) 3/26/2020 changed dates and added auditor as backup for investment officer in his absence (already approved by commissioners court), added approved investments by the PFIA

Revised (AW) 4/27/21 changed the required training hours to meet the official investment officer and that of the backup investment officer, revised Repurchased Agreements to meet Act, changed commercial paper maturity from 270 to 365 or fewer per Act revision, added money market mutual funds, expanded on Delivery vs Payment, changed commissioners rotating schedule dates, changed name of precinct 1 commissioner

Revised (AW) 9/14/21 changed dates to coincide with county fiscal year and commissioner rotating year

Revised (AW) 10/3/22 changed dates to coincide with county fiscal year and commissioner rotating year

Revised (AW) 10/10/23 changed dates to coincide with county fiscal year and commissioner rotating year, changed county judge, pct. 1 commissioner and pct. 4 commissioner

GOVERNMENT CODE
CHAPTER 2256
PUBLIC FUNDS INVESTMENT ACT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR
GOVERNMENTAL ENTITIES

§ 2256.001. **SHORT TITLE.** This chapter may be cited as the Public Funds Investment Act. Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995.

§ 2256.002. **DEFINITIONS.** In this chapter:

- (1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.
- (2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.
- (3) "Funds" means public funds in the custody of a state agency or local government that: (A) Are not required by law to be deposited in the state treasury; and (B) the investing entity has authority to invest.
- (4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.
- (5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.
- (6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:
 - (A) preservation and safety of principal; (B) liquidity; and
 - (C) yield.
- (7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b) (1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.
- (8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.
- (9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.
- (10) "Qualified representative" means a person who holds

a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

- (A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;
- (B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;
- (C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or
- (D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, § 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, § 1, eff. Sept. 1, 1999.

§ 2256.003. **AUTHORITY TO INVEST FUNDS; ENTITIES
SUBJECT TO THIS CHAPTER.**

(a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

- (1) a local government; (2) a state agency;
 - (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
 - (4) an investment pool acting on behalf of two or more local governments, state agencies or a combination of those entities.
- (b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.
- (c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, § 2, eff. Sept. 1, 1999.

§ 2256.004. APPLICABILITY.

- (a) This subchapter does not apply to:
- (1) a public retirement system as defined by Section 802.001; (2) state funds invested as authorized by Section 404.024;
 - (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
 - (4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;
 - (5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or
 - (6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.
- (b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, § 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, § 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, § 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, § 3, eff. Sept. 1, 1999. Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), § 1, eff. June 14, 2014.

§ 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER.

- (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.
- (b) The investment policies must:
- (1) be written;
 - (2) primarily emphasize safety of principal and liquidity;
 - (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
 - (4) include:
 - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
 - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
 - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
 - (D) methods to monitor the market price of investments acquired with public funds;
 - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
 - (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.
- (c) The investment policies may provide that bids for

- certificates of deposit be solicited: (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.
- (d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:
 - (1) understanding of the suitability of the investment to the financial requirements of the entity;
 - (2) preservation and safety of principal;
 - (3) liquidity;
 - (4) marketability of the investment if the need arises to liquidate the investment before maturity;
 - (5) diversification of the investment portfolio; and
 - (6) yield.
- (e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.
- (f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be

responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, § 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, § 3

(h) An officer or employee of a commission created under

Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest.

An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual

arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, § 1, eff. Sept.

1, 1997; Acts 1997, 75th Leg., ch. 1421, § 3, eff. Sept. 1, 1997;

Acts 1999, 76th Leg., ch. 1454, § 4, eff. Sept. 1,

1999; Acts 2003, 78th Leg., ch. 785, § 41, eff. Sept. 1, 2003. Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226),

§ 1, eff. June 17, 2011. Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. 1701), § 1, eff. September 1, 2017.

§ 2256.006. STANDARD OF CARE.

(a) 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.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

(1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

(2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995.

§ 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (b) and (e), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a) (2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that

date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, § 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, § 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, § 4, eff. May 14, 2001. Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), § 3, eff. June 17, 2011. Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), § 1, eff. September 1, 2015.

§ 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES.

(a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) 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;
- (4) 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;

(5) 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;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) 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

(8) interest-bearing banking deposits other than those described by Subdivision (7) if: (A) the funds invested in the banking deposits are invested through;

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (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 the investing entity'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) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account;

(i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, § 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, § 1, eff. Sept. 1, 2001. Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), § 4, eff. June 17, 2011. Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), § 2 eff. June 14, 2017. Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. 2647), § 1, eff. June 15, 2017. Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), § 1, eff. September 1, 2017.

§ 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES

OF DEPOSIT AND SHARE CERTIFICATES.

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

- (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- (2) secured by obligations that are described by Section 2256.009(a), 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 described by Section 2256.009(b); or
- (3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

- (1) the funds are invested by an investing entity through:
 - (A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or
 - (B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- (2) the broker or the depository institution selected by the investing entity 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 the investing entity;
- (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) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, § 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, § 6, eff. Sept. 1, 1997. Acts 2005, 79th Leg., Ch. 128 (H.B. 256), § 1, eff. September 1, 2005. Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), § 5, eff. June 17, 2011. Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), § 2, eff. September 1, 2017.

§ 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS.

(a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations

described by Section 2256.009(a) (1) or 2256.013 or, if applicable, Section 2256.0204; and (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, 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.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity 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) Section 1371.059 (c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995. Acts 2011, 82nd Leg., R.S., h. 1004 (H.B. 2226), § 6, eff. June 17, 2011. Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), § 3, eff. June 14, 2017. Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), § 1, eff. September 1, 2019.

2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM.

(a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

- (1) the value of securities loaned under the program must be not less than 100 percent 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 must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

- (i) organized and existing under the laws of the United States or any other state; and

- (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
- (C) cash invested in accordance with Section: (i) 2256.009;

- (ii) 2256.013; (iii) 2256.014; or

- (iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R., Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and
(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, § 1, eff. Sept. 1, 2003.

§ 2256.012. **AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES.** A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance; (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (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.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995.

§ 2256.013. **AUTHORIZED INVESTMENTS: COMMERCIAL PAPER.** Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 365 270 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: (A) two nationally recognized credit rating agencies; or
(B) one nationally recognized credit rating agency and 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.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995. Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), § 2, eff. September 1, 2019.

§ 2256.014. **AUTHORIZED INVESTMENTS: MUTUAL FUNDS.**

- (a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund: (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and
- (3) 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.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection

(a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years; and
- (3) 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.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or
(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, § 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, § 8, eff. Sept. 1, 1999. Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), § 4, eff. June 14, 2017.

§ 2256.015. **AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS.**

(a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
 - (2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
 - (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.
- (b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

- (1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;
 - (2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;
 - (3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
 - (4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
 - (5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.
- (d) Section 1371.059 (c) applies to the execution of a guaranteed

investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, § 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, § 9, 10, eff. Sept. 1, 1999. Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), § 5, eff. June 14, 2017.

**§ 2256.016. AUTHORIZED INVESTMENTS:
INVESTMENT POOLS**

(a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has; (4) the objectives of the pool;

(5) the size of the pool;

(6) the names of the members of the advisory board of the pool and the dates their terms expire; (7) the custodian bank that will safe keep the pool's assets;

(8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

(9) 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;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and

(13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

(2) 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 stated 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 the entity participating in the pool;

(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.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, 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.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter:

(1), a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily;; and

(2) if the investment pool uses amortized cost:

(A) the investment pool must, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places;

(B) the governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005; and

(C) the investment pool must, in addition to the requirements of its investment policy and any

other forms of reporting, a public funds investment pool that uses amortized cost shall report yield

to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized

rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, § 9, eff. Sept. 1, 1997. Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), § 7, eff. June 17, 2011. Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), § 6, eff. June 14, 2017. Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), § 3, eff. September 1, 2019.

§ 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, § 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, § 10, eff. Sept. 1, 1997. Acts 2017, 85th Leg., R.S., Ch. 96 (S.B., 253), § 2, eff. May 23, 2017.

§ 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, § 11, eff. Sept. 1, 1997.

Amended by: Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), § 8, eff. June 17, 2011.

§ 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged revenue" means money pledged to the payment of or as security for:

- (1) Bonds or other indebtedness issued by a local government;
 - (2) Obligations under a lease, installment sale, or other agreement of a local government; or
 - (3) Certificates of participation in a debt or obligation described by Subdivision (1) or (2).
- (b) The investment officer of a local government may invest bond proceeds or pledged revenue only to the extent permitted by this chapter, in accordance with:
- (1) Statutory provisions governing the debt issuance or the agreement, as applicable; and
 - (2) The local government's investment policy regarding the debt issuance or the agreement, as applicable.

Added by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B.2706), § 4, eff. September 1, 2019.

§ 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995.

§ 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, § 42, eff. Sept. 1, 2003.

§ 2256.023. INTERNAL MANAGEMENT REPORTS.

(a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the: (A) beginning market value for the reporting period;
- (B) ending market value for the period; and
- (C) fully accrued interest for the reporting period;
- (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
 - (A) the investment strategy expressed in the agency's or local government's investment policy;
 - and
 - (B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, § 12, eff. Sept. 1, 1997. Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), § 9, eff. June 17, 2011.

invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995.

§ 2256.024. SUBCHAPTER CUMULATIVE.

(a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by

Subsection (b) and Section 2256.017, this subchapter does not:

- (1) prohibit an investment specifically authorized by other law; or
- (2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

- (1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
- (2) an entity created under Chapter 392, Local Government Code; or
- (3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, § 1, eff. Sept. 1, 1995. Amended by: Acts 2017, 85th Leg., Ch. 96 (S.B. 253), § 3, eff. May 23, 2017.

§ 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, § 13, eff. Sept. 1, 1997.

§ 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, § 13, eff. Sept. 1, 1997.

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

§ 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or