

McLENNAN COUNTY

INVESTMENT POLICIES

McLENNAN COUNTY INVESTMENT POLICIES

Table of Contents

ARTICLE I: 1.01. Definitions

ARTICLE II: Objective, Standard of Care, Governing Law and Application

2.01. Objective

2.02. Standard of Care

2.03. Compliance with Law

2.04. Acknowledgement of Sellers/Investment Institutions

2.05. Funds Included

ARTICLE III: Investment Officer

3.01. Designation of Investment Officer

3.02. Alternate Investment Officer

3.03. Authority to Invest

(a) Investment Officer Authorization and Procedure

3.04. Conflicts of Interest

ARTICLE IV: Investment Training

4.01. Required Training

4.02. Training Curriculum

4.03. Deadline

4.04. Alternate Investment Officers

ARTICLE V: Authorized Investments

5.01. (a) Authorized Security Investments

(b) Money Market Mutual Funds and Mutual Funds

(c) Investment Pools

(d) Certificates of Deposit

(e) Repurchase Agreements

5.02. Unauthorized Investments

5.03. Maturities of Authorized Investments

5.04. Diversification

- 5.05. Investment Strategies
- 5.06. Solicitation for Certificates of Deposit

ARTICLE VI: Audit Control, Reporting, and Performance Evaluation and Review

- 6.01. Audit Control
- 6.02. Reporting
 - (a) Monthly Report
- 6.03. Performance Evaluation and Review
- 6.04. Standards of Operation
- 6.05. Investment Institutions
 - (a) Authorized Investment Institutions
 - (b) Compliance with Section 2.04
 - (c) Additional Information Required from Broker/Dealers

McLENNAN COUNTY INVESTMENT POLICIES

ARTICLE I.
DEFINITIONS

1.01. Definitions.

The following terms are defined for purposes of these policies as set forth below:

Bond proceeds means the proceeds from the sale of bonds, notes, and other obligations issued by the County, and reserves and funds maintained by the County for debt service purposes.

Book value means the face or par value of an investment, plus accrued interest or minus amortization or accretion.

Circular refers to a disclosure made by a person or entity offering an investment to persons or entities who are potential investors. Such disclosures generally include risk, yield and historical performance information, as well as any other information required by law.

Commissioners Court means the Commissioners Court of McLennan County, Texas.

County means McLennan County, Texas, a political subdivision of the state of Texas.

County auditor means the Auditor for McLennan County, Texas appointed by the District Judges.

County treasurer means the elected treasurer of McLennan County, Texas.

Domiciled means located within the jurisdiction to which it refers.

Funds means public funds in the custody of the County that are not required by law to be deposited in the state treasury and which the County has authority to invest by law.

Investment institution means a person or entity from or through which the County purchases or procures investments. This only includes *authorized* entities/persons as set out in §6.05(a) of these Policies.

Investment officer means the County Treasurer.

Investment pool means an entity created under the Government 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.

Market value means the face or par value of an investment, multiplied by the premium or discount quoted on the valuation date.

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.

Stripped Security means a book-entry security in which each interest payment has been separated from the principal. The interest payments and principal payments are sold independently as new, separate securities with different CUSIP numbers.

Strips means a U.S. Treasury acronym for “separate trading of registered interest and principal of securities.” Certain U.S. Treasury securities can be divided into separate interest and principal components, and then traded as separate securities.

ARTICLE II.
OBJECTIVE, STANDARD OF CARE, GOVERNING LAW AND APPLICATION

2.01. Objective.

- (a) It is the objective of these policies to create guidelines and strategies for the investment of funds of the County or under the County's control which assure that investments of such funds:
 - (1) are suitable to the County's (and/or separate fund's) financial requirements;
 - (2) are safe and are not for speculation;
 - (3) maintain the requisite level of liquidity and/or marketability required for the funds invested;
 - (4) are diversified for purposes of safety and/or yield;
 - (5) are accompanied by investment portfolio management, control, reporting and audit procedures; and
 - (6) maximize the yield to the County while giving paramount consideration to the safety of the invested funds.
- (b) All persons involved in the investment of County Funds shall thoroughly

read these policies and applicable laws cited herein before undertaking any investment duties for the County.

2.02. Standard of Care.

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 in order of priority:

- (a) preservation and safety of principal;
- (b) liquidity; and
- (c) yield.

2.03. Compliance with Law.

Investment of the County's Funds shall be in accordance with the requirements and standards of Chapter 2256 of the Government Code and applicable amendments thereto and all other applicable law.

2.04. Acknowledgement of Sellers/Investment Institutions.

In accordance with §2256.005(1) of the Government Code, the County, or its Investment Officer, shall not buy any securities from a person who has not delivered to the County a signed instrument on a form approved by the County which:

- (a) states that the person has received a copy of these investment policies and has thoroughly reviewed the same; and
- (b) that the person/organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of the investment transactions conducted between the County and the person/organization.

The acknowledgement must be signed by a registered principal of the organization, and shall be maintained in the files of the County Treasurer with a copy of the same being provided to the Commissioners Court. The Investment Officer shall assure that persons/organizations seeking to sell securities to the County are provided with a copy of these policies and an acknowledgment form. The acknowledgment form to be used is the standard form attached hereto under **Appendix "A"** unless a different form is proposed by the Investment Institution which complies with state law and is approved by the County's legal counsel.

2.05. Funds Included. These policies apply to all financial assets of all funds of the County unless otherwise stated herein or in the investment strategy for that fund, otherwise directed by applicable law, or directed to be invested in a specific instrument by court order (trust funds).

ARTICLE III.
DESIGNATION OF INVESTMENT OFFICER

3.01. Designation of Investment Officer.

The County Treasurer is designated as the Investment Officer for the County. The Commissioners Court will also create an investment committee made up of the County Judge, the County Treasurer and the County Auditor. Commissioners' court may appoint a County Commissioner to serve as a fourth member of the investment committee.

3.02. Alternate Investment Officer.

In the event that the County Treasurer, or the County Treasurer's authorized deputy, is unavailable and there is an urgent need for investment action to be taken, the County Judge may act as an Alternate Investment Officer subject to the same requirements of these policies and Chapter 2256 of the Government Code applicable to the Investment Officer. If the County Judge is also unavailable, the County Commissioner appointed as described in paragraph 3.01 will serve as an Alternate Investment Officer. If the County Judge and County Commissioner are both unavailable, the County Auditor will serve as an Alternate Investment Officer.

3.03. Authority to Invest.

(a) Investment Officer Authorization and Procedure.

The Investment Officer shall have the authority to invest County Funds not immediately required to pay obligations of the County in accordance with these policies. Investment transactions shall require the concurrence of the County Auditor and County Judge and County Commissioner if one has been appointed to serve on the investment committee. The investment transactions will be reported to the members of the investment committee by telephone or facsimile in sufficient time to void the transaction if necessary. In the event of the absence of either the County Judge, the County Commissioner or the County Auditor, the transaction will be reported to the County Judges' First Assistant, the County Commissioners' First Assistant, and/or the First Assistant County Auditor. If there is a disagreement regarding a proposed investment transaction between the Investment Officer and any member of the investment committee, the matter will be submitted for a decision to the Commissioners Court at the next regular or special called meeting of the Court. It shall be the Investment Officer's responsibility to assure that consideration and action on said proposed transaction is included as part of the Commissioners Court agenda for that next meeting.

3.04. Conflicts of Interest.

If the Investment Officer 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 to the County, the Investment Officer must file a statement disclosing that interest or relationship with the Texas Ethics Commission and the Commissioners Court in accordance with §2256.005(i), Government Code.

ARTICLE IV.
INVESTMENT TRAINING

4.01. Required Training.

The Investment Officer(s) shall obtain all training relating to the responsibilities of the officer(s) under Chapter 2256 of the Government Code that is required under said Chapter, including specifically § 2256.008. Members of the investment committee are also encouraged to obtain such training, if available.

4.02. Training Curriculum.

The training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with Chapter 2256.

4.03. Deadline.

The Investment Officer must complete this training within 12 months after taking office or assuming duties. A certificate indicating the completion of such training shall be provided to the Commissioners Court upon completion of the required training.

4.04. Alternate Investment Officers.

Persons identified herein as persons authorized to act as investment officers upon the unavailability of the Investment Officer also should obtain the required training.

ARTICLE V.
AUTHORIZED INVESTMENTS

5.01. (a) Authorized Security Investments.

The following are authorized security investments for purposes of the investment of County funds subject to specific restrictions contained in the investment strategy for the particular fund being invested:

- (1) direct obligations of the United States or its agencies or instrumentalities;

- (2) direct obligations of the State of Texas;
- (3) obligations unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or the State of Texas where appropriate for the fund in question under the applicable investment strategy; and
- (4) direct obligations of counties, cities, or other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

(b) Money Market Mutual Funds and Mutual Funds

- (1) A no-load money market mutual fund is an authorized investment if it meets the requirements of §2256.014(a) of the Government Code, or amendments thereto.
- (2) A no-load mutual fund is an authorized investment if it meets the requirements of §2256.014(b) of the Government Code, or amendments thereto.
- (3) Any investment in money market mutual funds or mutual funds must comply with §2256.014(c) of the Government Code, and not exceed the restrictions set forth therein.
- (4) A Money Market Mutual Fund or Mutual Fund is not disqualified from being an authorized investment by virtue of the fact that it is invested in commercial paper as long as the requirements of § 2256.013 of the Government Code are otherwise met.

(c) Investment Pools.

- (1) The County may invest its funds and funds under its control through an eligible Investment Pool if the Commissioners Court, by written order, authorizes investment in the particular pool. The Commissioners Court may establish a limit on the amount of funds invested in a particular pool by Order. The Investment Pool shall invest the funds it receives from the County in authorized investments permitted by Chapter 2256 of the Government Code with due regard for, and compliance with, these Policies and the investment strategy for the fund invested. Liquidity and safety shall be the primary goal of the Pool. No speculative investment or investments having an unreasonable degree of risk shall be made regardless of potential yield.
- (2) Pursuant to §2256.016(b) of the Government Code, to be eligible to receive funds from and invest funds on behalf of the County, an

investment pool must furnish to the investment officer or other authorized representative of the County an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (A) the types of investments in which money is allowed to be invested;
 - (B) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
 - (C) the maximum stated maturity date any investment security within the portfolio has;
 - (D) the objectives of the pool;
 - (E) the size of the pool;
 - (F) the names of the members of the advisory board of the pool and the dates their terms expire;
 - (G) the custodian bank that will safekeep the pool's assets;
 - (H) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation, and also, a "current dollar invested" to "market value ratio" for the Pool's portfolio;
 - (I) 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;
 - (J) the name and address of the independent auditor of the pool;
 - (K) 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 County to invest funds in and withdraw funds from the pool; and
 - (L) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.
- (3) Pursuant to §2256.016(c) of the Government Code, to maintain eligibility to receive funds from and invest funds on behalf of the County, an Investment pool must furnish to the Investment Officer or other authorized representatives of the County:

- (A) investment transaction confirmations; and
 - (B) a monthly report that contains, at a minimum, the following information:
 - (i) the types and percentage breakdown of securities in which the pool is invested;
 - (ii) the current average dollar-weighted maturity, based on the stated maturity date, of the pool along with an average for the reporting period;
 - (iii) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
 - (iv) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
 - (v) the size of the pool;
 - (vi) the number of participants in the pool;
 - (vii) the custodian bank that is safekeeping the assets of the pool;
 - (viii) a listing of daily transaction activity of the entity participating in the pool;
 - (ix) the yield and expense ratio of the pool;
 - (x) the portfolio managers of the pool; and
 - (xi) any changes or addenda to the offering circular.
- (4) The County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.
- (5) In this section, "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.
- (6) An Investment Pool must comply with the requirements of §2.04 of these Policies the same as any other Investment Institution.

- (7) To be eligible under these Policies (and Chapter 2256, Government Code) to serve as an Investment Institution for the County, 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. If the Investment Pool is a pool created to function as a money market mutual fund, it must also comply with the requirements of §2256.017 of the Government Code.
 - (8) An Investment Pool must have an Advisory Board as set out in §2256.018 of the Government Code.
- (d) Certificates of Deposit.

A Certificate of Deposit is an authorized investment if it meets the requirements of §2256.010 and is:

- (1) issued by a depository institution that has its main office or a branch office in this state, and is:
 - (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
 - (B) secured by obligations that are described by the McLennan County Collateral Policy and chapter 2257 of the Government Code.
- (2) In addition to the authority to invest funds in certificates of deposit under (1) above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment:
 - (A) the funds are invested by an investing entity through a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
 - (B) the depository institution selected by the investing entity under Subdivision (A) 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;
 - (C) 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;
 - (D) the depository institution selected by the investing entity under Subdivision (A) acts as custodian for the investing

entity with respect to the certificates of deposit issued for the account of the investing entity; and

- (E) at the same time that the funds are deposited and the certificates of deposit are issued for the account of the investing entity, the depository institution selected by the investing entity under Subdivision (A) receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by the investing entity through the depository institution selected under Subdivision (A).

(e) Repurchase Agreements.

A fully collateralized repurchase agreement is an authorized investment under these policies if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by obligations of the United States or its agencies and instrumentalities as required by §2256.011 of the Government Code;
- (3) requires the securities being purchased by the County to be pledged to the County, held in the County's name and deposited at the time that the investment is made with the County or with a third party selected and approved by the County; 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.

For purposes of this Section, "*Repurchase Agreement*" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date direct obligations of the United States at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. Reverse security repurchase agreements are not authorized.

(f) Commercial Paper

Commercial paper is an authorized investment if the commercial paper meets with the requirements of § 2256.013 of the Government Code.

5.02. Unauthorized Investments.

- (a) No expenditure or pledge of County Funds shall be made to purchase an investment that is not specifically authorized by these Policies. Purchase of other types of investments not authorized by these Policies will require

Commissioners Court action authorizing the transaction and amending these Policies to permit the same. Notwithstanding anything to the contrary contained in these Policies, no purchase may be made of investments which are identified as unauthorized investments in Chapter 2256 of the Government Code and amendments thereto, including:

- (1) interest only strips;
 - (2) principal only strips with underlying mortgage-backed security collateral;
 - (3) collateralized mortgage obligations (CMOs) with a maturity greater than ten (10) years or with an inverse floating interest rate; and
 - (4) CMOs the interest rate of which is determined by an index that adjusts opposite to changes in the market index.
- (b) Only investment types specifically authorized herein are in compliance with these Policies.

5.03. Maturities of Authorized Investments.

- (a) To meet the investment objectives of the County, the maturity of investments shall be targeted to coincide with the cash flow needs of the County. County Funds generally shall only be invested in authorized investments whose maturities do not exceed one year at the time of purchase. County Funds held in a debt retirement fund may be invested in securities having longer maturities, but in no circumstance shall such maturity exceed five (5) years or the final maturity of the outstanding debt for which the funds are held, whichever is less. The County may invest up to seventy-five percent (75%) of anticipated year-end cash balances in instruments whose maturity dates do not exceed two (2) years from the date of the investment. Any authorized investment to mature outside of the parameters set out herein shall require specific passage by the Commissioners Court of a waiver of the requirements of this Section for that specific transaction. The purchase of CD or time deposit investments shall be undertaken with thorough consideration of future cash needs with regard to the fund invested so as to avoid the incurrence of penalties for early withdrawal of needed monies prior to the stated maturities of the instruments purchased.
- (b) The dollar-weighted average maturity for the portfolio of investments maintained for any particular fund shall not exceed the maximum average maturity established in the Investment Strategy for that fund.

5.04. Diversification.

The County's investment portfolio of authorized investments shall be diversified to reduce the risk of loss of investment income and/or the extent of loss of investment

principal from an over-concentration of investment in a specific issue, a specific issue size, or specific class of securities. The primary emphasis in investment activities shall always be the safety of the public funds and liquidity.

5.05. Investment Strategies.

Pursuant to the requirements of Chapter 2256 of the Government Code, the Commissioners Court shall adopt a separate written investment strategy for each of the 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 the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of an investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio;
- (6) yield; and
- (7) maturity restrictions.

Investment strategies for each of the funds under the control of the Commissioners Court are appended hereto as **Appendix "B"** and incorporated as part of these policies for all purposes.

5.06. Solicitation for Certificates of Deposit.

Certificates of Deposit may be solicited:

- (1) orally,
- (2) in writing,
- (3) electronically, or
- (4) by any combination of the above.

ARTICLE VI.
AUDIT CONTROL, REPORTING, AND
PERFORMANCE EVALUATION AND REVIEW

6.01. Audit Control.

- (a) Annual Compliance Audit. In accordance with the requirements of §2256.005(m) of the Government Code, the County, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the County's established investment policies.
- (b) In accordance with the mandate of §2256.023 of the Government Code, the Investment Officer shall prepare reports, on a basis not less than quarterly, which provide the information required by subsection (b) of §2256.023, Government Code. The County elects that such reports be made on a monthly basis.

6.02. Reporting.

(a) Monthly Report.

In accordance with §2256.023 of the Government Code, the Investment Officer shall prepare and submit to the Commissioners Court each month a written report of investment transactions for all funds for the preceding monthly reporting period within thirty (30) days after the end of the period. The report must:

- (1) describe in detail the investment position of the County on the date of the report;
- (2) be prepared by the Investment Officer;
- (3) be signed by the Investment Officer;
- (4) contain a summary statement of each pooled fund group that states the:
 - (A) beginning market value for the reporting period;
 - (B) additions and changes to the market value during the period;
 - (C) ending market value for the period;
 - (D) the account balance of each operating fund; 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 settlement date and 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 County for

which each individual investment was acquired;

- (8) state compliance of the investment portfolio of the County as it relates to:
 - (A) the investment strategy as expressed in these policies; and
 - (B) relevant provisions of Chapter 2256 of the Government Code; and
 - (9) states the total rate of return.
- (b) It shall be the duty of the Investment Officer to notify the Commissioners Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by these policies or not.
 - (c) The County Auditor will review the monthly investment reports of the Investment Officer for accuracy and policy compliance, and note any problems or concerns in writing to the Commissioners Court and the Investment Officer.

6.03. Performance Evaluation.

The Commissioners Court shall review these policies and the attached investment strategies not less than annually, and shall, in conjunction with the Investment Officer and the County Auditor, undertake an annual evaluation of the performance of the County's investments and investment procedures to determine if changes to these policies, investment strategies, or procedures should be made.

6.04. Standards of Operation.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with these policies. All United States Government (or agency/instrumentality) securities shall be purchased using the "Delivery vs. Payment" (DVP) method through the Federal Reserve System. County funds shall not be released until the County receives, through wire notification, the securities purchased. The process for purchase/sale of government securities under a Repurchase Agreement shall be governed by the negotiated terms of the agreement.

6.05. Investment Institutions.

(a) Authorized Investment Institutions.

The Investment Officer may invest with any or all of the following investment institutions subject to the requirements of state and federal law, these policies, and the current Depository Contract with the County Depository:

- (A) Depository bank;
- (B) other state or national banks domiciled in the State of Texas and insured by the FDIC or its successor;
- (C) an authorized Investment Pool;
- (D) Government Securities Brokers and Dealers.

(b) Compliance with Section 2.04.

All investment institutions will be provided with a copy of these investment policies and strategies prior to any business being conducted with the institution. The registered principal of the investment institution must provide the acknowledgment and agreement required by §2.04 before any investment may be placed with or through that institution.

(c) Additional Information Required from Broker/Dealers.

Before doing business with a Government Securities Broker or Dealer, said Broker or Dealer must submit information to the Investment Officer documenting membership in good standing with the National Association of Securities Dealers. Broker/Dealers must meet all capital requirements of the S.E.C. and the N.Y.S.E. An annual report which contains the required certifications is acceptable.

APPENDIX "A"

ACKNOWLEDGMENT FORM

ACKNOWLEDGMENT AND AGREEMENT OF INVESTMENT INSTITUTION

In accordance with §2256.005(k) of the Government Code, I certify that I have received and thoroughly reviewed and read the Investment Policies, Strategies, and Objectives of McLennan County, Texas, as well as a copy of Chapter 2256 of the Government Code, and agree to abide by said laws and policies. I further certify that my organization has implemented reasonable procedures and controls designed to preclude imprudent investment activities arising out of transactions conducted between our organization and McLennan County, Texas. We will notify you immediately by telephone and in writing in the event of a material adverse change in our financial condition. I pledge to exercise due diligence in informing you of all feasible risk associated with financial transactions conducted with our firm.

No investment will be made in contravention of McLennan County's Investment Policies and Investment Strategies, unless specifically authorized in writing by the Commissioners Court of McLennan County, Texas. In no event shall an investment be made that is in violation of Chapter 2256 of the Government Code. Our firm recognizes that the primary emphasis on the investment of public funds is safety and the maintenance of liquidity. Our firm shall not encourage or recommend investments that are speculative or that would be contrary to the paramount considerations in investment of the public funds of the County.

Our firm further states that we will provide the County or its Investment Officer with information requested with regard to their investment activities with or through our firm upon reasonable notice. We also pledge to provide all such documentation required under any agreements between our firm and the County in a timely manner and in an informative form.

Neither the County Investment Officer nor any member of the Commissioners Court holds an interest in our firm or derives a substantial portion of their income from our firm. Likewise, to the best of our knowledge, neither the County Investment Officer nor any member of the Commissioners Court is related within the second degree of consanguinity or the second degree in affinity to any principal of our firm. No gift or gratuity has been given to any member of the Commissioners Court or to the Investment Officer in consideration of the County doing business with our firm.

[NAME OF BUSINESS ORGANIZATION]

Representative

Date: _____

Principal

Date: _____

I have provided copies of McLennan County's Investment Policies and Investment Strategies, and a copy of the Texas Public Funds Investment Act to _____ of _____, and pledge to maintain this Agreement on file.

Investment Officer

Date: _____

APPENDIX "B"

INVESTMENT STRATEGIES

INVESTMENT STRATEGY

FUND: ***POOLED FUND GROUP A/K/A POOLED CASH AND INVESTMENT FUND***

DESCRIPTION: The County maintains a Pooled Fund Group a/k/a the Pooled Cash and Investment Fund for investment purposes made up of operating funds. The different funds participate in the investments and revenues derived therefrom based on their weighted equity in the Pooled Cash.

FUNDS COVERED: The funds covered by the Pooled Cash and Investments Fund are contained on the listing of funds attached to this strategy. This strategy will automatically apply to all new funds created that participate in the Pooled Cash and Investments Fund unless specifically provided otherwise by the Investment Officer or the Commissioners Court.

STRATEGY: Since these are operating funds, particular emphasis must be given to safety and liquidity. Primary investment shall be in direct obligations of the United States Government or of its agencies or instrumentalities, Investment Pool(s) and Certificates of Deposit having a maturity date which is twelve (12) months or less from the date of purchase. The weighted average maturity date of the portfolio shall not exceed 270 days/9 months. Another authorized investment considering the factors set out at §2256.005(d) of the Government Code is a repurchase agreement of the type addressed at §5.01(d) of the *McLennan County Investment Policies*. Use of a *sweep agreement* with the County Depository in conjunction with such a repurchase agreement is also a strategy that addresses both safety and liquidity without undue forbearance of potential yield.

The plan for this fund shall be to undertake one or more of the following investment strategies:

- (1) purchase direct obligations of the United States Government;
- (2) purchase Certificates of Deposit issued by a depository institution that has its main office or a branch office in this state and secured in accordance with §5.01(d) (1) or (2) of the *McLennan County Investment Policies*;
- (3) enter into repurchase agreement of type described in §5.01(d) of the *McLennan County Investment Policies* in conjunction with a sweep agreement with the County Depository;
- (4) enter into a controlled disbursement agreement with the County Depository and purchase securities or investments set out in §5.01(a), (b), (d), (e), or (f) of the *McLennan County Investment Policies* through an Investment Institution listed in §6.05(a) of the *McLennan County Investment Policies*; and/or
- (5) with or without a controlled disbursement agreement with the County Depository, invest funds with an authorized Investment Pool or Money Market Mutual Fund subject to the terms, conditions and limitations of the *McLennan County Investment Policies* and Chapter 2256 of the Government Code.

APPENDIX "C"

McLennan County Pooled Cash and Investment Fund:

Account 101200 - Equity Pooled Cash

Description	Fund
General Fund	001
Ancillary Payroll Fund	030
Voter Registration Fund	061
Contract Elections Fund	063
Records Mgmt Fund - Co Clk	071
Records Mgmt Fund	072
Records Mgmt Fnd – Dist Clk	073
Justice Court Building Security Fund	074
Courthouse Security Fund	075
Justice Admin Efficiency Fund	076
Justice Technology Fund	077
Tobacco Settlement Fund	090
Road & Bridge Precinct 1	101
Road & Bridge Precinct 2	102
Road & Bridge Precinct 3	103
Road & Bridge Precinct 4	104
Road & Bridge - Engineer	106
Road & Bridge - Garage	107
Road & Bridge - Sign Shop	108
Lateral Road Fund - Pct 1	111
Lateral Road Fund - Pct 2	112
Lateral Road Fund - Pct 3	113
Lateral Road Fund - Pct 4	114
Farm-to-Market Roads	116
Road & Bridge - Right-of-Way	118
Juvenile Probation Fund	120
Juv Prob - Alcohol Awareness	123
Juv Prob - Probation Fees	124
Juv Prob - Title IV-E	125
Adult Probation Fund	130
Jury Fund	151
Court Rprtr Svc Fund - G51.60	153
Dispute Resolution Fund	154
Family Protection Fee Fund	155
Child Abuse Prevention Fund	156
Tax Office Admin Fund	157

Law Library Fund	161
Forfeited Assets Fund – ADTF	162
Forfeited Assets Fund - S. O	163
Jail Commissary Fund	165
Forfeited Assets Fund - D. A	166
Dist Atty Admin Fund	167
A.D.A.P.T. Fund	170
LEOSE Fund	172
District Clerk E&O Fund	173
Economic Development Fund	175
Federal Govt Programs Fund	181
State Govt Programs Fund	183
Local Govt Programs Fund	185
Bulletproof Vest Partnership	186
Agriplex Program Income Fund	188
Available School Fund	190
DS - Cert of Oblig - Ser 1993	212
DS - Refndg Bond - Ser 1994	213
DS - Cert of Oblig - Ser 1994-A	214
DS - Cert of Oblig - Ser 1996	216
DS - Refndg Bond - Series 1998	217
DS - Cert of Oblig - Series 2000	218
DS - Perm Imp Bond-Series 2001	219
DS - 2003 Cert. of Oblig.	220
DS - Refndg Bond – Series 2003	221
DS - Computer Note	222
DS - Ser 2005 Refunding Bonds	223
DS - Ser 2006 Cert of Oblig	224
Perm Imp Fund	301
Perm Imp Fund - Clock Tower	302
CP - Cert of Oblig - Ser 1996	316
CP - Cert of Oblig - Ser 2000	317
CP - Perm Imp Bond-Series 2001	319
Capital Projects Series 2003 Cert. of Oblig.	321
DS - Ser 2006 Cert of Oblig	322
Rd Bond Fnd-Series 1961- Pct 2	372
Co Clerk - Court Registry Fd	605
Dist Clerk - Court Registry	607
Fee Officer's Fee Fund	611
Road & Bridge Fines Fund	615
County TA/C – Ad Valorem	623
CSCD Emp Dishonesty Rcvry Fund	652
State Fees and Tax on Fines	671

General Sales Tax Fund	673
Bail Security Fund	675
Dist Clk Errors & Omissions	677
Tax Coll Special Clearing Fund	698
Fee Officers Spec Clrng Fund	699
Permanent School Fund	801
All Funds with Equities	