

MILAM APPRAISAL DISTRICT INVESTMENT POLICY

I. POLICY STATEMENT

The Policy of the Milam Appraisal District (hereinafter “the District”) is that the administration of its funds shall be handled with the highest public trust. The District will invest public funds to provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District. This Policy satisfies local law and the Texas Public Funds Investment Act (“PFIA”) Chapter 2256, Texas Government Code.

II. SCOPE

This investment policy applies to all financial assets and funds the District holds. The District has one general operating fund and one investment fund for efficiency and maximum investment opportunity. These funds are accounted for in the District’s monthly financial statements.

III. INVESTMENT STRATEGY/OBJECTIVES STATEMENT

The District investment strategy objective is to ensure that anticipated cash flows match adequate investment liquidity. The objective, in priority order, of investment activities shall be safety, liquidity, and return on investment.

A. Safety of Principal

The safety of the principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital.

B. Liquidity

The District’s investments shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

C. Return on Investments

The District’s investments shall be designed to attain a market rate of return throughout budgetary and economic cycles. “Market rate of return” may be defined as the average yield of the current three-month United States Treasury Bill.

IV. STANDARDS OF CARE

A. Prudence

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 affairs, not for speculation, but for investment,

considering the probable safety of capital as well as the probable income to be derived. The standard of prudence to be used by the investment officials shall be the “prudent person” standard and shall be applied in managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual securities credit risk or market price changes, provided appropriate action is taken to control adverse developments.

B. Ethics and Conflicts of Interest

District employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or impair their ability to make impartial decisions. They shall also disclose any personal financial or investment positions in financial institutions and brokers/dealers with which they conduct business. They shall further refrain from undertaking individual investment transactions with the firms with whom the District conducts business.

C. Delegation of Authority

The Chief Appraiser, acting on behalf of the Appraisal District Board of Directors, is responsible for investment management decisions and activities. The Chief Appraiser is responsible for the day-to-day administration of the investment program and is designated as the District’s Investment Officer. The Investment Officer will attend training related to their responsibilities under PFIA within twelve months after taking office. The officer will receive at least ten hours of training every two years, provided by an independent source approved under the PFIA.

D. Legal Limitations

Direct-specific investment parameters for public funds in Texas are found in the Public Funds Investment Act, chapter 2256, Texas Government Code. The Interlocal Cooperation Act, chapter 791, Texas Government Code, authorizes local governments in Texas to participate in an investment pool established thereunder. That statute and the reference to authorize investments in investment pools are the primary authorities for using investment pools by political subdivisions of the State of Texas.

E. Internal Controls

This Policy intends to provide a system of internal controls. The controls are designed to prevent the loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent action by employees of the District.

V. AUTHORIZED INVESTMENTS

Approved on February 28, 2024

A. Government Securities

Obligations of the United States Government, its agencies and instrumentalities, and government-sponsored enterprises, not to exceed two (2) years to stated maturity.

B. Certificates of Deposit

Investments may be made in fully collateralized Certificates of Deposit issued by a bank domiciled in the State of Texas guaranteed by the Federal Deposit Insurance Corporation or its successor, not to exceed two (2) years to stated maturity.

C. Investment Pools

Texas Local Government Investment Pools are authorized as defined by the Act. An investment pool shall invest the funds it receives from entities in the authorized investments permitted by the Act. 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. An investment pool must provide an offering circular or similar disclosure instrument and monthly and transaction reporting as required by Section 2256.016 of the Texas Government Code. A public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily and include in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

The Investment Officer shall monitor the credit rating on no less than a monthly basis on all authorized ratable investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the Board of Directors of the loss of rating, conditions affecting the rating, and possible loss of principal with liquidation options available within two weeks after the loss of the required rating.

VI. SAFEKEEPING AND CUSTODY

Authorized investments in U. S. Treasuries and agencies may be purchased only through brokers/dealers who are licensed and in good standing with the Texas Department of Securities, The Securities Exchange Commission, The National Assoc of Securities Dealers, or other applicable self-regulatory organization.

The Investment Officer will maintain a list of approved security brokers/dealers selected principally based on evidenced creditworthiness authorized to provide investment services. The list is approved and included as an attachment to this Policy. Before engaging in investment transactions, the Investment Officer will have received a signed Certification Form from the said firm. This form will attest that the individual responsible for the District's account with that firm has received and

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reviewed the District's Investment Policy and that the firm has implemented reasonable procedures and controls to preclude imprudent activities arising from investment transactions conducted between the District and the firm. A qualified representative must sign the letter defined by Section 2256.02 of the Texas Government Code.

Market rates of the portfolio and each security will be monitored at least quarterly through industry-standard publications/sources for market data, such as but not limited to the Wall Street Journal. All securities purchased by the District under this Policy must be designated as assets of the District, conducted on a delivery-versus-payment (DVP) basis, and protected through the use of a third-party custody/safekeeping agent.

To the extent not insured by FDIC, District funds (including cash on hand and CDs) must be collateralized securities in compliance with the Texas Public Funds Collateral Act. Only securities prescribed as eligible investments under the PFIA qualify as pledged securities.

VII. REPORTING AND DISCLOSURE

The Public Funds Investment Act requires that the District provide basic information regarding the District's investments. The investment officer shall submit quarterly reports to the Board of Directors and make them available to citizens for review if requested. The report will be prepared in compliance with the PFIA and generally accepted accounting principles. The report will cover the investment position of the District at the end of each fiscal quarter. The contents will include a beginning, ending, and significant changes in the portfolio's market value; beginning, and ending book value, accrued interest; and a statement to comply with this Policy and state law. A compliance audit of management controls and adherence to this Policy related to the District's investments and investment activity will be performed annually in conjunction with the annual financial audit.

VIII. INVESTMENT POLICY ADOPTION

The Board of Directors shall adopt the investment policy of the District. This Policy shall be reviewed on an annual basis.

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Approved Broker/Dealer List

Texpool –A Texas Local Government Investment Pool

Citizens National Bank of Cameron, Texas

The entities listed above have provided a signed certification that the entity has received and reviewed the District's investment policy.

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