

2025 INVESTMENT POLICY COLORADO COUNTY APPRAISAL DISTRICT

Adopted:

I. POLICY STATEMENT

It is the policy of the Colorado County Appraisal District (the "District") that the administration of its funds and investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the District and conforming to all applicable state statutes governing the investment of public funds.

The receipt of a market yield will be secondary to the requirements for safety and liquidity. It is the intent of the District to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investment will be used in a manner that best serves the interests of the District.

II. SCOPE

This investment policy applies to all the financial assets and funds of the District. The District commingles its funds into one investment fund for investment purposes for efficiency and maximum investment opportunity. Any new funds created by the District will come under this Policy unless specifically exempted by the District Board and this policy.

III. OBJECTIVES AND STRATEGY

It is the policy of the district that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high-grade government investments and high-grade, money market instruments is designed to assure the marketability of those investments should liquidity needs arise. To match anticipated cash flow requirements, the maximum weighted average maturity of the overall portfolio may not exceed three months.

Safety of Principal

Safety of principal is the foremost objective of the District. Investments of the District shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Liquidity

The District's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Diversification

Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each sale and purchase.

Yield

The District's investment portfolio shall be designed with the objective of attaining a reasonable yield, taking into account the District's risk constraints and the cash flow needs of the portfolio. The benchmark for the portfolio will be the average yield of the current three-month U.S. Treasury Bill for the same period.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies to ensure maximum cash availability. The District shall maintain a cash management program which includes collection of accounts receivable, prudent investment of its

available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act"). The Public Funds Collateral Act, Chapter 2257, Texas Government code, specifies collateral requirements for all public fund deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF BOARD INVESTMENT AUTHORITY

The Chief Appraiser, acting on behalf of the District, is designated as the Investment Officer of the District. The Chief Appraiser may delegate authority to his/her employee(s) pursuant to Section 6.05 (e) of the Texas Property Tax Code. The Investment Officer is responsible for investment management decisions and activities. The Investment Officer is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to wire transfer agreements, banking services contracts, and other investment related activities.

No Officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

Authorization Resolution

A resolution is established with this Investment Policy, and attached hereto, authorizing the Investment Officer to engage in investment transactions on behalf of the District. The persons authorized by the resolution to transact business for the District are also authorized to approve wire transfers used in the process of investing.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio.

This standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived."

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually by the independent auditor of the District. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the District.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of the District. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

VIII. AUTHORIZED INVESTMENT

Acceptable investment under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act.

- A. Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed one year to stated maturity, excluding collateralized mortgage obligations (CMOs).
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity.
- C. No-load, AAA-rated, SEC registered money market funds, and
- D. AAA-rated, constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act and approved by resolution of the Board.

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the District until this policy has been amended and the amended version approved by the District Board.

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased no less than two (2) offers are taken to verify that the District is receiving a fair market price for the investment.

Delivery versus Payment

All security transactions entered into by the District, shall be conducted on a delivery versus payment (DVP) basis.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments made by the District will be made through either the District's banking services bank, a bank in Texas, or an approved broker/dealer. The Board will review the list of the authorized broker/dealers annually. A list of at least three brokers/dealers/banks/pools will be maintained to assure competitive bidding.

Securities broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:

- proof of certification by the National Association of Securities Dealers (NASD) and provision of CRD number, and
- proof of current registration with the Texas State Securities Commission.

Every broker/dealer and bank with whom the District transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. A representative of the firm will be required to return a signed certification stating that the Policy has been

received and reviewed and that controls are in place to assure that only authorized securities are sold to the District.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the District to diversify its investment portfolio. Invested funds shall be diversified to minimize the risk or loss resulting from over-concentration of assets in a specific maturity, specific issue, or specific class of securities. Diversification strategies shall be established and periodically reviewed.

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than three months.

XI. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by either the District, an independent third-party financial institution, or the District's designated banking services depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third-party custodian shall be required to issue safekeeping receipts to the District listing each specific security, rate, description, maturity, coupon number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the District or pledged to the District.

All securities pledged to the District for certificates of deposit or demand deposits shall be held by an independent third-party doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization

Collateralization is required at all bank time and demand deposits more than the Federal Deposit Insurance Corporation insurance.

To anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third-party safekeeping agent.

XII. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit a quarterly report to the District Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and consistent with statutory requirements of the Act.

Market prices for market evaluations will be obtained from an independent source.

XIII. DEPOSITORIES

The District will designate one banking institution through a competitive process as its central banking service provider at least every five years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which the District may purchase certificates of deposit will also be designated as a depository after they provide their latest audited financial statements to the District.

XIV. INVESTMENT POLICY ADOPTION BY DISTRICT BOARD

The District's Investment Policy shall be adopted annually by the Board. A written resolution adopting the Policy and noting any changes to the Policy will be passed and recorded by the Board.