

\*\*\*\*PUBLIC NOTICE\*\*\*\*



**FINANCE AUDIT COMMITTEE**

**Thursday, December 16, 2021 at 4:00 PM**

**City Hall | 3300 Corinth Parkway**

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Pursuant to section 551.127, Texas Government Code, one or more committee members or employees may attend this meeting remotely using videoconferencing technology. The videoconferencing technology can be accessed at [www.cityofcorinth.com/remotesession](http://www.cityofcorinth.com/remotesession). The video and audio feed of the videoconferencing equipment can be viewed and heard by the public at the address posted above as the location of the meeting.

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**A. CALL TO ORDER, ROLL CALL, AND ANNOUNCE A QUORUM PRESENT**

**B. CITIZENS COMMENTS**

In accordance with the Open Meetings Act, the Board is prohibited from acting on or discussing (other than factual responses to specific questions) any items brought before them at this time. Citizen's comments will be limited to three (3) minutes. Comments about any of the published agenda items are appreciated by the Board and maybe taken into consideration at this time or during that agenda item. All remarks and questions address to the Board shall be addressed to the Board as a whole and not to any individual members thereof. Section 30.041B Code of Ordinance of the City of Corinth.

**C. CONSENT AGENDA**

All matters listed under the Consent Agenda are considered to be routine and will be enacted in one motion. Should the Chair, a Committee Member, or any citizen desire discussion of any item, that item will be removed from the Consent Agenda and will be considered separately.

1. Consider and act on minutes from the August 19, 2021 Regular Session.
2. Consider and act on the 2022 Authorized Broker listing for the City of Corinth.

**D. BUSINESS AGENDA**

1. Discuss and provide staff direction on the annual external audit and Annual Comprehensive Financial Report (ACFR).
2. Consider and act on the Fiscal Year 2021 Annual Investment Report.
3. Consider and act on the Investment policies for the City of Corinth, Economic Development Corporation, Fire Control, Prevention and Emergency Services District and the Crime Control & Prevention District.
4. Receive a report and hold a discussion on the fiscal year 2020-2021 Summary of Rebtable Arbitrage.

**E. BOARD COMMENTS & FUTURE AGENDA ITEMS**

The purpose of this section is to allow each Board member the opportunity to provide general updates and/or comments to fellow Board members, the public, and/or staff on any issues or future events. Also, in accordance with Section 30.085 of the Code of Ordinances, at this time, any Board member may direct that an item be added as a business item to any future agenda.

**F. CLOSED SESSION**

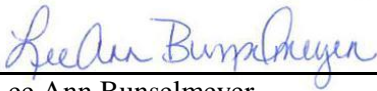
The Finance Audit Committee will convene in such executive or closed session to consider any matters regarding any of the above agenda items as well as the following matters pursuant to Chapter 551 of the Texas Government Code. After discussion of any matters in closed session, any final action or vote taken will be public by the Committee. The Committee shall have the right at any time to seek legal advice in Closed Session from its Attorney on any agenda item, whether posted for Closed Session or not.

**G. RECONVENE IN OPEN SESSION TO TAKE ACTION, IF NECESSARY, ON CLOSED SESSION ITEMS**

**H. ADJOURN**

As a majority of the Council Members of the City of Corinth may attend the above described meeting, this notice is given in accordance with Chapter 551 of the Texas Government Code. No official action will be taken by the City Council at this meeting.

Posted this 9th day of December, 2021 at 5:30 PM on the bulletin Board at Corinth City Hall.



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Lee Ann Bunselmeyer  
Director of Finance, Communication &  
Strategic Services  
City of Corinth, Texas



**CITY OF CORINTH**  
**Staff Report**

<b>Meeting Date:</b>	12/16/2021 <b>Title:</b> Minutes
<b>Ends:</b>	<input type="checkbox"/> Resident Engagement <input checked="" type="checkbox"/> Proactive Government <input type="checkbox"/> Organizational Development <input type="checkbox"/> Health & Safety <input type="checkbox"/> Regional Cooperation <input type="checkbox"/> Attracting Quality Development
<b>Governance Focus:</b>	<i>Focus:</i> <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Customer <input type="checkbox"/> Stakeholder
	<i>Decision:</i> <input type="checkbox"/> Governance Policy <input checked="" type="checkbox"/> Ministerial Function

**Item/Caption**

Consider and act on minutes from the August 19, 2021 Regular Session.

**Item Summary/Background/Prior Action**

Attached are minutes from the Regular Session of the Finance Audit Committee. The minutes are in draft form and are not considered official until formally approved by the Committee.

**Staff Recommendation/Motion**

Staff recommends approval of the Regular Session minutes.



## FINANCE AUDIT COMMITTEE - MINUTES

Thursday, August 19, 2021 at 4:00 PM

City Hall | 3300 Corinth Parkway

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**STATE OF TEXAS  
COUNTY OF DENTON  
CITY OF CORINTH**

On this the 19th day of August 2021 the Finance Audit Committee of the City of Corinth, Texas met in a Regular Meeting at 4:00 PM at the Corinth City Hall, located at 3300 Corinth Parkway, Corinth, Texas. The meeting date, time, place and purposes as required by Title 5, Subchapter A, Chapter 551, Subchapter C, Section 551.041, Government Code, with the following members to wit:

**Councilmembers Present:**

Mayor Heidemann  
Councilmember Sam Burke  
Councilmember Scott Garber

**Citizen Members Present:**

Richard Weir  
Catherine Miller

**Staff Members Present:**

Lee Ann Bunselmeyer, Director of Finance, Communication & Strategic Services  
Chris Rodriguez, Assistant Finance Director  
Brett Cast, Chief Budget Officer

**CALL TO ORDER**

Mayor Heidemann called the meeting to order at 4:00 PM

**CITIZENS COMMENTS**

In accordance with the Open Meetings Act, the Board is prohibited from acting on or discussing (other than factual responses to specific questions) any items brought before them at this time. Citizen's comments will be limited to three (3) minutes. Comments about any of the published agenda items are appreciated by the Board and maybe taken into consideration at this time or during that agenda item. All remarks and questions address to the Board shall be addressed to the Board as a whole and not to any individual members thereof. Section 30.041B Code of Ordinance of the City of Corinth.

**CONSENT AGENDA**

All matters listed under the Consent Agenda are considered to be routine and will be enacted in one motion. Should the Chair, a Committee Member, or any citizen desire discussion of any item, that item will be removed from the Consent Agenda and will be considered separately.

1. Consider and act on minutes from the April 15, 2021 Regular Session.

Motion made by Heidemann, Seconded by Burke.  
Voting Yea: Heidemann, Burke, Garber

**BUSINESS AGENDA**

1. Discuss and provide staff direction on the annual external audit and Annual Comprehensive Financial Report (ACFR).
2. Consider and act on the Comprehensive Monthly Financial Report.

Motion made by Burke, Seconded by Heidemann.  
Voting Yea: Heidemann, Burke, Garber

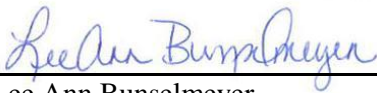
3. Consider and act on the Quarterly Investment Report.

Motion made by Burke, Seconded by Heidemann.  
Voting Yea: Heidemann, Burke, Garber

**ADJOURN**

Mayor Heidemann adjourned the meeting at 4:45 PM.

As a majority of the Council Members of the City of Corinth may attend the above described meeting, this notice is given in accordance with Chapter 551 of the Texas Government Code. No official action will be taken by the City Council at this meeting.



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Lee Ann Bunselmeyer  
Director of Finance, Communication &  
Strategic Services  
City of Corinth, Texas



**CITY OF CORINTH**  
**Staff Report**

<b>Meeting Date:</b>	12/16/2021	<b>Title:</b>	Authorized Broker Listing
<b>Ends:</b>	<input type="checkbox"/> Resident Engagement <input checked="" type="checkbox"/> Proactive Government <input type="checkbox"/> Organizational Development <input type="checkbox"/> Health & Safety <input type="checkbox"/> Regional Cooperation <input type="checkbox"/> Attracting Quality Development		
<b>Governance Focus:</b>	<i>Focus:</i> <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Customer <input type="checkbox"/> Stakeholder		
	<i>Decision:</i> <input type="checkbox"/> Governance Policy <input checked="" type="checkbox"/> Ministerial Function		

**Item/Caption**

Consider and act on the 2022 Authorized Broker listing for the City of Corinth.

**Item Summary/Background/Prior Action**

The Investment Officer continually monitors the list of approved investment brokers to pursue a diverse and competitive list of bidders. Potential broker/dealers must complete and submit the Broker/Dealer Questionnaire and Certification Form. The Investment Officer then evaluates the broker/dealers response based on the criteria listed below. If a broker/dealer has successfully met the established requirements, the Investment Officer will forward the application to the Finance Audit Committee for review.

A review on active brokers is also conducted at least annually based on the criteria listed below. The competitiveness and responsiveness of the active brokers is also a major factor, as well. If a broker/dealer is considered to place the City's investment program at risk or is not effective, the Investment Officer will document and recommend to the Finance Audit Committee that the broker/dealer be removed from the approved list.

The Investment Officer may limit the number of investment brokers the City conducts business with upon approval of the Finance Audit Committee. In accordance with the City's Investment Policy, business with any broker/dealer is limited to 40% of the total portfolio at any point in time. The Finance Audit Committee must approve all brokers prior to conducting any investment transactions.

The following criteria are used to evaluate both potential and active broker/dealers:

1. Delivery Process - Delivery vs Payment is required for the protection of the City's assets.
2. Registration - Broker must be registered with the Texas State Securities Commission.
3. Capitalization - Organization should be well capitalized and show profitability, and comply with SEC guidelines.
4. Law Suits - Must not be involved in any type of legal disputes, pending settlements, claims or losses, etc.
5. Worthiness - Must be capable of serving the City's needs as a governmental entity. Must be credible and reputable among other Texas governmental clients.
6. Reports/Research - Must provide daily market analysis. This information is valuable for planning investment strategies and budgeting.
7. Training - Valuable service especially for governments with newly implemented investment programs, investment officers, and for cross training.

8. Primary vs Secondary - Primary dealers are more likely to provide desired securities for purchases as they maintain their own inventory, whereas, secondary dealers must contact their primary dealer for availability of securities. However, depending on each firm's contact with their trading desk, this may not be an issue.
9. Certification - Must sign a written instrument acknowledging that it has received and reviewed our investment policy and that procedures and controls have been implemented to preclude unauthorized investments.

**Applicable Owner/Stakeholder Policy**

In accordance with Public Funds Investment Act, Chapter 2256, of the Texas Government Code, the governing body or the Finance Audit Committee must review, revise and adopt a list of qualified brokers at least annually. There are no minimum or maximum number of dealers or brokers that may be used by the City.

**Staff Recommendation/Motion**

Staff recommends the acceptance of FHN Financial Capital Markets, SAMCO Capital Markets, Mutual Securities and three overnight investment vehicles (TexPool, TexStar, and Independent Financial Money Market) as the City's approved broker/dealers.

**BROKER/DEALER EVALUATION**  
*Fiscal Year 2021-2022*

BROKER/DEALER EVALUATION						
Firm/ Representative	Primary Dealer	Texas Registered	SEC Compliance	References	Claims, Losses, Investigations	Comments
<b>FHN Financial Capital Markets (Bank Dealer)</b> John Buddy Saragusa Houston, Texas <i>Approved Broker since 2007</i>	No	No	No (Rule 15c3-1)	City of Euless City of Grand Prairie City of Hurst	Yes	Reliable. Competitive. Provides daily market updates.
<b>SAMCO Capital Markets</b> Robert Phillips Dallas, Texas <i>Approved Broker since 2007</i>	No	Yes	Yes	City of Grand Prairie City of Dallas City of Euless	No	Very Competitive. Provides daily market updates & responds quickly to staff requests.
<b>Mutual Securities</b> Rene Molina Camarillo, Ca. <i>Approved Broker since 2009</i>	No	Yes	Yes	Leander ISD City of Palestine City of Baytown	No	Reliable. Competitive. Provides daily market updates.

All the brokers listed above have provided the necessary documentation.

MONEY MARKET/POOL EVALUATION						
Firm Name	Net Asset Value	Size	Operating Deadlines	Maximum WAM	2020/21 Average Monthly Yield*	Management Fee
<b>Independent Financial Bank</b> <i>Approved Since 2009</i>	\$1	Over \$17.8 billion	Before 4:30 p.m.		.55%	0%
<b>TexPool</b> <i>Approved Pool Since 2007</i>	\$1	\$33.5 billion	Before 4:00 p.m.	Max- 60 days Avg- 39 days	0.049%	.045% basis points State Comptroller & Federated Investors
<b>TexStar</b> <i>Approved Pool Since 2007</i>	\$1	\$9.118 billion	Before 4:00 p.m.	Max -60 days Avg- 24 days	0.038%	.06% basis points JP Morgan Chase & Hilltop Securities

TexPool, and TexStar investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. Additionally, funds are restricted to a maximum weighted average maturity (WAM) of 60 days.





**CITY OF CORINTH**  
**Staff Report**

<b>Meeting Date:</b>	12/16/2021	<b>Title:</b>	Audit Schedule
<b>Ends:</b>	<input type="checkbox"/> Resident Engagement <input checked="" type="checkbox"/> Proactive Government <input type="checkbox"/> Organizational Development <input type="checkbox"/> Health & Safety <input type="checkbox"/> Regional Cooperation <input type="checkbox"/> Attracting Quality Development		
<b>Governance Focus:</b>	<i>Focus:</i> <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Customer <input type="checkbox"/> Stakeholder		
	<i>Decision:</i> <input type="checkbox"/> Governance Policy <input checked="" type="checkbox"/> Ministerial Function		

**Item/Caption**

Discuss and provide staff direction on the annual external audit and Annual Comprehensive Financial Report (ACFR).

**Item Summary/Background/Prior Action**

In May 2021, the City Council approved a contract for auditing services with Eide Bailey, LLC for fiscal years ending September 2021, 2022, 2023 and 2024. The tentative audit schedule for the 2021 annual audit is listed below.

August 31, 2021	Auditors begin Interim Fieldwork
September 30, 2021	City’s fiscal year-end
October-December 2021	City staff analyze the financials, make year-end entries and prepare ACFR
December 11, 2021	City staff to close the books and provide a trial balance to auditors
<b>December 14, 2021</b>	<b>Auditors begin Fieldwork</b>
<b>December 16, 2021</b>	<b>Audit Committee Meeting</b>
February 17, 2022	Finance Audit Committee meeting and presentation of ACFR
March 17, 2022	Presentation of ACFR to City Council

**Financial Impact**

Auditing services are budgeted in the Finance Divisional Budget for the Annual Audit (\$44,000).

**Applicable Owner/Stakeholder Policy**

The City of Corinth's Home Rule Charter, Section 9.12, states that at the close of the fiscal year an independent audit must be made on all accounts of the City by a certified public accountant.

**Staff Recommendation/Motion**

No action to be taken at this time.



**CITY OF CORINTH**  
**Staff Report**

<b>Meeting Date:</b>	12/16/2021	<b>Title:</b>	Annual Investment Report
<b>Ends:</b>	<input type="checkbox"/> Resident Engagement <input checked="" type="checkbox"/> Proactive Government <input type="checkbox"/> Organizational Development  <input type="checkbox"/> Health & Safety <input type="checkbox"/> Regional Cooperation <input type="checkbox"/> Attracting Quality Development		
<b>Governance Focus:</b>	<i>Focus:</i> <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Customer <input type="checkbox"/> Stakeholder		
	<i>Decision:</i> <input type="checkbox"/> Governance Policy <input checked="" type="checkbox"/> Ministerial Function		

**Item/Caption**

Consider and act on the Fiscal Year 2021 Annual Investment Report.

**Item Summary/Background/Prior Action**

The annual investment report summarizes current market conditions, economic developments, and anticipated investment conditions and include the following:

1. A listing of individuals securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired.
2. Unrealized gain or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period.
3. Additions and changes to the market value during the period.
4. Fully accrued interest for the reporting period.
5. Average weighted yield to maturity of portfolio on entity investments, as compared to applicable benchmarks.
6. Listing of investments by maturity date.
7. The percentage of the total portfolio which each type of investment represents; and
8. Statement of compliance of the City's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
9. Market yield benchmark comparison of the average 90-days U.S. Treasury Bill auction yield during the reporting period.

The investment report must be formally reviewed at least annually by an independent auditor. Hilltop Securities performed the annual review for fiscal year ending September 30, 2021. The review findings can be found in Appendix A of the annual report.

**Applicable Owner/Stakeholder Policy**

In accordance with Public Funds Investment Act, Chapter 2256, Section 02399(a), of the Texas Government Code, the investment officer must prepare and submit to the governing body a written report of the investment transactions within 180 days of the end of the fiscal year.

**Staff Recommendation/Motion**

Staff recommends approval of the Annual Investment Report.

This report is prepared in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"), Section 2256.023(a) of the PFIA states: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

INVESTMENT OFFICER NAMES AND TITLES

*Lee Ann Bunselmeyer*

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Lee Ann Bunselmeyer  
Director of Finance, Communication & Strategic Services

*Chris Rodriguez*

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Chris Rodriguez  
Assistant Director of Finance

# CITY OF CORINTH

## PORTFOLIO SUMMARY

Annual Investment Report Ending Sept. 30, 2021

Section D, Item 2.



### PORTFOLIO SUMMARY

	Ending Value 9/30/2020	Ending Value 9/30/2021
Par Value	\$60,820,662	\$56,852,427
Book Value	\$60,824,954	\$56,856,602
Market Value	\$60,806,754	\$56,837,564
Change in Market Value		\$ (3,969,189)

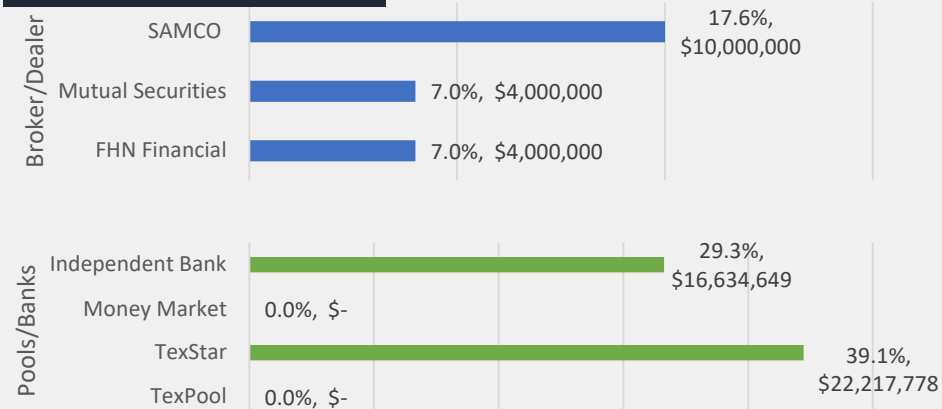
### PORTFOLIO KEY INDICATORS

Income Earned - Period	\$ 33,145
Income Earned - YTD	\$150,427
% Market to Book Value	99.97%
Average YTM	0.246%
Policy Benchmark	0.047%
Ending WAM (Days)	229

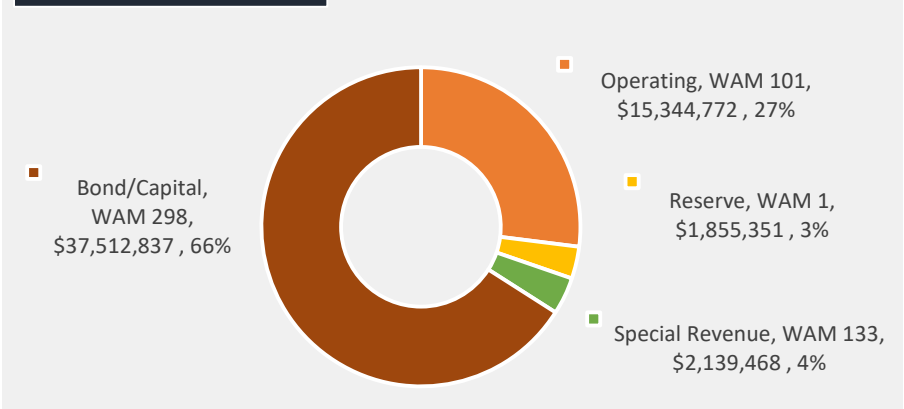
### PORTFOLIO BY MARKET SECTOR

U.S. Federal Agency -Coupon	\$8,000,000	14%
U.S. Federal Agency-Callable	\$10,000,000	18%
Certificates of Deposit	\$0	0%
Managed Pools	\$22,217,778	39%
Money Market	\$0	0%
Bank Cash	\$16,634,649	29%
<b>Total</b>	<b>\$56,852,427</b>	<b>100%</b>

### BROKER/DEALER ALLOCATION



### FUND TYPE ALLOCATION



### MATURITY DISTRIBUTION



### PORTFOLIO STATEMENT

The net decrease in the Change to Market Value is due mainly to the expenditure of \$3.2 million to purchase property.

# ECONOMIC DEVELOPMENT CORPORATION

## PORFOLIO SUMMARY

Annual Investment Report Ending Sept. 30, 2021

Section D, Item 2.



### PORTFOLIO SUMMARY

	Ending Value 9/30/2020	Ending Value 9/30/2021
Par Value	\$260,920	\$765,152
Book Value	\$260,920	\$765,152
Market Value	\$260,920	\$765,152
Change in Market Value		\$ 504,233

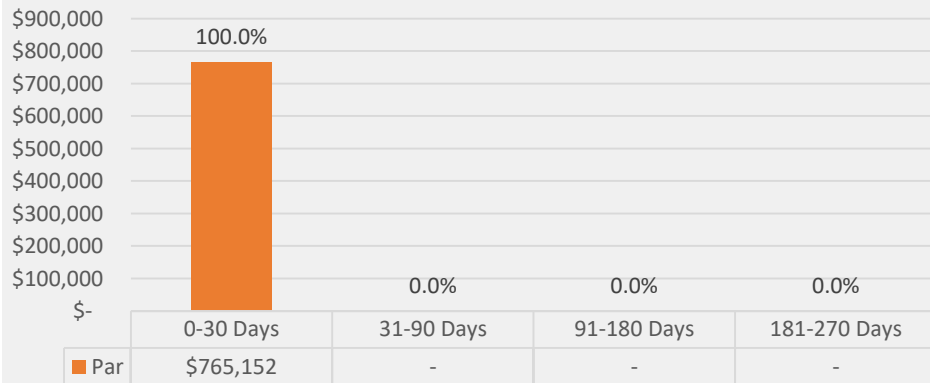
### PORTFOLIO KEY INDICATORS

Income Earned - Period	\$	606
Income Earned - YTD		\$2,186
% Market to Book Value		100%
Average YTM		0.386%
Policy Benchmark		0.047%
Ending WAM (Days)		1

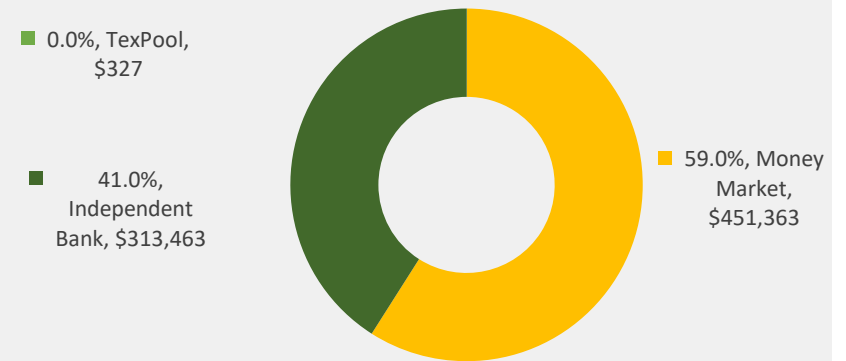
### PORTFOLIO BY MARKET SECTOR

U.S. Federal Agency -Coupon	\$0	0%
U.S. Federal Agency-Callable	\$0	0%
Certificates of Deposit	\$0	0%
Managed Pools	\$327	0%
Money Market	\$451,363	59%
Bank Cash	\$313,463	41%
<b>Total</b>	<b>\$765,152</b>	<b>100%</b>

### MATURITY DISTRIBUTION



### MANAGED POOLS/DEPOSITORY BANK ALLOCATION



### PORTFOLIO STATEMENT

The 1/2¢ Economic Development Sales Tax was approved in November 2002 with collections beginning in January 2005. Funds are used to carry out programs related to business retention, park and business development.

Note: The portfolio's Average Yield to Maturity is above the policy benchmark for this quarter. The Weighted Average Maturity (WAM) is below the benchmark of 270 Days for the quarter.

# STREET MAINTENANCE SALES TAX FUND

## PORFOLIO SUMMARY

Annual Investment Report Ending Sept. 30, 2021

Section D, Item 2.



### PORTFOLIO SUMMARY

	Ending Value 9/30/2020	Ending Value 9/30/2021
Par Value	\$1,161,154	\$1,243,367
Book Value	\$1,161,154	\$1,243,367
Market Value	\$1,161,154	\$1,243,367
Change in Market Value		\$ 82,213

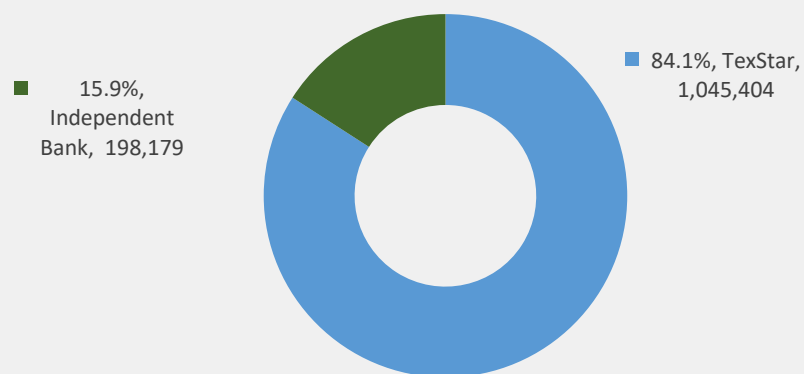
### PORTFOLIO KEY INDICATORS

Income Earned - Period	\$ 301
Income Earned - YTD	\$1,321
% Market to Book Value	100%
Average YTM	0.096%
Policy Benchmark	0.047%
Ending WAM (Days)	1

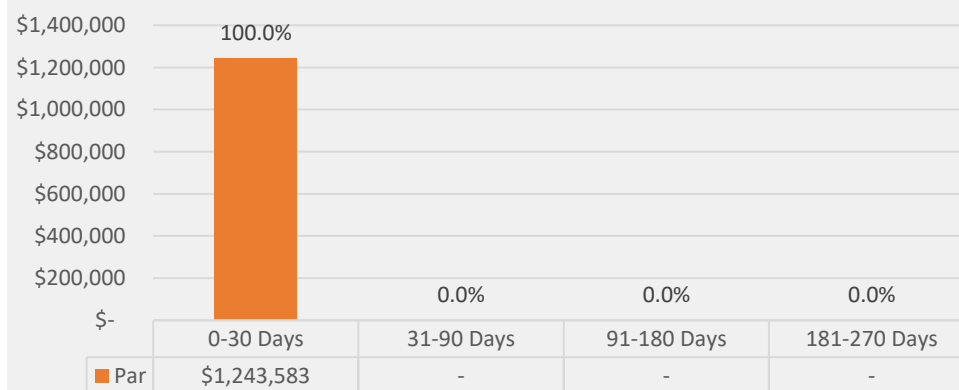
### PORTFOLIO BY MARKET SECTOR

U.S. Federal Agency -Coupon	\$0	0%
U.S. Federal Agency-Callable	\$0	0%
Certificates of Deposit	\$0	0%
Managed Pools	\$1,045,404	84%
Money Market	\$0	0%
Bank Cash	\$198,179	16%
<b>Total</b>	<b>\$1,243,583</b>	<b>100%</b>

### MANAGED POOLS/DEPOSITORY BANK ALLOCATION



### MATURITY DISTRIBUTION



### PORTFOLIO STATEMENT

The sales tax authorization lapsed in December 2020. The Fund will not receive additional revenue earnings in the future. The City will continue utilizing the fund balance for street repaving projects until the fund is depleted.

Note: The portfolio's Average Yield to Maturity is above the policy benchmark for this quarter. The Weighted Average Maturity (WAM) is below the benchmark of 270 Days.

# CRIME CONTROL & PREVENTION DISTRICT

## PORFOLIO SUMMARY

Section D, Item 2.

**CORINTH**  
TEXAS

Annual Investment Report Ending Sept. 30, 2021

### PORTFOLIO SUMMARY

	Ending Value 9/30/2020	Ending Value 9/30/2021
Par Value	\$548,526	\$700,925
Book Value	\$548,526	\$700,925
Market Value	\$548,526	\$700,925
Change in Market Value		\$ 152,400

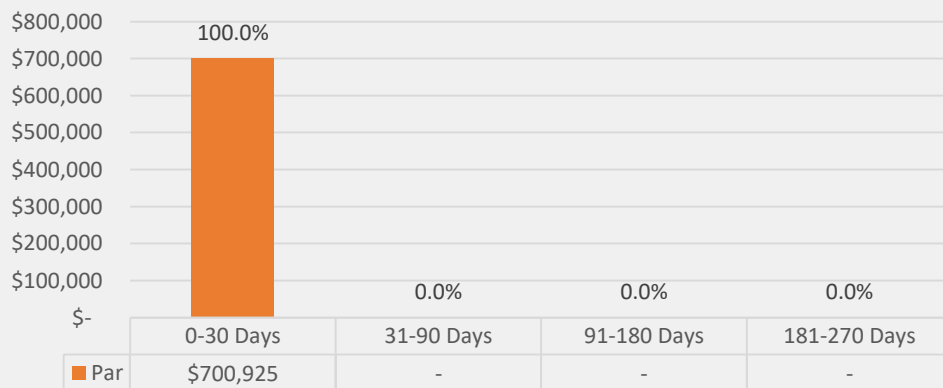
### PORTFOLIO KEY INDICATORS

Income Earned - Period	\$ 900
Income Earned - YTD	\$3,178
% Market to Book Value	100%
Average YTM	0.550%
Policy Benchmark	0.047%
Ending WAM (Days)	1

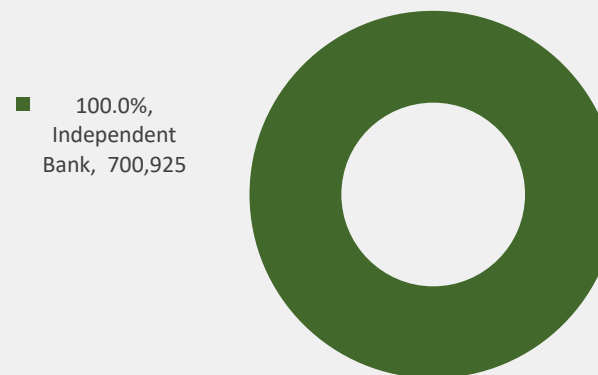
### PORTFOLIO BY MARKET SECTOR

U.S. Federal Agency -Coupon	\$0	0%
U.S. Federal Agency-Callable	\$0	0%
Certificates of Deposit	\$0	0%
Managed Pools	\$0	0%
Money Market	\$0	0%
Bank Cash	\$700,925	100%
<b>Total</b>	<b>\$700,925</b>	<b>100%</b>

### MATURITY DISTRIBUTION



### MANAGED POOLS/DEPOSITORY BANK ALLOCATION



### PORTFOLIO STATEMENT

The 1/4¢ Crime Control & Prevention Sales Tax was approved in November 2004 with collections beginning in January 2005. An election on May 2019 reauthorized the dedicated sales tax for another ten years. Funds are used for two police officers and the lease payments for the police vehicles.

Note: The portfolio's Average Yield to Maturity is above the policy benchmark for this quarter. The Weighted Average Maturity (WAM) is below the benchmark of 270 Days for the quarter.





**PORTFOLIO SUMMARY**

	Ending Value 9/30/2020	Ending Value 9/30/2021
Par Value	\$0	\$106,817
Book Value	\$0	\$106,817
Market Value	\$0	\$106,817
Change in Market Value		\$ 106,817

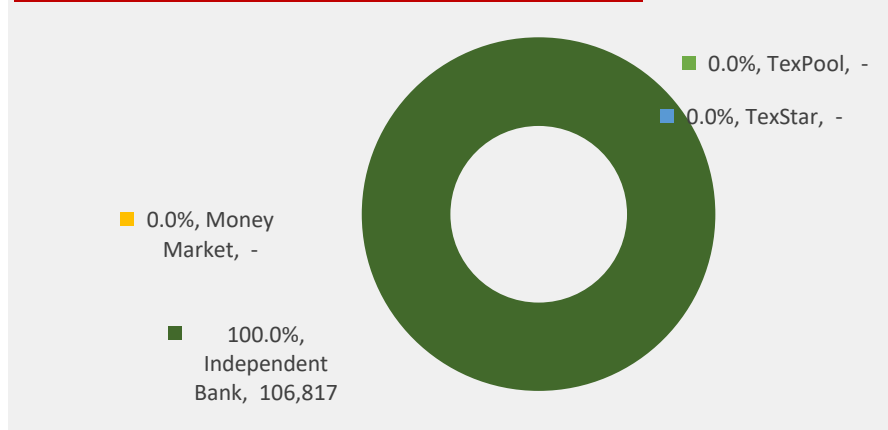
**PORTFOLIO KEY INDICATORS**

Income Earned - Period	\$79
Income Earned - YTD	\$ 93
% Market Value	100%
Average YTM	0.550%
Policy Benchmark	0.047%
Ending WAM (Days)	1

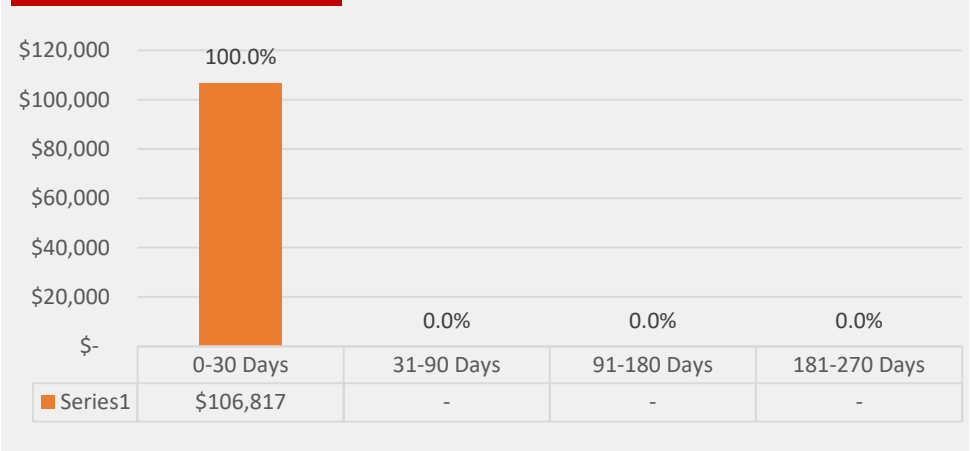
**PORTFOLIO BY MARKET SECTOR**

U.S. Federal Agency -Coupon	\$0	0%
U.S. Federal Agency-Callable	\$0	0%
Certificates of Deposit	\$0	0%
Managed Pools	\$0	0%
Money Market	\$0	0%
Bank Cash	\$106,817	100%
<b>Total</b>	<b>\$106,817</b>	<b>100%</b>

**MANAGED POOLS/DEPOSITORY BANK ALLOCATION**



**MATURITY DISTRIBUTION**



**PORTFOLIO STATEMENT**

The creation of the district was approved by voters in November 2020. The 1/4¢ sales tax became effective April 1, 2021. Revenues support costs of Fire Services including personnel, administratino, expansion, enhancement and capital expenditures.

Note: The portfolio's Average Yield to Maturity is above the policy benchmark for this quarter. The Weighted Average Maturity (WAM) is below the benchmark of 270 Days for the quarter.

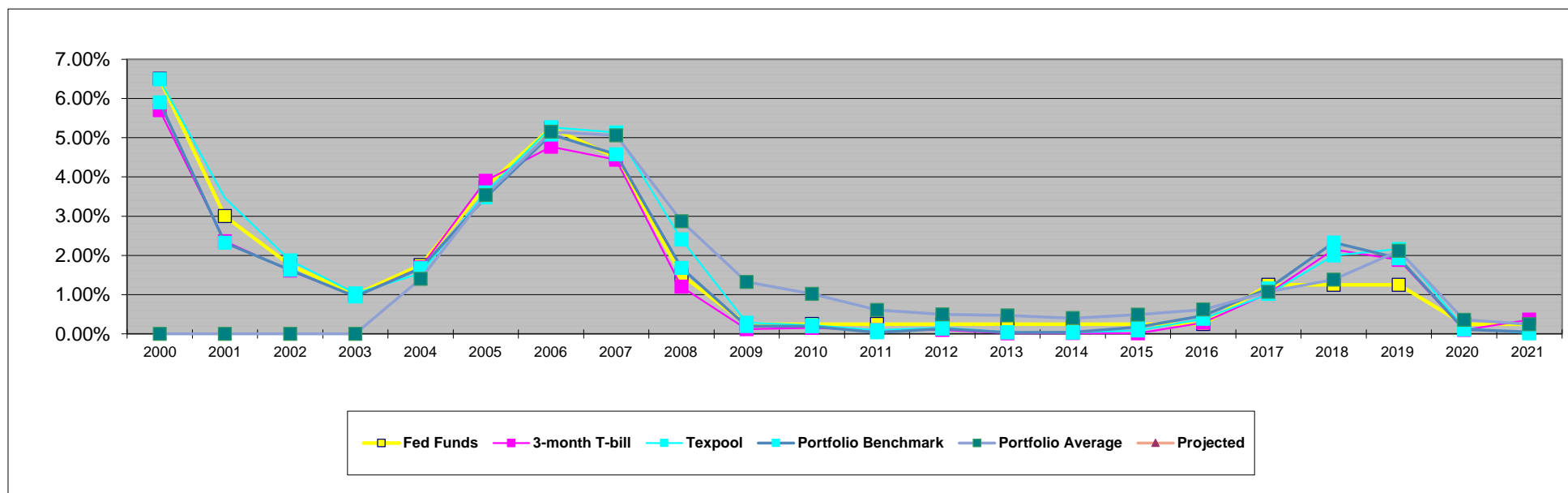
**COMBINED PORTFOLIO  
ECONOMIC SUMMARY**

Annual Investment Report Ending Sept. 30, 2021

Section D, Item 2.



Market Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 YTD
Fed Funds	6.50%	3.00%	1.75%	1.00%	1.75%	3.75%	5.25%	4.50%	1.50%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	1.25%	1.25%	1.25%	0.25%	0.25%
3-month T-bill	5.70%	2.36%	1.61%	0.96%	1.69%	3.90%	4.77%	4.44%	1.20%	0.12%	0.15%	0.09%	0.10%	0.01%	0.02%	0.01%	0.28%	1.04%	2.15%	1.88%	0.10%	0.36%
Texpool	6.49%	3.47%	1.87%	1.03%	1.54%	3.60%	5.26%	5.13%	2.41%	0.28%	0.22%	0.09%	0.16%	0.04%	0.03%	0.09%	0.38%	1.02%	2.00%	2.16%	0.15%	0.01%
Portfolio Benchmark	5.90%	2.32%	1.63%	0.95%	1.67%	3.48%	5.08%	4.58%	1.68%	0.20%	0.19%	0.04%	0.13%	0.04%	0.04%	0.17%	0.46%	1.16%	2.33%	1.93%	0.11%	0.05%
Portfolio Average	n/a	n/a	n/a	n/a	1.40%	3.54%	5.15%	5.06%	2.87%	1.32%	1.02%	0.61%	0.50%	0.47%	0.40%	0.49%	0.62%	1.07%	1.38%	2.12%	0.36%	0.25%



The Fed Fund target rate as of Sept 2021 is a range of 0.0% to 0.25%.

The Fed continues to remain cautious on the economic outlook and elected to keep the rates the same at their September 2021 meeting. The FOMC expects that the QE asset purchases are expected to wind down by mid-2022.

**COMBINED PORTFOLIO  
STATEMENT OF COMPLIANCE**

Annual Investment Report Ending Sept. 30, 2021

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*This report is in full compliance with Chapter 2256 of the Public Funds Investment Act ("PFIA") Section 2256.023(a) and the City's investment policy.*

Category	Standard	Corinth	EDC	CCD	Street Maint
Treasury Issues	No Limitation.	Complies	Complies	Complies	Complies
US Agency Issues	No Limitation	Complies	Complies	Complies	Complies
Local Govt Investment Pool	AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less. A public funds investment pool with a \$1 net asset value. Not to exceed 75% of total portfolio.	Complies	Complies	Complies	Complies
Certificates of Deposit	Corinth Portfolio: A certificate of deposit issued by a depository institution that has its main office or branch office in this state . Not to exceed 50% of total portfolio; EDC, CCD, Street Maintenance, Fire District Portfolio - Not to exceed 75%.	Complies	Complies	Complies	Complies
Repurchase Agreements	<i>Corinth Portfolio</i> : Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. CANNOT include reverse purchase agreements. Not to exceed 25% of total portfolio; <i>EDC, CCD, Street Maintenance, Fire District Portfolio</i> : Not to exceed 100% of total portfolio.	Complies	Complies	Complies	Complies
SEC-Regulated No-Load Money Market Mutual Fund	Dollar weighted average stated maturity of 60 days or less and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share. Not to exceed 50% of total portfolio	Complies	Complies	Complies	Complies
U.S. Treasury & Agency Callables	Limited Use. Maximum of 30%	Complies	Complies	Complies	Complies
Bankers Acceptance and Commercial Paper	Authorized for the City to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the City invests.	Complies	Complies	Complies	Complies
Prohibited Securities	An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.; the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.; Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.	Complies	Complies	Complies	Complies
Average Yield to Maturity	6 month T-Bill	Complies	Complies	Complies	Complies

**COMBINED PORTFOLIO  
STATEMENT OF COMPLIANCE**

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Category	Standard	Corinth	EDC	CCD	Street Maint
Maximum Maturity	maximum allowable maturity of investments is restricted three years	Complies	Complies	Complies	Complies
WAM	<i>Corinth Portfolio</i> : Maximum Weighted average days to maturity for overall portfolio less than 365 Days; <i>EDC, CCD, Street Maintenance, Fire District</i> : Maximum Weighted average days to maturity for overall portfolio less than 270 Days	Complies	Complies	Complies	Complies
Liquidity	Maturities less than thirty days no less than 5%	Complies	Complies	Complies	Complies
Authorized Financial Dealers	To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should not exceed 40% of total portfolio.	Complies	Complies	Complies	Complies
Collateralization	The market value of the investments securing the deposit of funds shall be at least equal to 102% of the amount of the deposits of funds reduced to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC).	Complies	Complies	Complies	Complies
WAM - Reserve Funds	Maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of three years.	Complies	N/A	N/A	N/A
WAM- Operating Funds	Maximum weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to three years	Complies	N/A	N/A	N/A
WAM-Special Revenue	Maximum maturity to three years, managing the weighted average days to less than 270 days, restricting the maximum allowable maturity to two years	Complies	N/A	N/A	N/A
WAM - Bond/Capital Funds	Maximum maturity to three years, managing the weighted average days to less than 365 days, restricting the maximum allowable maturity to three years	Complies	N/A	N/A	N/A



**City of Corinth portfolio  
Texas Compliance Change in Val Report  
Sorted by Fund  
October 1, 2020 - September 30, 2021**

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value				Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
<b>Fund: Pooled Cash</b>									
10012	NTHSTR	00	10/01/2020	31,559.66	4,704,739.23	12,645,741.88	9,510,645.61	3,135,096.27	7,839,835.50
SYS10012	7,839,835.50	0.550	//	0.00	4,704,739.23	12,645,741.88	9,510,645.61	3,135,096.27	7,839,835.50
<b>Sub Totals For: Fund: Pooled Cash</b>				31,559.66	4,704,739.23	12,645,741.88	9,510,645.61	3,135,096.27	7,839,835.50
				0.00	4,704,739.23	12,645,741.88	9,510,645.61	3,135,096.27	7,839,835.50
<b>Fund: Pooled Cash- Crime C</b>									
10323	NTHSTR	00A	10/01/2020	3,177.65	571,184.93	219,849.42	90,108.88	129,740.54	700,925.47
SYS10322	700,925.47	0.550	//	0.00	571,184.93	219,849.42	90,108.88	129,740.54	700,925.47
<b>Sub Totals For: Fund: Pooled Cash- Crime C</b>				3,177.65	571,184.93	219,849.42	90,108.88	129,740.54	700,925.47
				0.00	571,184.93	219,849.42	90,108.88	129,740.54	700,925.47
<b>Fund: Pooled Cash-Eco Dev</b>									
10021	NTHSTR	00B	10/01/2020	443.39	270,630.27	742,680.87	699,848.13	42,832.74	313,463.01
SYS10021	313,463.01	0.150	//	0.00	270,630.27	742,680.87	699,848.13	42,832.74	313,463.01
<b>Sub Totals For: Fund: Pooled Cash-Eco Dev</b>				443.39	270,630.27	742,680.87	699,848.13	42,832.74	313,463.01
				0.00	270,630.27	742,680.87	699,848.13	42,832.74	313,463.01
<b>Fund: Pooled Cash - Street</b>									
10401	NTHSTR	00C	10/01/2020	824.14	2,689.54	200,448.36	4,959.02	195,489.34	198,178.88
SYS10042	198,178.88	0.550	//	0.00	2,689.54	200,448.36	4,959.02	195,489.34	198,178.88
<b>Sub Totals For: Fund: Pooled Cash - Street</b>				824.14	2,689.54	200,448.36	4,959.02	195,489.34	198,178.88
				0.00	2,689.54	200,448.36	4,959.02	195,489.34	198,178.88
<b>Fund: Capital Project Ban</b>									
10630	NTHSTR	00D	10/01/2020	37,928.39	3,541,524.69	15,003,181.51	13,444,711.38	1,558,470.13	5,099,994.82
SYS10630	5,099,994.82	0.550	//	0.00	3,541,524.69	15,003,181.51	13,444,711.38	1,558,470.13	5,099,994.82

**City of Corinth portfolio  
Texas Compliance Change in Val Report  
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Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value				Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
<b>Sub Totals For: Fund: Capital Project Ban</b>				37,928.39	3,541,524.69	15,003,181.51	13,444,711.38	1,558,470.13	5,099,994.82
				0.00	3,541,524.69	15,003,181.51	13,444,711.38	1,558,470.13	5,099,994.82
<b>Fund: Special Revenue Bank</b>									
10631	NTHSTR	00E	10/01/2020	9,455.12	1,532,160.37	1,000,868.11	693,560.93	307,307.18	1,839,467.55
SYS10631	1,839,467.55	0.550	//	0.00	1,532,160.37	1,000,868.11	693,560.93	307,307.18	1,839,467.55
<b>Sub Totals For: Fund: Special Revenue Bank</b>				9,455.12	1,532,160.37	1,000,868.11	693,560.93	307,307.18	1,839,467.55
				0.00	1,532,160.37	1,000,868.11	693,560.93	307,307.18	1,839,467.55
<b>Fund: Reserve Funds - Pool</b>									
10666	NTHSTR	00F	10/01/2020	14,639.36	973,562.07	3,605,295.15	2,723,506.39	881,788.76	1,855,350.83
SYS10666	1,855,350.83	0.550	//	0.00	973,562.07	3,605,295.15	2,723,506.39	881,788.76	1,855,350.83
<b>Sub Totals For: Fund: Reserve Funds - Pool</b>				14,639.36	973,562.07	3,605,295.15	2,723,506.39	881,788.76	1,855,350.83
				0.00	973,562.07	3,605,295.15	2,723,506.39	881,788.76	1,855,350.83
<b>Fund: Fire District - Pool</b>									
10705	NTHSTR	00G	07/31/2021	79.31	0.00	174,387.72	0.00	106,816.53	106,816.53
SYS10705	106,816.53	0.550	//	0.00	0.00	174,387.72	0.00	106,816.53	106,816.53
<b>Sub Totals For: Fund: Fire District - Pool</b>				79.31	0.00	174,387.72	0.00	106,816.53	106,816.53
				0.00	0.00	174,387.72	0.00	106,816.53	106,816.53
<b>Fund: General Fund</b>									
10607	FFCB	100	02/28/2018	3,208.50	599,832.60	0.00	600,000.00	-599,832.60	0.00
3133EH5G4	0.00	0.000	01/04/2021	6,210.00	602,742.00	0.00	600,000.00	-602,742.00	0.00
10140	TXSTAR	100	10/01/2020	1,293.49	4,036,452.08	1,251,659.82	2,900,000.00	-1,648,340.18	2,388,111.90
SYS10140	2,388,111.90	0.010	//	1,659.82	4,036,452.08	1,251,659.82	2,900,000.00	-1,648,340.18	2,388,111.90
10327	NTHSTR	100	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10327	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
10633	FFCB	100	12/20/2018	3,605.06	722,335.51	0.00	725,000.00	-722,335.51	0.00
3133EFXB8	0.00	0.000	01/28/2021	5,546.25	727,849.25	0.00	725,000.00	-727,849.25	0.00

Portfolio CITY

City of Corinth portfolio  
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Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10684	FHLMC	100	11/16/2020	1,925.00	0.00	1,000,000.00	0.00	1,000,000.00	1,000,000.00
3134GW7D2	1,000,000.00	0.220	05/16/2023	1,100.00	0.00	1,000,000.00	0.00	1,000,290.00	1,000,290.00
10698	FHLB	100	04/29/2021	1,900.00	0.00	1,000,000.00	0.00	1,000,000.00	1,000,000.00
3130ALYE8	1,000,000.00	0.450	04/29/2024	0.00	0.00	1,000,000.00	0.00	1,001,110.00	1,001,110.00
<b>Sub Totals For: Fund: General Fund</b>				11,932.05	5,358,620.19	3,251,659.82	4,225,000.00	-970,508.29	4,388,111.90
				14,516.07	5,367,043.33	3,251,659.82	4,225,000.00	-977,531.43	4,389,511.90
<b>Fund: Utility Fund</b>									
10211	TXSTAR	110	10/01/2020	688.65	2,881,133.42	1,150,946.82	1,200,000.00	-49,053.18	2,832,080.24
SYS10211	2,832,080.24	0.010	//	946.82	2,881,133.42	1,150,946.82	1,200,000.00	-49,053.18	2,832,080.24
10358	NTHSTR	110	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10358	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
10018	TXPOOL	110	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10018	0.00	5.271	//	0.00	0.00	0.00	0.00	0.00	0.00
10023	FEDER	110	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10023	0.00	5.190	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Utility Fund</b>				688.65	2,881,133.42	1,150,946.82	1,200,000.00	-49,053.18	2,832,080.24
				946.82	2,881,133.42	1,150,946.82	1,200,000.00	-49,053.18	2,832,080.24
<b>Fund: Drainage Fund</b>									
10302	TXSTAR	120	10/01/2020	92.95	334,621.23	123.30	50,000.00	-49,876.70	284,744.53
SYS10302	284,744.53	0.010	//	123.30	334,621.23	123.30	50,000.00	-49,876.70	284,744.53
10332	NTHSTR	120	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10332	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Drainage Fund</b>				92.95	334,621.23	123.30	50,000.00	-49,876.70	284,744.53
				123.30	334,621.23	123.30	50,000.00	-49,876.70	284,744.53
<b>Fund: Economic Development</b>									

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City of Corinth portfolio  
Texas Compliance Change in Val Report  
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Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value				Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
10007	TXPOOL	130	10/01/2020	153.43	590,160.08	166.48	590,000.00	-589,833.52	326.56
SYS10007	326.56	0.027	//	166.48	590,160.08	166.48	590,000.00	-589,833.52	326.56
10379	NTHSTR	130	10/01/2020	1,426.92	300,000.00	401,362.79	250,000.00	151,362.79	451,362.79
SYS10379	451,362.79	0.550	//	1,362.79	300,000.00	401,362.79	250,000.00	151,362.79	451,362.79
10671	FHLMC	130	04/17/2020	177.78	500,000.00	0.00	500,000.00	-500,000.00	0.00
3134GVKS6	0.00	0.000	04/20/2022	2,033.33	500,140.00	0.00	500,000.00	-500,140.00	0.00
<b>Sub Totals For: Fund: Economic Development</b>				1,758.13	1,390,160.08	401,529.27	1,340,000.00	-938,470.73	451,689.35
				3,562.60	1,390,300.08	401,529.27	1,340,000.00	-938,610.73	451,689.35
<b>Fund: Street Maintenance S</b>									
10155	TXSTAR	132	10/01/2020	302.63	1,045,008.15	396.12	0.00	396.12	1,045,404.27
SYS10155	1,045,404.27	0.010	//	396.12	1,045,008.15	396.12	0.00	396.12	1,045,404.27
10331	NTHSTR	132	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10331	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Street Maintenance S</b>				302.63	1,045,008.15	396.12	0.00	396.12	1,045,404.27
				396.12	1,045,008.15	396.12	0.00	396.12	1,045,404.27
<b>Fund: General Fund Capital</b>									
10464	NTHSTR	193	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10464	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
10670	TXSTAR	193	10/01/2020	289.00	1,004,413.79	378.86	0.00	378.86	1,004,792.65
SYS10670	1,004,792.65	0.010	//	378.86	1,004,413.79	378.86	0.00	378.86	1,004,792.65
<b>Sub Totals For: Fund: General Fund Capital</b>				289.00	1,004,413.79	378.86	0.00	378.86	1,004,792.65
				378.86	1,004,413.79	378.86	0.00	378.86	1,004,792.65
<b>Fund: Water/Wastewater Cap</b>									
10465	NTHSTR	194	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10465	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00



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Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value				Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
<b>Sub Totals For: Fund: Water/Wastewater Cap</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: General Debt Service</b>									
10328	NTHSTR	200	10/01/2020	0.12	135.20	0.00	135.20	-135.20	0.00
SYS10328	0.00	0.550	//	0.00	135.20	0.00	135.20	-135.20	0.00
10017	TXSTAR	200	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10017	0.00	5.288	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: General Debt Service</b>				0.12	135.20	0.00	135.20	-135.20	0.00
				0.00	135.20	0.00	135.20	-135.20	0.00
<b>Fund: GF Vehicle &amp; Equip</b>									
10462	NTHSTR	300	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10462	0.00	0.250	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: GF Vehicle &amp; Equip</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Fire Vehicle Replace</b>									
10510	NTHSTR	301	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10510	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Fire Vehicle Replace</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Utility Vehicle &amp; Eq</b>									
10463	NTHSTR	310	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10462	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Utility Vehicle &amp; Eq</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Utility Meter Replac</b>									

City of Corinth portfolio  
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Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value				Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
10511	NTHSTR	311	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10511	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Utility Meter Replac</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Water Impact Fees</b>									
10052	TXSTAR	610	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10013	0.00	0.209	//	0.00	0.00	0.00	0.00	0.00	0.00
10707	FHLB	610	07/29/2021	222.17	0.00	300,000.00	0.00	300,000.00	300,000.00
3130AND72	300,000.00	0.430	04/29/2024	0.00	0.00	300,000.00	0.00	299,913.00	299,913.00
<b>Sub Totals For: Fund: Water Impact Fees</b>				222.17	0.00	300,000.00	0.00	300,000.00	300,000.00
				0.00	0.00	300,000.00	0.00	299,913.00	299,913.00
<b>Fund: Wastewater Impact Fe</b>									
10315	TXSTAR	611	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10315	0.00	0.209	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Wastewater Impact Fe</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Roadway Impact Fees</b>									
10301	TXSTAR	630	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10301	0.00	0.209	//	0.00	0.00	0.00	0.00	0.00	0.00
10675	FHLMC	630	05/11/2020	154.17	500,012.50	0.00	500,000.00	-500,012.50	0.00
3134GVSQ2	0.00	0.000	05/06/2022	729.17	499,922.50	0.00	500,000.00	-499,922.50	0.00
<b>Sub Totals For: Fund: Roadway Impact Fees</b>				154.17	500,012.50	0.00	500,000.00	-500,012.50	0.00
				729.17	499,922.50	0.00	500,000.00	-499,922.50	0.00
<b>Fund: Street Escrow</b>									
10329	NTHSTR	699	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10329	0.00	0.450	//	0.00	0.00	0.00	0.00	0.00	0.00

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Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
10019	TXPOOL	699	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10019	0.00	4.928	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Street Escrow</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Street 2007 CO</b>									
10064	TXPOOL	703	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10009	0.00	0.131	//	0.00	0.00	0.00	0.00	0.00	0.00
10138	TXSTAR	703	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10138	0.00	0.132	//	0.00	0.00	0.00	0.00	0.00	0.00
10330	NTHSTR	703	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10330	0.00	0.250	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Street 2007 CO</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Tech 2007 CO</b>									
10380	NTHSTR	704	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10380	0.00	0.613	//	0.00	0.00	0.00	0.00	0.00	0.00
10065	TXPOOL	704	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS100099	0.00	2.246	//	0.00	0.00	0.00	0.00	0.00	0.00
10139	TXSTAR	704	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10139	0.00	0.145	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Tech 2007 CO</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Fire 2010 CO</b>									
10370	NTHSTR	705	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10370	0.00	0.510	//	0.00	0.00	0.00	0.00	0.00	0.00

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Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
<b>Sub Totals For: Fund: Fire 2010 CO</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: 2016 CO General Capi</b>									
10710	FHLB	706	09/30/2021	1.67	0.00	299,518.18	0.00	299,543.79	299,543.79
3130ALFY5	300,000.00	0.273	12/15/2023	0.00	0.00	299,518.18	0.00	299,371.00	299,371.00
10549	TXSTAR	706	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10549	0.00	1.351	/ /	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: 2016 CO General Capi</b>				1.67	0.00	299,518.18	0.00	299,543.79	299,543.79
				0.00	0.00	299,518.18	0.00	299,371.00	299,371.00
<b>Fund: 2019 CO - Steets</b>									
10701	FFCB	708	06/30/2021	733.06	0.00	1,000,000.00	0.00	1,000,467.22	1,000,467.22
3133EMFB3	1,000,000.00	0.289	11/02/2023	0.00	0.00	1,000,000.00	0.00	1,000,427.22	1,000,427.22
10711	FHLB	708	09/30/2021	1.67	0.00	299,518.18	0.00	299,543.79	299,543.79
3130ALFY5	300,000.00	0.273	12/15/2023	0.00	0.00	299,518.18	0.00	299,371.00	299,371.00
10680	FAMCA	708	08/19/2020	958.33	1,000,000.00	0.00	1,000,000.00	-1,000,000.00	0.00
31422BP46	0.00	0.000	08/19/2022	1,250.00	998,230.00	0.00	1,000,000.00	-998,230.00	0.00
10695	FFCB	708	03/16/2021	338.54	0.00	500,000.00	0.00	500,000.00	500,000.00
3133EMTN2	500,000.00	0.125	09/16/2022	312.50	0.00	500,000.00	0.00	499,995.00	499,995.00
10674	FHLMC	708	05/14/2020	929.17	500,000.00	0.00	500,000.00	-500,000.00	0.00
3134GVSU3	0.00	0.000	11/14/2022	1,500.00	499,745.00	0.00	500,000.00	-499,745.00	0.00
10682	FHLMC	708	08/24/2020	1,191.67	1,000,000.00	0.00	1,000,000.00	-1,000,000.00	0.00
3134GWRS7	0.00	0.000	02/24/2023	1,500.00	999,350.00	0.00	1,000,000.00	-999,350.00	0.00
10681	FNMA	708	08/17/2020	3,100.00	1,000,000.00	0.00	0.00	0.00	1,000,000.00
3136G4K51	1,000,000.00	0.310	08/17/2023	3,100.00	999,420.00	0.00	0.00	-350.00	999,070.00
10689	FHLMC	708	02/05/2021	1,638.89	0.00	1,001,670.00	0.00	1,001,272.30	1,001,272.30
3137EAEZ8	1,000,000.00	0.189	11/06/2023	631.94	0.00	1,001,670.00	0.00	999,750.00	999,750.00

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Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
10690	FHLB	708	02/05/2021	1,638.89	0.00	1,001,586.07	0.00	1,001,220.17	1,001,220.17
3130AKK21	1,000,000.00	0.194	12/08/2023	854.17	0.00	1,001,586.07	0.00	998,180.00	998,180.00
10644	TXSTAR	708	10/01/2020	2,113.89	12,345,882.63	3,259.52	5,000,000.00	-4,996,740.48	7,349,142.15
SYS10644	7,349,142.15	0.010	//	3,259.52	12,345,882.63	3,259.52	5,000,000.00	-4,996,740.48	7,349,142.15
<b>Sub Totals For: Fund: 2019 CO - Steets</b>				12,644.11	15,845,882.63	3,806,033.77	7,500,000.00	-3,694,237.00	12,151,645.63
				12,408.13	15,842,627.63	3,806,033.77	7,500,000.00	-3,696,692.26	12,145,935.37
<b>Fund: 2017 CO General Capi</b>									
10586	TXSTAR	709	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10586	0.00	0.133	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: 2017 CO General Capi</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: 2020 CO General Capi</b>									
10691	FHLB	710	02/05/2021	1,638.89	0.00	1,001,600.00	0.00	1,001,230.89	1,001,230.89
3130AKK21	1,000,000.00	0.193	12/08/2023	854.17	0.00	1,001,600.00	0.00	998,180.00	998,180.00
10708	FHLB	710	07/29/2021	296.22	0.00	400,000.00	0.00	400,000.00	400,000.00
3130AND72	400,000.00	0.430	04/29/2024	0.00	0.00	400,000.00	0.00	399,884.00	399,884.00
10683	TXSTAR	710	11/30/2020	1,050.65	0.00	10,001,397.46	0.00	5,001,397.46	5,001,397.46
SYS10683	5,001,397.46	0.010	//	1,397.46	0.00	10,001,397.46	0.00	5,001,397.46	5,001,397.46
10686	FFCB	710	01/12/2021	863.33	0.00	999,700.00	0.00	999,807.92	999,807.92
3133EMML3	1,000,000.00	0.135	01/12/2023	600.00	0.00	999,700.00	0.00	999,270.00	999,270.00
10692	FFCB	710	02/16/2021	1,250.00	0.00	999,500.00	0.00	999,604.17	999,604.17
3133EMQM7	1,000,000.00	0.216	02/16/2024	1,000.00	0.00	999,500.00	0.00	995,140.00	995,140.00
<b>Sub Totals For: Fund: 2020 CO General Capi</b>				5,099.09	0.00	13,402,197.46	0.00	8,402,040.44	8,402,040.44
				3,851.63	0.00	13,402,197.46	0.00	8,393,871.46	8,393,871.46
<b>Fund: 2021 CO General Capi</b>									

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Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
10702	FFCB	711	06/30/2021	151.67	0.00	500,000.00	0.00	500,128.34	500,128.34
3133EMMU3	500,000.00	0.119	04/13/2022	0.00	0.00	500,000.00	0.00	500,423.34	500,423.34
10693	TXSTAR	711	02/01/2021	161.33	0.00	4,250,194.11	0.00	2,250,194.11	2,250,194.11
SYS10693	2,250,194.11	0.010	//	194.11	0.00	4,250,194.11	0.00	2,250,194.11	2,250,194.11
10697	FNMA	711	03/10/2021	1,395.83	0.00	1,000,953.70	0.00	1,000,725.49	1,000,725.49
3135G05G4	1,000,000.00	0.209	07/10/2023	833.33	0.00	1,000,953.70	0.00	1,000,500.00	1,000,500.00
10699	FFCB	711	04/07/2021	1,450.00	0.00	998,900.00	0.00	999,080.40	999,080.40
3133EMTW2	1,000,000.00	0.337	03/18/2024	1,341.67	0.00	998,900.00	0.00	996,790.00	996,790.00
<b>Sub Totals For: Fund: 2021 CO General Capi</b>				3,158.83	0.00	6,750,047.81	0.00	4,750,128.34	4,750,128.34
				2,369.11	0.00	6,750,047.81	0.00	4,747,907.45	4,747,907.45
<b>Fund: Water 2007 CO</b>									
10066	TXPOOL	800	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10009	0.00	0.050	//	0.00	0.00	0.00	0.00	0.00	0.00
10135	TXSTAR	800	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10135	0.00	0.103	//	0.00	0.00	0.00	0.00	0.00	0.00
10333	NTHSTR	800	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10333	0.00	0.250	//	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Water 2007 CO</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Wastewater 2007 CO</b>									
10067	TXPOOL	801	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10009	0.00	0.035	//	0.00	0.00	0.00	0.00	0.00	0.00
10136	TXSTAR	801	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10136	0.00	0.031	//	0.00	0.00	0.00	0.00	0.00	0.00
10334	NTHSTR	801	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10334	0.00	0.250	//	0.00	0.00	0.00	0.00	0.00	0.00

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Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
<b>Sub Totals For: Fund: Wastewater 2007 CO</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: Drainage 2007 CO</b>									
10137	TXSTAR	802	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10137	0.00	0.090	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10458	NTHSTR	802	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10458	0.00	0.250	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10068	TXPOOL	802	10/01/2020	0.00	0.00	0.00	0.00	0.00	0.00
SYS10009	0.00	2.972	/ /	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: Fund: Drainage 2007 CO</b>				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund: 2016 CO WATER</b>									
10678	FHLMC	803	05/15/2020	466.67	250,000.00	0.00	250,000.00	-250,000.00	0.00
3134GVVV7	0.00	0.000	05/17/2022	754.16	249,985.00	0.00	250,000.00	-249,985.00	0.00
10696	FFCB	803	03/16/2021	338.54	0.00	500,000.00	0.00	500,000.00	500,000.00
3133EMTN2	500,000.00	0.125	09/16/2022	312.50	0.00	500,000.00	0.00	499,995.00	499,995.00
10704	FFCB	803	06/30/2021	315.97	0.00	999,738.86	0.00	999,781.83	999,781.83
3133EMMV1	1,000,000.00	0.142	01/13/2023	45.14	0.00	999,738.86	0.00	999,670.00	999,670.00
10712	FHLB	803	09/30/2021	1.11	0.00	199,678.79	0.00	199,695.86	199,695.86
3130ALFY5	200,000.00	0.273	12/15/2023	0.00	0.00	199,678.79	0.00	199,580.67	199,580.67
10602	FFCB	803	01/16/2018	2,139.00	399,888.40	0.00	400,000.00	-399,888.40	0.00
3133EH5G4	0.00	0.000	01/04/2021	4,140.00	401,828.00	0.00	400,000.00	-401,828.00	0.00
<b>Sub Totals For: Fund: 2016 CO WATER</b>				3,261.29	649,888.40	1,699,417.65	650,000.00	1,049,589.29	1,699,477.69
				5,251.80	651,813.00	1,699,417.65	650,000.00	1,047,432.67	1,699,245.67

Fund: 2019 CO - Water

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Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
10703	FFCB	806	06/30/2021	151.67	0.00	500,000.00	0.00	500,128.34	500,128.34
3133EMMU3	500,000.00	0.119	04/13/2022	0.00	0.00	500,000.00	0.00	500,423.34	500,423.34
10713	FHLB	806	09/30/2021	1.11	0.00	199,678.79	0.00	199,695.86	199,695.86
3130ALFY5	200,000.00	0.273	12/15/2023	0.00	0.00	199,678.79	0.00	199,580.67	199,580.67
10709	FHLB	806	07/29/2021	222.17	0.00	300,000.00	0.00	300,000.00	300,000.00
3130AND72	300,000.00	0.430	04/29/2024	0.00	0.00	300,000.00	0.00	299,913.00	299,913.00
10677	FHLMC	806	05/15/2020	933.33	500,000.00	0.00	500,000.00	-500,000.00	0.00
3134GVVV7	0.00	0.000	05/17/2022	1,508.34	499,970.00	0.00	500,000.00	-499,970.00	0.00
10679	FREDIE	806	07/20/2020	2,568.89	1,000,000.00	0.00	1,000,000.00	-1,000,000.00	0.00
3134GV6H6	0.00	0.000	10/20/2022	3,200.00	1,000,520.00	0.00	1,000,000.00	-1,000,520.00	0.00
10676	FHLMC	806	05/18/2020	1,103.47	500,000.00	0.00	500,000.00	-500,000.00	0.00
3134GVVY1	0.00	0.000	11/18/2022	1,750.00	500,050.00	0.00	500,000.00	-500,050.00	0.00
10700	FHLB	806	05/28/2021	1,315.42	0.00	1,000,000.00	0.00	1,000,000.00	1,000,000.00
3130AMPD8	1,000,000.00	0.385	05/28/2024	0.00	0.00	1,000,000.00	0.00	999,580.00	999,580.00
10706	FFCB	806	07/23/2021	850.00	0.00	1,002,400.00	0.00	1,002,248.89	1,002,248.89
3133EMV25	1,000,000.00	0.369	07/23/2024	0.00	0.00	1,002,400.00	0.00	998,730.00	998,730.00
10645	TXSTAR	806	10/01/2020	687.40	3,106,333.61	981.75	2,000,000.00	-1,999,018.25	1,107,315.36
SYS10645	1,107,315.36	0.010	/ /	981.75	3,106,333.61	981.75	2,000,000.00	-1,999,018.25	1,107,315.36
<b>Sub Totals For: Fund: 2019 CO - Water</b>				7,833.46	5,106,333.61	3,003,060.54	4,000,000.00	-996,945.16	4,109,388.45
				7,440.09	5,106,873.61	3,003,060.54	4,000,000.00	-1,001,331.24	4,105,542.37
<b>Report Grand Totals:</b>				145,545.34	45,712,700.30	67,657,762.62	46,632,475.54	13,960,379.57	59,673,079.87
				51,973.70	45,720,383.04	67,657,762.62	46,632,475.54	13,933,658.81	59,654,041.85

Portfolio CITY



# City of Corinth, Texas

## ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2021*



### APPENDIX A

#### Hilltop Securities Portfolio Assessment



**City of Corinth, Texas**  
Annual Investment Review  
For the year ending September 30, 2021

*Fund Groups Included: Consolidated, Eco Development, Crime Control and Street Maintenance Tax.*

**Documents Necessary for Completion of Review:**

- ✓ Annual Investment Report (Qtr)
- ✓ Quarterly Investment Reports
- ✓ Sympro Portfolio Management Reports
- ✓ Collateral Confirmation Reports

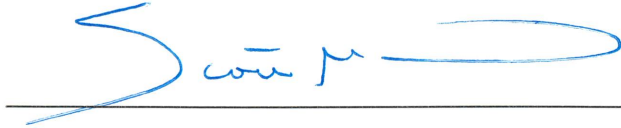
**Policy Requirements:**

- ✓ Unless matched to a specific cash flow, the City may not invest in a security maturing more than three (3) years from the date of purchase.
- ✓ The entire City portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred and sixty-five (365) days.
- ✓ Portfolio Limitations: U.S. Treasuries-100%; U.S. Agencies-100%; *Investment Pools (per pool)*-50%; Repurchase Agreements-25%; CD's-50%, Money Market Funds (per fund)-50%; Local Government Obligations-10%; Treasury and Agency Callables 30%.
- ✓ All deposits (including CD's and Repurchase Agreements) shall be secured by pledged collateral with market value no less than 102% of the principal plus accrued interest less an amount insured by FDIC.
- ✓ Collateral will be reviewed monthly to ensure the market value of the securities pledged exceeds investments.
- ✓ The City may not invest in any single money market fund, a dollar amount that exceeds 10% of the total assets of that fund.
- ✓ Business with any single security type or any one financial institution may not exceed 40%.

**Report Mechanics:**

- ✓ Par, Cost, Book, and Market Value = amounts on the Sympro Portfolio Report.
- ✓ Security prices checked and reasonable.
- ✓ Percentage of Market Value to Book Value looks reasonable.
- ✓ Summary totals agree to totals of Reconciliation.
- ✓ WAM looks reasonable according to Sales & Purchases, Fund Type, & Policy.
- ✓ Change to Market Value and WAM agree to Quarterly reconciliation change to value + Sales and Purchases Change.
- ✓ Review and question any major changes in Change to Market Value or WAM on Book and Market Report.

- ✓ Check ending totals and WAM to Sympro Report.
- ✓ Review Purchases and Sales for compliance with Policy.
- ✓ All securities are recorded in proper categories.
- ✓ Randomly agree beginning book/market to ending prior quarter.
- ✓ Review concentration of broker transactions.
- ✓ Sign Page 1 and return the original to Lee Ann Bunselmeyer.



---

Scott McIntyre, CFA  
Managing Director



**City of Corinth, Texas**  
**Portfolio Exceptions**  
**Quarter Ending September 30, 2021**  
*Fund Groups Included: Consolidated, Eco Development, Crime Control and Street Maintenance Tax.*

The following exception(s) were noted during our review of the above-captioned investment report:

*There were no exceptions noted.*

The new report set is very well done.

  
\_\_\_\_\_  
Scott D. McIntyre, CFA  
Managing Director  
Hilltop Securities Asset Management, LLC

11/19/21  
\_\_\_\_\_  
Date



**City of Corinth, Texas**  
**Portfolio Assessment**  
Quarter Ending September 30, 2021

*Fund Groups Included: Consolidated, Eco Development, Crime Control and Street Maintenance Tax.*

- The Fed has held the overnight target rate effectively at 0.00% since March 2020. Rapidly rising inflation expectations indicate the Fed will likely begin tightening in the late second half of next year.
- The City's consolidated portfolio yield was 0.25% at quarter end. This is approximately 21 basis points above the six-month trailing average of the six-month Treasury bill.
- The portfolio average maturity of approximately eight months suggest the City is well positioned for the shift in monetary policy.
- There was no undue credit risk assumed; no direct or indirect exposure to foreign markets, leverage or speculation in any of the portfolios.
- Bank deposits are adequately secured through a Federal Home Loan Bank (FHLB) standby letter of credit in the amount of \$15 million, expiring 8/2/2022.
- The portfolio strategy and investment management appear prudent, and investment reporting appears accurate.

A handwritten signature in blue ink, appearing to read "Scott D. McIntyre". The signature is written over a horizontal line.

Scott D. McIntyre, CFA  
Managing Director

A handwritten date "11/19/21" in blue ink, written over a horizontal line.

Date



**CITY OF CORINTH**  
**Staff Report**

<b>Meeting Date:</b>	12/16/2021 <b>Title:</b> Investment Policy
<b>Ends:</b>	<input type="checkbox"/> Resident Engagement <input checked="" type="checkbox"/> Proactive Government <input type="checkbox"/> Organizational Development  <input type="checkbox"/> Health & Safety <input type="checkbox"/> Regional Cooperation <input type="checkbox"/> Attracting Quality Development
<b>Governance Focus:</b>	<i>Focus:</i> <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Customer <input type="checkbox"/> Stakeholder
	<i>Decision:</i> <input type="checkbox"/> Governance Policy <input checked="" type="checkbox"/> Ministerial Function

**Item/Caption**

Consider and act on the Investment policies for the City of Corinth, Economic Development Corporation, Fire Control, Prevention and Emergency Services District and the Crime Control & Prevention District.

**Item Summary/Background/Prior Action**

The policy establishes investment parameters and guidelines for the investment program in order to achieve the goals of safety, liquidity, diversification, rate-of-return, and public trust, and designates the authorized investment officer responsible for the daily investment activity by the City.

As part of the annual review process, staff reviews the policy and may recommend revisions to the existing policy, if needed. Recommended revision to the Investment policies is listed below.

1. City of Corinth Investment Policy
  - a. *Section X. D. Authorized Financial Dealers and Institutions:* Recommend removal of procedural requirements. Requirements have been removed from the Public Funds Investment Act.
  - b. *Section XI. B.1.b. Collateralization:* Recommend clarifying the authorization of FHLB Letters of Credit. Letters of credit are not securities and are not subject to market risk.
  
2. Economic Development Corporation Investment Policy
  - a. *Section X. D. - Authorized Financial Dealers and Institutions:* Recommend removal of procedural requirements. Requirements have been removed from the Public Funds Investment Act.
  - b. *Section VIII. C. Diversification:* Reduce investment instrument portfolio maximum for Fully Collateralized Certificates of Deposit from 75% to 50% to be consistent with City of Corinth policy.

- c. *Section VIII. C. Diversification:* Reduce investment instrument portfolio maximum for SEC Regulated No-Load Money Market Mutual Fund from 100% to 50% to be consistent with City of Corinth policy.
3. Fire Control, Prevention and Emergency Service District Investment Policy
- a. *Section X. D. Authorized Financial Dealers and Institutions:* Recommend removal of procedural requirements. Requirements have been removed from the Public Funds Investment Act.
- b. *Section XI. B.1.b. Collateralization:* Recommend clarifying the authorization of FHLB Letters of Credit. Letters of credit are not securities and are not subject to market risk.
- c. *Section VIII. C. Diversification:* Reduce investment instrument portfolio maximum for Fully Collateralized Certificates of Deposit from 75% to 50% to be consistent with City of Corinth policy.
- d. *Section VIII. C. Diversification:* Reduce investment instrument portfolio maximum for SEC Regulated No-Load Money Market Mutual Fund from 100% to 50% to be consistent with City of Corinth policy.
4. Corinth Crime Control and Prevention District Investment Policy
- a. *Section X. D. Authorized Financial Dealers and Institutions:* Recommend removal of procedural requirements. Requirements have been removed from the Public Funds Investment Act.
- b. *Section XI. B.1.b. Collateralization:* Recommend clarifying the authorization of FHLB Letters of Credit. Letters of credit are not securities and are not subject to market risk.
- c. *Section VIII. C. Diversification:* Reduce investment instrument portfolio maximum for Fully Collateralized Certificates of Deposit from 75% to 50% to be consistent with City of Corinth policy.
- d. *Section VIII. C. Diversification:* Reduce investment instrument portfolio maximum for SEC Regulated No-Load Money Market Mutual Fund from 100% to 50% to be consistent with City of Corinth policy.

### **Applicable Owner/Stakeholder Policy**

In accordance with Public Funds Investment Act, Chapter 2256 of the Texas Government Code, the city is required to annually adopt a formal written Investment Policy for the investment of public funds.

### **Staff Recommendation/Motion**

Staff recommends approval of the Investment Policies as presented.

## **CITY OF CORINTH, TEXAS INVESTMENT POLICY**

### **PREFACE**

It is the policy of the City of Corinth (the "City") that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate-of-return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for City funds. The City's portfolio shall be designed and managed in a manner responsive to the public trust and shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted investment policy. The City will invest public funds in a manner which will provide the maximum security and a market rate-of-return while meeting the daily cash flow demands of the City.

The City is required under the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) to adopt a formal written investment policy for the investment of public funds. These policies serve to satisfy the statutory requirement (specifically the Public Funds Investment Act, Chapter 2256 of the Texas Government Code [the Act]) to define, adopt and review a formal investment strategy and policy.



## I. PURPOSE

The purpose of this investment policy (the “policy”) is to set forth specific investment policy and strategy guidelines for the City in order to achieve the goals of safety, liquidity, rate-of-return, and public trust for all investment activities.

## II. SCOPE

The investment policy shall govern the investment of all financial assets considered to be part of the City and includes the following separately invested funds or fund types: Operating, Reserve, Bond, Special and Capital Project Funds and any other funds which have been contractually delegated to the City for management purposes. The City may add or delete funds as may be required by law, or for proper accounting procedures. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the City by outside agencies under retirement or deferred compensation programs. In addition to this policy, bond funds (including debt service and reserve funds) are governed by bond ordinances and are subject to the provisions of the Internal Revenue Code and applicable federal regulations governing the investment of bond proceeds. The City shall and will maintain responsibility for these funds to the extent required by: Federal and State law; the City Charter; and donor stipulations.

## III. INVESTMENT OBJECTIVES

Funds of the City shall be invested in accordance with all applicable Texas statutes, this policy and any other approved, written administrative procedures. The five objectives of the City’s investment activities shall be as follows (in the order of priority):

- A. Safety - Preservation and safety of Principal. Safety of principal invested is the foremost objective in the investment decisions of the City. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this policy, by qualifying the financial institutions with which the City will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the City’s investments.
- B. Liquidity - The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the City’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the City’s portfolio.
- C. Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure will reduce market cycle risk.
- D. Market Rate-of-Return (Yield) - The City’s investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate-of-return throughout budgetary and economic cycles. The City will not attempt to consistently attain an unrealistic above

market rate-of-return, as this objective will subject the overall portfolio to greater risk. Therefore, the City's rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.

- E. Public Trust** - The Investment Officer(s) shall avoid any transactions that might impair public confidence in the City's ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

#### **IV. INVESTMENT STRATEGY**

The City maintains a comprehensive and proactive cash management program which is designed to monitor and control all City funds to ensure maximum utilization and yield a market rate-of-return. The basic and underlying strategy of this program is that all of the City's funds are earning interest. It is the responsibility and obligation of the City to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as they now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investments as defined in Section VII of this policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification. The active management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The strategies for the City's investment activities shall be as follows:

##### **Strategy No. 1**

Diversifying the City's investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the City Council. An investment pool is a professionally managed portfolio of shared assets created to invest public funds jointly on behalf of the governmental entities that participate in the pool and whose investment objectives in order of priority match those objectives of the City. Fund withdrawals are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve desired diversification. The strategy of the City calls for the use of investment pools as a primary source of diversification and a supplemental source of liquidity. Funds that may be needed on a short-term basis but are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

**Strategy No. 2**

Building a ladder of authorized securities with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:

- A. It is straight-forward and easily understood;
- B. It will assure the City that it will capture a reasonable portion of the yield curve; and,
- C. It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

**Strategy No. 3**

Utilizing the services of a Professional Investment Advisor in order to maximize investment earnings and realize market opportunities when they become available. Other responsibilities of the Investment Advisor include, but are not limited to broker compliance, security selection, competitive bidding, investment reporting, and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940, as well as, with the Texas State Securities Board and shall adhere to the spirit and philosophy of this policy and avoid recommending or suggesting transactions outside the "Standard of Care" under this policy.

**Strategy No. 4**

The City will utilize five general investment strategies designed to address the unique characteristics of specific fund-types (detailed strategies are presented in Attachment A):

- A. Investment strategies for operating funds and pooled funds containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio which will experience minimal volatility during economic cycles.
- B. Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date(s).
- C. Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund.
- D. Investment strategies for special projects and capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.
- E. The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

**Strategy No. 5**

The City generally intends to hold all of its securities until they mature and will accomplish this by maintaining sufficient liquidity in its portfolio so that it does not need to sell a security early. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the City Manager must be obtained. Securities may be sold prior to maturity by the Director of Finance at or above their book value at any time, without the consent of the City Manager.

**Strategy No. 6**

All demand deposits of the City will be concentrated with one central depository. The City's depository procedure will maximize the City's ability to pool cash for investment purposes and provide more manageable banking relationships. In addition, depositories not holding demand deposits of the City may be eligible to bid on City investments.

**Strategy No. 7**

This policy shall further seek to maintain good depository bank relationships while minimizing the cost of banking services. The City will seek to maintain a depository contract which will be managed to a level that minimizes the cost of the banking relationship to the City, while allowing the City to earn an appropriate return on idle demand deposits.

**Strategy No. 8**

A single pooled fund group, as defined in this policy, may be utilized at the discretion of the Investment Officer(s). However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the City.

**Strategy No. 9**

Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

**V. FINANCE AUDIT COMMITTEE**

- A. Members** - There is hereby created a Finance Audit Committee consisting of the Mayor, two members of the City Council and two citizens appointed by the City Council. The Mayor will be a permanent member of the Committee. The other four members of the Committee will be appointed by the City Council to serve a two-year term and shall not exceed two successive terms. The Mayor and the two members of the City Council shall be voting members of the Committee. The Community Representative members shall be non-voting members of the Committee.
- B. Scope** - The Finance Audit Committee shall meet at least once per calendar quarter to determine general strategies and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized brokers and dealers, and the target rate-of-return on the investment portfolio.
- C. Procedures** - The Finance Audit Committee shall provide minutes of its meetings. Any two members of the Finance Audit Committee may request a special meeting, and a majority of the voting members shall constitute a quorum. The Finance Audit

Committee shall abide by the Rules of Procedure and Policies as set forth in Resolution 09-05-01-11, as amended, and the Charter of the City of Corinth.

## VI. RESPONSIBILITY AND STANDARD OF CARE

- A. The responsibility for the daily operation and management of the City's investments shall be outlined within this section.
1. Delegation of Authority - Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be authorized to deposit, withdraw, invest, transfer or manage the funds of the City and shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions. All persons involved in investment activities will be referred to in this policy as "Investment Officers." No persons may engage in investment transactions, except as provided under the terms of this policy and the procedures established by the Director of Finance.
  2. The Director of Finance shall assume responsibility for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officers. The system of controls shall be designed to provide reasonable assurance that ensures the assets of the City are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:
    - a. The cost of control should not exceed the benefits likely to be derived; and,
    - b. The valuation of costs and benefits requires estimates and judgments by management.
  3. The Director of Finance shall be designated as the primary Investment Officer for the City and shall be responsible for investment decisions and activities under the direction of the City Manager. The Director of Finance may delegate any phase of the investment program to a secondary Investment Officer. Both the Director of Finance and the designated secondary Investment Officer are responsible for daily investment decisions and activities. However, ultimate responsibility for investment decisions will rest with the Director of Finance.
- B. Prudence - The standard of prudence to be applied by the Investment Officer shall be the "prudent investor" rule, which states, "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." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:
1. The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
  2. The investment decision was consistent with the written investment policy and procedures of the City.

**C. Due Diligence** - The Director of Finance, designated secondary Investment Officer, Mayor, City Council, City Manager, other Finance employees and citizen committee members acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely manner and that appropriate action is taken to control adverse developments.

**D. Ethical Standards and Conflicts of Interest**

1. All City Investment Officials having a direct or indirect role in the investment of City funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.
  2. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the City shall file a statement disclosing that personal business interest.
  3. An Investment Officer has a personal business relationship with a business organization if:
    - a. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity owns 10% 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;
    - b. Funds received by the Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity from the business organization exceed 10% of the Investment Officers gross income for the prior year; or
    - c. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.
    - d. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.
- E. Training** - The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the City's investment personnel making investment decisions in compliance with the Public Funds Investment Act (PFIA). The Investment Officers and the Finance Audit Committee

members shall attend at least one training session containing at least 10 hours of instruction relating to the officer's responsibility under the PFIA within 12 months after assuming duties, and thereafter shall attend at least 8 hours of additional investment training in subsequent two-year periods which begin on the first day of the fiscal year and consist of the two consecutive fiscal years after that date. The Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments are approved as independent training sources by the City Council.

## VII. AUTHORIZED INVESTMENTS

- A. Generally** - Safety of principal is the primary objective in investing public funds and can be accomplished by limiting credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer to pay back principal and interest on a timely basis. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the City's primary objective, only certain investments are authorized as acceptable investments for the City. The following list of authorized investments for the City intentionally excludes some investments authorized by state law. These restrictions are intended to limit possible risk and provide the maximum measure of safety to City funds. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, the City is not required to liquidate investments that were authorized at the time of purchase.
- B. Authorized and Acceptable Investments** - The authorized list of investment instruments is as follows:
1. Obligations of the United States or its agencies and instrumentalities or any obligation fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), *excluding mortgage-backed securities*.
  2. Direct obligations of the State of Texas, or its agencies and instrumentalities, 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, excluding mortgage-related securities.
- C. Certificates of Deposit** - A certificate of deposit issued by a depository institution that has its main office or branch office in this state and is secured in accordance with the specific collateralization requirements contained in section XI.B of this policy. In addition, an investment in "bundled" or "shared" CDs made in accordance with the following conditions is permitted:
1. The funds are invested through a broker that has its main office or a branch office in this state selected from a list adopted by the City as required by Section 2256.025; or through a depository institution that has its main office or a branch office in this state and that is selected by the City;
  2. The selected broker or depository institution 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 City.

3. The full amount of the principal and accrued interest of each of the CD is insured by the United States or an instrumentality of the United States; and
  4. The City appoints the depository institution, a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3, or an entity described in the Public Funds Collateral Act, Section 2257.041(d), as custodian for the City with respect to those CDs issued for the City's account.
- D. Eligible Local Government Investment Pools** - AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less, individually approved by formal Council resolution, which invest in instruments and follow practices allowed by the current law as defined in Section 2256.016 of the Texas Government Code. The 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. A public funds investment pool created to function as a money market mutual fund must mark to market daily and, stabilize at a \$1 net asset value.
- E. Repurchase Agreements** - Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. This collateral must be pledged to the City and held in safekeeping with a third-party custodian approved by the City of Corinth. All collateral must be maintained at a market value of no less than the principal amount of the outstanding funds disbursed. All transactions shall be governed by signed Security Industry and Financial Markets Association, (SIFMA) Master Repurchase Agreement. Repurchase agreements must also be collateralized in accordance with State law as described in Section XI of this policy. Authorization under this section includes flexible repurchase agreements which may be used for specific investment of bond proceeds *but shall not include reverse repurchase agreements*.
- F. Bankers' Acceptances, and Commercial Paper (LIMITED USE)** - These investments are authorized for the City to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the City invests.
- G. AAA-rated SEC-Regulated 2a7 No-Load Money Market Mutual Funds** - An SEC-registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less whose assets consist exclusively of the assets described in section VII.A. and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share: furthermore, it provides the City with a prospectus and other information required by the SEC Act of 1934 or the Investment Advisor Act of 1940 and which provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 (15 USC Section 78a et. Seq.) or the Investment Company Act of 1990 (15 USC Section 80a-1 et. Seq.).
- H. Unauthorized Securities** - State law specifically prohibits investment in the following securities:



1. An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.
2. An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest.
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
4. Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

## VIII. DIVERSIFICATION

- A. Generally** - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U. S. Government, its agencies, or instrumentalities) as authorized in this policy, and authorized local government investment pools, no more than forty percent (40%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.
- B. Diversification by Maturities** - The longer the maturity of investments, the greater their price volatility. Therefore, it is the City's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. The City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow (including the anticipated cash flow requirements of bond proceeds within the temporary period), the City will not directly invest in securities maturing more than three (3) years from the date of purchase. However, the above described obligations, certificates, or agreements may be collateralized using longer date instruments. The City shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire City portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days.

- C. Diversification by Investment Instrument - Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	75%
Local Government Obligations	10%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	50%
U.S. Treasury & Agency Callables	30%

**IX. SECURITY SWAPS**

Security swaps may be considered as an investment option for the City. A swap out of one instrument into another is acceptable to increase yield, realign for disbursement dates, extend or shorten maturity dates and to improve market sector diversification. Swaps may be initiated by brokers/dealers who are on the City’s approved list. A horizon analysis is required for each swap proving benefit to the City before the trade decision is made, which will accompany the investment file for record keeping.

**X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

- A. The Director of Finance will maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list will also be maintained of approved broker/dealers authorized to provide investment services in the State of Texas. These will include financial institutions that qualify under Securities & Exchange Commission Rule 15-C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.
- B. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following, as appropriate: audited financial statements, proof of Financial Industry Regulatory Authority certification trading resolution, proof of State registration, completed broker/dealer questionnaire and certification of having read the City’s investment policy.
- C. The Finance Audit Committee shall be responsible for adopting the list of brokers and dealers of government securities. Their selection shall be among only primary government securities dealers that report directly to the New York Federal Reserve Bank, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The Finance Audit Committee shall base its evaluation of security dealers and financial institutions upon:
  1. Financial conditions, strength and capability to fulfill commitments;
  2. Overall reputation with other dealers or investors;

3. Regulatory status of the dealer;
  4. Background and expertise of the individual representatives.
- ~~D.~~ Investment Officers shall only conduct business with securities dealers approved by the Finance Audit Committee and will not purchase investments from any financial organization until the organization's registered principal has executed a written instrument stating that he or she has thoroughly reviewed the City's investment policy, and ~~acknowledges that reasonable procedures and controls have been implemented to preclude imprudent investment activities arising out of transactions between the organization and the City, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.~~
- E. To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should be limited to forty percent (40%) of the total portfolio at any point in time. In this way, bankruptcy, receivership or legal action would not immobilize the City's ability to meet payroll or other expenses.
- F. All investments (governments or bank C.D.'s) will be solicited on a competitive basis with at least three (3) institutions. The Finance Audit Committee can approve exceptions on a case by case basis or on a general basis in the form of guidelines. These guidelines shall take into consideration the investment type maturity date, amount, and potential disruptiveness to the City's investment strategy. The investment will be made with the broker/dealer offering the best yield/quality to the City. The quotes may be accepted orally, in writing, electronically, or any combination of these methods.
- G. An annual review of the financial condition and registrations of qualified financial organizations will be conducted by the Director of Finance.
- H. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.
- I. If the City has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the City. The advisor shall determine selection criteria and shall annually present a list of its authorized broker/dealers to the City for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the City's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the City. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the City as part of its standard trade documentation.

- J. It is the policy of the City that all security transactions entered into with the City shall be conducted on a “Delivery-versus-Payment” basis through the Federal Reserve System. By doing this, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The City shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of the City. The notification may be oral but shall be confirmed in writing.

## XI. SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping - All securities owned by the City shall be held by a third-party safekeeping agent selected by the City. The collateral for bank deposits will be held in the City’s name in the bank’s trust department, in a Federal Reserve Bank account in the City’s name, or third-party financial institutions doing business in the state of Texas, in accordance with state law. Original safekeeping receipts shall be obtained and held by the City. The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure time deposits.
- B. Collateralization - Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank. The market value of the investments securing the deposit of funds shall be at least equal to 102% of the amount of the deposits of funds reduced to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The agreement is to specify the acceptable investment securities as collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. The safekeeping agreement must clearly state that the safekeeping bank is instructed to release purchased and collateral securities to the City in the event the City has determined that the depository bank has failed to pay on any matured investments in certificates of deposit, or has determined that the funds of the City are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of ownership, e.g., safekeeping receipt, must be supplied to the City and retained by the City.
1. The City may accept the following to insure or collateralize bank deposits:
    - 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. United States Treasuries & Agencies, including FHLB letters of credit (LOCs) in an amount not less than the value of the deposits, plus accrued interest.
    - c. Other securities as approved by the Finance Audit Committee
  2. For certificates of deposit and other evidences of deposit, collateral shall be at 102% of market value. The market value of collateral will always equal or exceed 102% of the principal plus accrued interest of deposits at financial institutions.
  3. Financial institutions with which the City invests or maintains other deposits shall

provide monthly, and as requested by the Investment Officer, a listing of the collateral pledged to the City, marked to current market prices. The listing shall include total pledged securities itemized by name, type, description, par value, current market value, maturity date, and Moody's or Standard & Poor's rating, if applicable. The City and the financial institution shall jointly assume the responsibility for ensuring that the collateral is sufficient.

**C. Collateralized Deposits** - Consistent with the requirements of State law, the City requires all bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as City depositories will be required to sign a "Depository Agreement" with the City and the City's safekeeping agent. The collateralized deposit portion of the Agreement shall define the City's rights to the collateral in the event of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

1. Agreement must be in writing;
2. Agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
3. Agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
4. Agreement must be part of the Depository's "official record" continuously since its execution.

## **XII. INTERNAL CONTROL**

The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this policy. The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to the City's established investment policy.

## **XIII. PERFORMANCE**

The City's investment portfolio shall be designed to obtain a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the City. This investment policy establishes "weighted average yield to maturity" as the standard portfolio performance measurement.

## **XIV. REPORTING**

**A. Quarterly** - The Director of Finance shall prepare and submit a signed quarterly investment report to the Finance Audit Committee that summarizes current market conditions, economic developments, and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter and

describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter. The City shall also monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research, or with the assistance of broker-dealers, investment advisors, banks or safekeeping agents.

- B. Annual Report** - Within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Manager and City Council. The quarterly reports prepared by the Director of Finance shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.
- C. Methods** - The quarterly and annual investment reports shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will be provided to the City Council. The report will include the following:
1. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
  2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
  3. Additions and changes to the market value during the period;
  4. Fully accrued interest for the reporting period;
  5. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
  6. Listing of investments by maturity date;
  7. The percentage of the total portfolio which each type of investment represents; and
  8. Statement of compliance of the City's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
  9. Market yield benchmark comparison of the average 90-day U. S. Treasury Bill auction yield during the reporting period.

10. The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Director of Finance shall oversee the filing and/or storing of investment records.

**XV. INVESTMENT POLICY ADOPTION AND AMENDMENT**

The City's investment policy shall be adopted and amended by resolution of the City Council only. The City's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the City. The City Council, not less than annually, shall adopt a written instrument 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 policy or strategies.

## Attachment A

### CITY OF CORINTH, TEXAS Investment Strategy Statement

#### Operating Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Operating Funds.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to three years, the price volatility of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. Short-term investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
5. Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
6. Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury-bill portfolio will be the minimum yield objective.

#### Reserve Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the investment policy.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the City's debt is redeemed and the Reserve Fund liquidated. The fund shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or three years. Annual mark-to-market requirements or specific maturity and average life limitations within the borrowing's documentation will influence the



attractiveness of market risk and reduce the opportunity for maturity extension.

3. Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
4. Liquidity - Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the City's debt holders. The funds are "returned" to the City at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the City is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
5. Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.
6. Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the investment policy's risk constraints.

#### **Special Project and Capital Project Funds**

1. Suitability - Any investment eligible in the investment policy is suitable for Special Project and Capital Project Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market fluctuations will however occur, by restricting the maximum maturity to three years, managing the weighted average days to less than 270 days, restricting the maximum allowable maturity to two years, and by managing Special Project and Capital Project Funds to balance the short term and long term anticipated cash flow requirements of the plant or equipment being depreciated, replaced or repaired, the market risk of the Fund portfolio will be minimized.
3. Marketability - The balancing of short-term and long-term cash flow needs requires the short-term portion of the Special Project and Capital Project Funds portfolio to have securities with active and efficient secondary markets. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market. Securities with less active and efficient secondary markets are acceptable for the long-term portion of the portfolio.
4. Liquidity - Special Project and Capital Project Funds used as part of a CIP plan or scheduled repair and replacement program are reasonably predictable. However unanticipated needs or emergencies may arise. Selecting Investment maturities that provide greater cash flow than the anticipated needs will reduce the liquidity risk of unanticipated expenditures.

5. Diversification - Investment maturities should blend the short-term and long-term cash flow needs to provide adequate liquidity and yield enhancement and stability. A “barbell” maturity ladder may be appropriate.
6. Yield - Attaining a competitive market yield for comparable security-types and portfolio structures is the desired objective. The yield of an equally weighted, rolling six-month treasury-bill portfolio will be the minimum yield objective.

### **Bond Funds**

1. Suitability - Any investment eligible in the investment policy is suitable for Bond Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing Bond Funds to not exceed the shorter of three years or the anticipated expenditure schedule and maintaining a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days the market risk of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity - Bond Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds will provide readily available funds generally equal to one month’s anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.
5. Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the City is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.
6. Yield - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the investment policy’s risk constraints. The yield of an equally weighted, rolling six-month treasury-bill portfolio will be the minimum yield objective for non-borrowed funds.

**Attachment B**

CITY OF CORINTH, TEXAS  
Investment Policy

[SAMPLE]  
TEXAS PUBLIC FUNDS INVESTMENT ACT  
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the City of Corinth, Texas (the "City") and \_\_\_\_\_ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") in connection with investment transactions conducted between the City and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code; and
2. The Qualified Representative of the Business Organization has received and reviewed the investment policy furnished by the City; and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the City that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of Business Organization

Firm: \_\_\_\_\_

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CITY OF CORINTH, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION  
INVESTMENT POLICY**

**PREFACE**

It is the policy of the City of Corinth the “City” and the Corinth Economic Development Corporation (the "EDC") that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate of return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for EDC funds. The EDC’s portfolio shall be designed and managed in a manner responsive to the public trust and shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted investment policy. The EDC will invest public funds in a manner which will provide the maximum security and a market rate of return while meeting the daily cash flow demands of the EDC.

The EDC is required under the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) to adopt a formal written investment policy for the investment of public funds. These policies serve to satisfy the statutory requirement (specifically the Public Funds Investment Act, Chapter 2256 of the Texas Government Code [the Act]) to define, adopt and review a formal investment strategy and policy.

## I. PURPOSE

The purpose of this investment policy (the “policy”) is to set forth specific investment policy and strategy guidelines for the EDC in order to achieve the goals of safety, liquidity, rate-of-return, and public trust for all investment activities.

## II. SCOPE

The investment policy shall govern the investment of all financial assets considered to be part of the EDC and includes the following separately invested funds or fund types: Operating, Reserve, and Bond Funds, although the EDC has only operating funds. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the EDC by outside agencies under retirement or deferred compensation programs. The City shall and will maintain responsibility for these funds to the extent required by: Federal and State law; the City Charter; and donor stipulations.

## III. INVESTMENT OBJECTIVES

Funds of the EDC shall be invested in accordance with all applicable Texas statutes, this policy and any other approved, written administrative procedures. The five objectives of the EDC’s investment activities shall be as follows (in the order of priority):

- A. Safety – Preservation and safety of Principal. Safety of principal invested is the foremost objective in the investment decisions of the EDC. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this policy, by qualifying the financial institutions with which the EDC will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the EDC’s investments.
- B. Liquidity - The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the EDC’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the EDC’s portfolio.
- C. Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the EDC. Diversifying the appropriate maturity structure will reduce market cycle risk.
- D. Market Rate-of-Return (Yield) - The EDC’s investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate-of-return throughout budgetary and economic cycles. The EDC will not attempt to consistently attain an unrealistic above market rate-of-return, as this objective will subject the overall portfolio to greater risk. Therefore, the EDC’s rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.
- E. Public Trust - The Investment Officer(s) shall avoid any transactions that might impair public confidence in the EDC’s ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market

volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

**IV. INVESTMENT STRATEGY**

The City maintains a comprehensive and proactive cash management program which is designed to monitor and control all EDC funds to ensure maximum utilization and yield a market rate of return. The basic and underlying strategy of this program is that all of the EDC's funds are earning interest. It is the responsibility and obligation of the City to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as they now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investments as defined in Section VII of this policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification. The active management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The strategies for the EDC's investment activities shall be as follows:

**Strategy No. 1**

Diversifying the EDC's investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the EDC Board, and the City Council. An investment pool is a professionally managed portfolio of shared assets created to invest public funds jointly on behalf of the governmental entities that participate in the pool and whose investment objectives in order of priority match those objectives of the EDC. Fund withdrawals are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve desired diversification. The strategy of the EDC calls for the use of investment pools as a primary source of diversification and a supplemental source of liquidity. Funds that may be needed on a short-term basis but are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

**Strategy No. 2**

Building a ladder of authorized securities with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:

- A. It is straight-forward and easily understood;
- B. It will assure the EDC that it will capture a reasonable portion of the yield curve; and,
- C. It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

**Strategy No. 3**

Utilizing the services of a Professional Investment Advisor in order to maximize investment earnings and realize market opportunities when they become available. Other responsibilities of the Investment Advisor include, but are not limited to broker compliance,

security selection, competitive bidding, investment reporting, and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board and shall adhere to the spirit and philosophy of this policy and avoid recommending or suggesting transactions outside the "Standard of Care" under this policy.

**Strategy No. 4**

The EDC will utilize a general investment strategy designed to address the unique characteristics of specific fund-types (detailed strategies are presented in Attachment A):

- A. Investment strategies for operating funds and pooled funds containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio which will experience minimal volatility during economic cycles.
- B. Investment strategies for reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund.
- C. Investment strategies for special projects and capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.
- D. The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

**Strategy No. 5**

The EDC generally intends to hold all of its securities until they mature and will accomplish this by maintaining sufficient liquidity in its portfolio so that it does not need to sell a security early. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the EDC Executive Director, or the City Manager must be obtained. Securities may be sold prior to maturity by the Director of Finance at or above their book value at any time, without the consent of the City Manager.

**Strategy No. 6**

All demand deposits of the EDC will be concentrated with one central depository, so long as, the FDIC insurance limits are not exceeded. The City's depository procedure will maximize the EDC's ability to pool cash for investment purposes, and provide more manageable banking relationships. In addition, depositories not holding demand deposits of the EDC may be eligible to bid on EDC investments.

**Strategy No. 7**

This policy shall further seek to maintain good depository bank relationships while minimizing the cost of banking services. The City will seek to maintain a depository contract which will be managed to a level that minimizes the cost of the banking relationship to the EDC, while allowing the EDC to earn an appropriate return on idle demand deposits.

**Strategy No. 8**

A single pooled fund group of EDC funds, as defined in this policy, may be utilized at the discretion of the Investment Officer. However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the EDC.

**Strategy No. 9**

Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

**V. FINANCE AUDIT COMMITTEE**

- A. Members** – There is hereby created a Finance Audit Committee consisting of the Mayor, two members of the City Council and two citizens appointed by the City Council. The Mayor will be a permanent member of the Committee. The other four members of the Committee will be appointed by the City Council to serve a two-year term and shall not exceed two successive terms. The Mayor and the two members of the City Council shall be voting members of the Committee. The Community Representative members shall be non-voting members of the Committee.
- B. Scope** – The Finance Audit Committee shall meet at least once per calendar quarter to determine general strategies and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the EDC's funds, authorized brokers and dealers, and the target rate-of-return on the investment portfolio.
- C. Procedures** – The Finance Audit Committee shall provide minutes of its meetings. Any two members of the Finance Audit Committee may request a special meeting and a majority of the voting members shall constitute a quorum. The Finance Audit Committee shall abide by the Rules of Procedure and Policies as set forth in Resolution 09-05-01-11, as amended, and the Charter of the City of Corinth.

**VI. RESPONSIBILITY AND STANDARD OF CARE**

- A.** The responsibility for the daily operation and management of the EDC's investments shall be outlined within this section.
- 1. Delegation of Authority** - Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be authorized to deposit, withdraw, invest, transfer or manage the funds of the City and shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions. All persons involved in investment activities will be referred to in this policy as "Investment Officers." No persons may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance.
  - 2.** The Director of Finance shall assume responsibility for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officials. The system of controls shall be designed to provide reasonable assurance that ensures the assets of the City are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:



- a. The cost of control should not exceed the benefits likely to be derived; and,
  - b. The valuation of costs and benefits requires estimates and judgments by management.
3. The Director of Finance shall be designated as the primary Investment Officer for the City and shall be responsible for investment decisions and activities under the direction of the City Manager. The Director of Finance may delegate any phase of the investment program to a secondary Investment Officer. Both the Director of Finance and the designated secondary Investment Officer are responsible for daily investment decisions and activities. However, ultimate responsibility for investment decisions will rest with the Director of Finance.
- B. Prudence** - The standard of prudence to be applied by the Investment Officer shall be the "prudent investor" rule, which states, "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." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:
1. The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
  2. The investment decision was consistent with the written investment policy and procedures of the EDC.
- C. Due Diligence** - The Director of Finance, designated secondary Investment Officer, Mayor, City Council, City Manager, other Finance employees and the citizen committee members acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely manner and that appropriate action is taken to control adverse developments.
- D. Ethical Standards and Conflicts of Interest**
1. All EDC Investment Officers having a direct or indirect role in the investment of EDC funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.
  2. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the EDC shall file a statement disclosing that personal business interest.
  3. An Investment Officer has a personal business relationship with a business organization if:

- a. The Investment Officer or person related to the Investment Officer by the second degree of affinity or consanguinity owns 10% 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;
  - b. Funds received by the Investment Officer or person related to the investment officer by the second degree of affinity or consanguinity from the business organization exceed 10% of the Investment Officer's gross income for the prior year; or
  - c. The Investment Officer or person related to the Investment Officer by the second degree of affinity or consanguinity has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.
  - d. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the EDC shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.
- E. Training - The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the EDC's investment personnel making investment decisions in compliance with Public Funds Investment Act (PFIA). The Investment Officers and Finance Audit Committee members shall attend at least one training session containing at least 10 hours of instruction relating to the officer's responsibility under the PFIA within 12 months after assuming duties, and thereafter shall attend at least 8 hours of additional investment training in subsequent two-year periods which begin on the first day of the fiscal year and consist of the two consecutive fiscal years after that date. The Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments are approved as independent training sources by the City Council.

## VII. AUTHORIZED INVESTMENTS

- A. Generally - Safety of principal is the primary objective in investing public funds and can be accomplished by limiting credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer to pay back principal and interest on a timely basis. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the EDC's primary objective, only certain investments are authorized as acceptable investments for the EDC. The following list of authorized investments for the EDC intentionally excludes some investments authorized by state law. These restrictions are intended to limit possible risk and provide the maximum measure of safety to EDC funds. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, the EDC is not required to liquidate investments that were authorized at the time of purchase.
- B. Authorized and Acceptable Investments - The authorized list of investment instruments is as follows:

1. Obligations of the United States or its agencies and instrumentalities, or any obligation fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), *excluding mortgage-backed securities*.
  2. Direct obligations of the State of Texas, or its agencies and instrumentalities, 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, excluding mortgage-related securities.
- C. Certificates of Deposit – A certificate of deposit issued by a depository institution that has its main office or branch office in this state, and is secured in accordance with the specific collateralization requirements contained in section XI, B of this policy. –In addition, an investment in "bundled" or "shared" CDs made in accordance with the following conditions is permitted:
1. The funds are invested through a broker that has its main office or a branch office in this state selected from a list adopted by the City as required by Section 2256.025; or through a depository institution that has its main office or a branch office in this state and that is selected by the City;
  2. The selected broker or depository institution 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 City.
  3. The full amount of the principal and accrued interest of each of the CD is insured by the United States or an instrumentality of the United States;
  4. The City appoints the depository institution, a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3, or an entity described in the Public Funds Collateral Act, Section 2257.041(d), as custodian for the City with respect to those CDs issued for the City's account.
- D. Eligible Local Government Investment Pools - AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less, individually approved by formal Council resolution, which invest in instruments and follow practices allowed by the current law as defined in Section 2256.016 of the Texas Government Code. The 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. A public funds investment pool created to function as a money market mutual fund must mark to market daily and, stabilize at a \$1 net asset value.
- E. Repurchase Agreements - Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. This collateral must be pledged to the EDC and held in safekeeping with a third-party custodian approved by the City. All collateral must be maintained at a market value of no less than the principal amount of the outstanding funds disbursed. All transactions shall be governed by signed Security Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. Repurchase agreements must also be collateralized in accordance with State law as described in Section XI of this policy. Authorized under this section includes flexible repurchase agreements which may be

used for specific investment of bond proceeds but *shall not include reverse purchase agreements*.

- F. Bankers' Acceptances, and Commercial Paper (LIMITED USE)** - These investments are authorized for the EDC to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the EDC invests.
- G. AAA-rated SEC-Regulated 2a7 No-Load Money Market Mutual Funds** - An SEC-registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less whose assets consist exclusively of the assets described in section VII.A and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share: furthermore, it provides the EDC with a prospectus and other information required by the SEC Act of 1934 or the Investment Advisor Act of 1940 and which provides the EDC with a prospectus and other information required by the Securities Exchange Act of 1934 (15 USC. Section 78a et. Seq.) & the Investment Company Act of 1990 (15 USC Section 80a-1 et. Seq.).
- H. Unauthorized Securities** - State law specifically prohibits investment in the following securities:
1. An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.
  2. An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest.
  3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
  4. Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

## VIII. DIVERSIFICATION

- A. Generally** - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U. S. Government, its agencies, or instrumentalities) as authorized in this policy, and authorized local government investment pools, no more than forty percent (40%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.
- B. Diversification by Maturities** - The longer the maturity of investments, the greater their price volatility. Therefore, it is the EDC's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. The EDC will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow (including the anticipated cash flow requirements of bond proceeds within the temporary period), the EDC will not directly invest in securities maturing more than two (2) years from the date of purchase. However, the above described obligations, certificates, or agreements may be

collateralized using longer date instruments. The EDC shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire EDC portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than two hundred seventy (270) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days.

- C. Diversification by Investment Instrument - Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	75%
Local Government Obligations	10%
Fully Insured Certificates of Deposit	75% 50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	100% 50%
U.S. Treasury & Agency Callables	30%

**IX. SECURITY SWAPS**

Security swaps may be considered as an investment option for the EDC. A swap out of one instrument into another is acceptable to increase yield, realign for disbursement dates, extend or shorten maturity dates and improve market sector diversification. Swaps may be initiated by brokers/dealers who are on the City’s approved list. A horizon analysis is required for each swap proving benefit to the EDC before the trade decision is made, which will accompany the investment file for record keeping.

**X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

- A. The Director of Finance will maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list will also be maintained of approved broker/dealers authorized to provide investment services in the State of Texas. These will include financial institutions that qualify under Securities & Exchange Commission Rule 15-C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.
- B. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following, as appropriate: audited financial statements, proof of Financial Industry Regulatory Authority certification, trading resolution, proof of State registration, completed broker/dealer questionnaire and certification of having read the EDC’s investment policy.
- C. The Finance Audit Committee shall be responsible for adopting the list of brokers and dealers of government securities. Their selection shall be among only primary

government securities dealers that report directly to the New York Federal Reserve Bank, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The Finance Audit Committee shall base its evaluation of security dealers and financial institutions upon:

1. Financial conditions, strength and capability to fulfill commitments;
  2. Overall reputation with other dealers or investors;
  3. Regulatory status of the dealer;
  4. Background and expertise of the individual representatives.
- D.** Investment Officers shall only conduct business with securities dealers approved by the Finance Audit Committee and will not purchase investments from any financial organization until the organization's registered principal has executed a written instrument stating that he or she has thoroughly reviewed the EDC's investment policy ~~and acknowledges that reasonable procedures and controls have been implemented to preclude imprudent investment activities arising out of transactions between the organization and the EDC, except to the extent that this authorization is dependent on an analysis of the makeup of the EDC's entire portfolio or requires an interpretation of subjective investment standards.~~
- E.** To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should be limited to forty percent (40%) of the total portfolio at any point in time. In this way, bankruptcy, receivership or legal action would not immobilize the EDC's ability to meet payroll or other expenses.
- F.** All investments (governments or bank C.D.'s) will be solicited on a competitive basis with at least three (3) institutions. The Finance Audit Committee can approve exceptions on a case by case basis or on a general basis in the form of guidelines. These guidelines shall take into consideration the investment type maturity date, amount, and potential disruptiveness to the EDC's investment strategy. The investment will be made with the broker/dealer offering the best yield/quality to the EDC. The quotes may be accepted orally, in writing, electronically, or any combination of these methods.
- G.** An annual review of the financial condition and registrations of qualified financial organizations will be conducted by the Director of Finance.
- H.** A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the EDC invests.
- I.** If the City has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the EDC. The advisor shall determine selection criteria and shall annually present a list of its authorized broker/dealers to the City for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the EDC's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the EDC. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the City as part of its standard trade documentation.

- J. It is the policy of the City that all security transactions entered into with the EDC shall be conducted on a “Delivery-versus-Payment” basis through the Federal Reserve System. By doing this, EDC funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The City shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of the EDC. The notification may be oral, but shall be confirmed in writing.

## XI. SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping - All securities owned by the EDC shall be held by a third-party safekeeping agent selected by the EDC’s Investment Officer. Bank deposits will be held in the EDC’s name in the bank’s trust department, in a Federal Reserve Bank account in the EDC’s name, or third-party financial institutions doing business in the state of Texas, in accordance with state law. Original safekeeping receipts shall be obtained and held by the City and the EDC. The City and the EDC shall contract with a bank or banks for the safekeeping of securities either owned by the EDC as part of its investment portfolio or held as collateral to secure time deposits, if collateralized time deposits are specifically authorized by the board.
- B. Collateralized Deposits - Consistent with the requirements of State law, the EDC requires all bank deposits to be federally insured. If the board and the City do agree that collateralized accounts are acceptable in specific situations the provisions above may be amended for EDC accounts.

## XII. INTERNAL CONTROL

The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this policy. The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to the EDC’s established investment policy.

## XIII. PERFORMANCE

The EDC’s investment portfolio shall be designed to obtain a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the EDC. This investment policy establishes “weighted average yield to maturity” as the standard portfolio performance measurement.

## XIV. REPORTING

- A. Quarterly - The Director of Finance shall prepare and submit a signed quarterly investment report to the Economic Development Board and the Finance Audit Committee that summarizes current market conditions, economic developments, and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter. The City shall also monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research, or with the

assistance of broker-dealers, investment advisors, banks or safekeeping agents.

- B. Annual Report** - Within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Economic Development Board, City Manager and the City Council. The quarterly reports prepared by the Director of Finance shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.
- C. Methods** - The quarterly and annual investment reports shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner which will allow the EDC to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will include the following:
1. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
  2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
  3. Additions and changes to the market value during the period;
  4. Fully accrued interest for the reporting period;
  5. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
  6. Listing of investments by maturity date;
  7. The percentage of the total portfolio which each type of investment represents; and
  8. Statement of compliance of the EDC's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
  9. Market yield benchmark comparison of the average 90-day U. S. Treasury Bill auction yield during the reporting period.
  10. The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Director of Finance shall oversee the filing and/or storing of investment records.



**XV. INVESTMENT POLICY ADOPTION AND AMENDMENT**

The EDC's investment policy shall be reviewed by the Economic Development Board and formally adopted and amended by resolution by the City Council. The City's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the City. The City Council, not less than annually, shall adopt a written instrument 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 policy or strategies.

## Attachment A

CITY OF CORINTH, TEXAS  
Economic Development Corporation  
Investment Strategy Statement

### Operating Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Operating Funds.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. Short-term investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
5. Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the EDC. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
6. Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury-bill portfolio will be the minimum yield objective.

### Reserve Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the investment policy.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the EDC's debt is redeemed and the Reserve Fund liquidated. The fund shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or two years. Annual mark-to-market requirements or specific maturity and average life limitations within the borrowing's documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

3. Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
4. Liquidity - Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the City's debt holders. The funds are "returned" to the EDC at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the EDC is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
5. Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of a bond issue, if any, be exceeded in an attempt to bolster yield.
6. Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the investment policy's risk constraints.

### **Bond Funds**

1. Suitability - Any investment eligible in the Investment Policy is suitable for Bond Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing Bond Funds to not exceed the shorter of two years or the anticipated expenditure schedule and maintaining a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days the market risk of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity - Bond Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds will provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.
5. Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the EDC is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts.

At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

6. Yield - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the investment policy's risk constraints. The yield of an equally weighted, rolling six-month treasury-bill portfolio will be the minimum yield objective for non-borrowed funds.

**Attachment B**

CITY OF CORINTH, TEXAS  
Investment Policy

[SAMPLE]  
TEXAS PUBLIC FUNDS INVESTMENT ACT  
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the City of Corinth, Texas (the "City") and \_\_\_\_\_ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") in connection with investment transactions conducted between the City and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code; and
2. The Qualified Representative of the Business Organization has received and reviewed the investment policy furnished by the City; and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the City that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of Business Organization

Firm: \_\_\_\_\_

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CORINTH, TEXAS  
CORINTH FIRE CONTROL, PREVENTION AND  
EMERGENCY SERVICE DISTRICT  
INVESTMENT POLICY**

**PREFACE**

It is the policy of the City of Corinth (the "City") and the Corinth Fire Control, Prevention and Emergency Services District (the "DISTRICT") that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate-of-return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for DISTRICT funds. The DISTRICT's portfolio shall be designed and managed in a manner responsive to the public trust and shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted investment policy. The DISTRICT will invest public funds in a manner which will provide the maximum security and a market rate-of-return while meeting the daily cash flow demands of the DISTRICT.

Pursuant to Subchapter E of Chapter 363 of the Local Government Code, the DISTRICT designates the City of Corinth to invest its funds in accordance with the provisions and requirements of this policy and § 363.206(c) of the Texas Local Gov't Code.

## I. PURPOSE

The purpose of this investment policy (the “policy”) is to set forth specific investment policy and strategy guidelines for the DISTRICT in order to achieve the goals of safety, liquidity, rate-of-return, and public trust for all investment activities.

## II. SCOPE

The investment policy shall govern the investment of all financial assets considered to be part of the DISTRICT and includes the following separately invested funds or fund types: Operating, Reserve, and Bond Funds, although the DISTRICT has only operating funds. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the DISTRICT by outside agencies under retirement or deferred compensation programs. The City shall and will maintain responsibility for these funds to the extent required by: Federal and State law; the City Charter; and donor stipulations.

## III. INVESTMENT OBJECTIVES

Funds of the DISTRICT shall be invested in accordance with all applicable Texas statutes, this policy and any other approved, written administrative procedures. The five objectives of the DISTRICT’s investment activities shall be as follows (in the order of priority):

- A. Safety – Preservation and safety of Principal. Safety of principal invested is the foremost objective in the investment decisions of the DISTRICT. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this policy, by qualifying the financial institutions with which the DISTRICT will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the DISTRICT’s investments
- B. Liquidity -The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the DISTRICT’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the DISTRICT’s portfolio.
- C. Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the DISTRICT. Diversifying the appropriate maturity structure will reduce market cycle risk.
- D. Market Rate-of-Return (Yield) - The DISTRICT’s investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate-of-return throughout budgetary and economic cycles. The DISTRICT will not attempt to consistently attain an unrealistic above market rate-of-return as this objective will subject the overall portfolio to greater risk. Therefore, the DISTRICT’s rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.

- E. Public Trust - The Investment Officer(s) shall avoid any transactions that might impair public confidence in the DISTRICT's ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

#### IV. INVESTMENT STRATEGY

The City maintains a comprehensive and proactive cash management program which is designed to monitor and control all DISTRICT funds to ensure maximum utilization and yield a market rate-of-return. The basic and underlying strategy of this program is that all of the DISTRICT's funds are earning interest. It is the responsibility and obligation of the City to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as they now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investments as defined in Section VII of this policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification. The active management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The strategies for the DISTRICT's investment activities shall be as follows:

##### Strategy No. 1

Diversifying the DISTRICT's investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the City Council. An investment pool is a professionally managed portfolio of shared assets created to invest public funds jointly on behalf of the governmental entities that participate in the pool and whose investment objectives in order of priority match those objectives of the DISTRICT. Fund withdrawals are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve desired diversification. The strategy of the DISTRICT calls for the use of investment pools as a primary source of diversification and a supplemental source of liquidity. Funds that may be needed on a short-term basis but are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

##### Strategy No. 2

Building a ladder of authorized securities with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:



- A. It is straight-forward and easily understood;
- B. It will assure the DISTRICT that it will capture a reasonable portion of the yield curve; and,
- C. It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

**Strategy No. 3**

Utilizing the services of a Professional Investment Advisor in order to maximize investment earnings and realize market opportunities when they become available. Other responsibilities of the Investment Advisor include, but are not limited to broker compliance, security selection, competitive bidding, investment reporting, and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board and shall adhere to the spirit and philosophy of this policy and avoid recommending or suggesting transactions outside the "Standard of Care" under this policy.

**Strategy No. 4**

The DISTRICT will utilize a general investment strategy designed to address the unique characteristics of specific fund-types (detailed strategies are presented in Attachment A):

- A. Investment strategies for operating funds and pooled funds containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio which will experience minimal volatility during economic cycles.
- B. Investment strategies for reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund.
- C. Investment strategies for special projects and capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.
- D. The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

**Strategy No. 5**

The DISTRICT generally intends to hold all of its securities until they mature and will accomplish this by maintaining sufficient liquidity in its portfolio so that it does not need to sell a security early. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the City Manager must be obtained. Securities may be sold prior to maturity by the Director of Finance at or above their book value at any time, without the consent of the City Manager.

**Strategy No. 6**

All demand deposits of the DISTRICT will be concentrated with one central depository. The City's depository procedure will maximize the DISTRICT's ability to pool cash for investment purposes and provide more manageable banking relationships. In addition, depositories not holding demand deposits of the DISTRICT may be eligible to bid on DISTRICT investments.

**Strategy No. 7**

This policy shall further seek to maintain good depository bank relationships while minimizing the cost of banking services. The City will seek to maintain a depository contract which will be managed to a level that minimizes the cost of the banking relationship to the DISTRICT, while allowing the DISTRICT to earn an appropriate return on idle demand deposits.

**Strategy No. 8**

A single pooled fund group, as defined in this policy, may be utilized at the discretion of the Investment Officer. However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the DISTRICT.

**Strategy No. 9**

Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

**V. FINANCE AUDIT COMMITTEE**

- A. Members** - There is hereby created a Finance Audit Committee consisting of the Mayor, two members of the City Council and two citizens appointed by the City Council. The Mayor will be a permanent member of the Committee. The other four members of the Committee will be appointed by the City Council to serve a two-year term and shall not exceed two successive terms. The Mayor and the two members of the City Council shall be voting members of the committee. The Community Representative members shall be non-voting members of the Committee.
- B. Scope** - The Finance Audit Committee shall meet at least once per calendar quarter to determine general strategies and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the DISTRICT's funds, authorized brokers and dealers, and the target rate-of-return on the investment portfolio.
- C. Procedures** - The Finance Audit Committee shall provide minutes of its meetings. Any two members of the Finance Audit Committee may request a special meeting, and a majority of the voting members shall constitute a quorum. The Finance Audit Committee shall abide by the Rules of Procedure and Policies as set forth in Resolution 09-05-01-11, as amended, and the Charter of the City of Corinth.

**VI. RESPONSIBILITY AND STANDARD OF CARE**

- A.** The responsibility for the daily operation and management of the DISTRICT's

investments shall be outlined within this section.

1. Delegation of Authority - Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be authorized to deposit, withdraw, invest, transfer or manage the funds of the DISTRICT and shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions. All persons involved in investment activities will be referred to in this policy as "Investment Officers." No persons may engage in investment transactions, except as provided under the terms of this policy and the procedures established by the Director of Finance.
  2. The Director of Finance shall assume responsibility for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officers. The system of controls shall be designed to provide reasonable assurance that ensures the assets of the DISTRICT are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:
    - a. The cost of control should not exceed the benefits likely to be derived; and,
    - b. The valuation of costs and benefits requires estimates and judgments by management.
  3. The Director of Finance shall be designated as the primary Investment Officer for the DISTRICT and shall be responsible for investment decisions and activities under the direction of the City Manager. The Director of Finance may delegate any phase of the investment program to a secondary Investment Officer. Both the Director of Finance and the designated secondary Investment Officer are responsible for daily investment decisions and activities. However, ultimate responsibility for investment decisions will rest with the Director of Finance.
- B. Prudence** - The standard of prudence to be applied by the Investment Official shall be the "prudent investor" rule, which states, "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." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:
1. The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
  2. The investment decision was consistent with the written investment policy and procedures of the DISTRICT.
- C. Due Diligence** - The Director of Finance, designated secondary Investment Officer, Mayor, City Council, City Manager, other Finance employees and citizen committee members acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely

manner and that appropriate action is taken to control adverse developments.

**D. Ethical Standards and Conflicts of Interest**

1. All DISTRICT Investment Officers having a direct or indirect role in the investment of DISTRICT funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.
2. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the DISTRICT shall file a statement disclosing that personal business interest.
3. An Investment Officer has a personal business relationship with a business organization if:
  - a. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity owns 10% 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;
  - b. Funds received by the Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity from the business organization exceed 10% of the Investment Official's gross income for the prior year; or
  - c. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.
  - d. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the DISTRICT shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

- E. Training** - The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the DISTRICT'S investment personnel making investment decisions in compliance with the Public Funds Investment Act (PFIA). The Investment Officials and the Finance Audit Committee members shall attend at least one training session containing at least 10 hours of instruction relating to the officer's responsibility under the PFIA within 12 months after assuming duties, and thereafter shall attend at least 8 hours of additional investment training in subsequent two-year periods which begin on the first day of the fiscal year and consist of the two consecutive fiscal years after that date. The

Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments are approved as independent training sources by the City Council.

## VII. AUTHORIZED INVESTMENTS

- A. Generally** - Safety of principal is the primary objective in investing public funds and can be accomplished by limiting credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer to pay back principal and interest on a timely basis. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the DISTRICT's primary objective, only certain investments are authorized as acceptable investments for the DISTRICT. The following list of authorized investments for the DISTRICT intentionally excludes some investments authorized by state law. These restrictions are intended to limit possible risk and provide the maximum measure of safety to DISTRICT funds. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, the DISTRICT is not required to liquidate investments that were authorized at the time of purchase.
- B. Authorized and Acceptable Investments** - The authorized list of investment instruments is as follows:
1. Obligations of the United States or its agencies and instrumentalities or any obligation fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), *excluding mortgage-backed securities*.
  2. Direct obligations of the State of Texas, or its agencies and instrumentalities 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, excluding mortgage-related securities.
- C. Certificates of Deposit** – A certificate of deposit issued by a depository institution that has its main office or branch office in this state and is secured in accordance with the specific collateralization requirements contained in section XI.B of this policy. In addition, an investment in “bundled” or “shared” CDs made in accordance with the following conditions is permitted:
1. The funds are invested through a broker that has its main office or a branch office in this state selected from a list adopted by the City as required by Section 2256.025; or through a depository institution that has its main office or a branch office in this state and that is selected by the City;
  2. The selected broker or depository institution 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 City.
  3. The full amount of the principal and accrued interest of each of the CD is insured by the United States or an instrumentality of the United States; and

4. The City appoints the depository institution, a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3, or an entity described in the Public Funds Collateral Act, Section 2257.041(d), as custodian for the City with respect to those CDs issued for the City's account.
- D. Eligible Local Government Investment Pools – AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less, individually approved by formal Council resolution, which invest in instruments and follow practices allowed by the current law as defined by Section 2256.016 of the Texas Government Code. The 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. A public funds investment pool created to function as a money market mutual fund must mark to market daily and, stabilize at a \$1 net asset value.
- E. Repurchase Agreements – Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. This collateral must be pledged to the DISTRICT and held in safekeeping with a third-party custodian approved by the City. All collateral must be maintained at a market value of no less than the principal amount of the outstanding funds disbursed. All transactions shall be governed by signed Security Industry and Financial Markets Association, (SIFMA) Master Repurchase Agreement. Repurchase agreements must also be collateralized in accordance with State law as described in Section XI of this policy. Authorization under this section includes flexible repurchase agreements which may be used for specific investment of bond proceeds *but shall not include reverse repurchase agreements*.
- F. Bankers' Acceptances and Commercial Paper (LIMITED USE) – These investments are authorized for the DISTRICT to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the DISTRICT invests.
- G. AAA-rated SEC-Regulated 2a7 No-Load Money Market Mutual Funds – An SEC-registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less whose assets consist exclusively of the assets described in section VII.A and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share: furthermore, it provides the DISTRICT with a prospectus and other information required by the SEC act of 1934 or the Investment Advisor Act of 1940 and which provides the DISTRICT with a prospectus and other information required by the Securities Exchange Act of 1934 (15 USC Section 78a et. Seq.) of the Investment Company Act of 1990 (15 USC Section 80a-1 et. Seq.).
- H. Unauthorized Securities – State law specifically prohibits investment in the following securities:
1. An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.

- 2. An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest.
- 3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- 4. Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**VIII. DIVERSIFICATION**

**A. Generally** - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U. S. Government, its agencies, or instrumentalities) as authorized in this policy, and authorized local government investment pools, no more than forty percent (40%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.

**B. Diversification by Maturities** - The longer the maturity of investments, the greater their price volatility. Therefore, it is the DISTRICT’s policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. The DISTRICT will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow (including the anticipated cash flow requirements of bond proceeds within the temporary period), the DISTRICT will not directly invest in securities maturing more than two (2) years from the date of purchase. However, the above described obligations, certificates, or agreements may be collateralized using longer date instruments. The DISTRICT shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire DISTRICT portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than two hundred seventy (270) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days.

**C. Diversification by Investment Instrument** - Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	75%

Local Government Obligations	10%
Fully Collateralized Certificates of Deposit	<del>75%</del> 50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	<del>100%</del> 50%
U.S. Treasury & Agency Callables	30%

**IX. SECURITY SWAPS**

Security swaps may be considered as an investment option for the DISTRICT. A swap out of one instrument into another is acceptable to increase yield, realign for disbursement dates, extend or shorten maturity dates and improve market sector diversification. Swaps may be initiated by brokers/dealers who are on the City’s approved list. A horizon analysis is required for each swap proving benefit to the DISTRICT before the trade decision is made, which will accompany the investment file for record keeping.

**X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS.**

- A.** The Director of Finance will maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list will also be maintained of approved broker/dealers authorized to provide investment services in the State of Texas. These will include financial institutions that qualify under Securities & Exchange Commission Rule 15-C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.
- B.** All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following, as appropriate: audited financial statements, proof of Financial Industry Regulatory Authority certification, trading resolution, proof of State registration, completed broker/dealer questionnaire and certification of having read the DISTRICT’s investment policy.
- C.** The Finance Audit Committee shall be responsible for adopting the list of brokers and dealers of government securities. Their selection shall be among only primary government securities dealers that report directly to the New York Federal Reserve Bank, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The Finance Audit Committee shall base its evaluation of security dealers and financial institutions upon:
  - 1. Financial conditions, strength and capability to fulfill commitments;
  - 2. Overall reputation with other dealers or investors;
  - 3. Regulatory status of the dealer;
  - 4. Background and expertise of the individual representatives.
- D.** Investment Officers shall only conduct business with securities dealers approved by the Finance Audit Committee and will not purchase investments from any financial organization until the organization’s registered principal has executed a written instrument stating that he or she has thoroughly reviewed the DISTRICT’s investment



~~policy. And acknowledges that reasonable procedures and controls have been implemented to preclude imprudent investment activities arising out of transactions between the organization and the DISTRICT, except to the extent that this authorization is dependent on an analysis of the makeup of the DISTRICT's entire portfolio or requires an interpretation of subjective investment standards.~~

- E.** To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should be limited to forty percent (40%) of the total portfolio at any point in time. In this way, bankruptcy, receivership or legal action would not immobilize the DISTRICT's ability to meet payroll or other expenses.
  
- F.** All investment (governments or bank C.D.'s) will be solicited on a competitive basis with at least three (3) institutions. The Finance Audit Committee can approve exceptions on a case by case basis or on a general basis in the form of guidelines. These guidelines shall take into consideration the investment type maturity date, amount, and potential disruptiveness to the DISTRICT's investment strategy. The investment will be made with the broker/dealer offering the best yield/quality to the DISTRICT. The quotes may be accepted orally, in writing, electronically, or any combination of these methods.
  
- G.** An annual review of the financial condition and registration of qualified financial organizations will be conducted by the Director of Finance.
  
- H.** A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the DISTRICT invests.
  
- I.** If the City has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the DISTRICT. The advisor shall determine selection criteria and shall annually present a list of its authorized broker/dealers to the CITY for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the DISTRICT's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the DISTRICT. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the City as part of its standard trade documentation.
  
- J.** It is the policy of the City that all security transactions entered into with the DISTRICT shall be conducted on a "Delivery-versus-Payment basis through the Federal Reserve System. By doing this, DISTRICT funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The City shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of the DISTRICT. The notification may be oral, but shall be confirmed in writing.

1. Financial conditions, strength and capability to fulfill commitments;
2. Overall reputation with other dealers or investors;
3. Regulatory status of the dealer;
4. Background and expertise of the individual representatives.

## XI. SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping** - All securities owned by the DISTRICT shall be held by a third-party safekeeping agent selected by the City. The collateral for bank deposits will be held in the City's name in the bank's trust department, in a Federal Reserve Bank account in the City's name, or third-party financial institutions doing business in the state of Texas, in accordance with state law. Original safekeeping receipts shall be obtained and held by the City. The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure time deposits.
- B. Collateralization** - Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank. The market value of the investments securing the deposit of funds shall be at least equal to 102% of the amount of the deposits of funds reduced to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The agreement is to specify the acceptable investment securities as collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. The safekeeping agreement must clearly state that the safekeeping bank is instructed to release purchased and collateral securities to the City in the event the City has determined that the depository bank has failed to pay on any matured investments in certificates of deposit, or has determined that the funds of the City are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of ownership, e.g., safekeeping receipt, must be supplied to the City and retained by the City.
1. The City may accept the following to insure or collateralize bank deposits:
    - 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. United States Treasuries & Agencies, **including FHLB letters of credit (LOCs) in an amount not less than the value of the deposits, plus accrued interest.**
    - c. Other securities as approved by the Finance Audit Committee
  2. For certificates of deposit and other evidences of deposit, collateral shall be at 102% of market value. The market value of collateral will always equal or exceed 102% of the principal plus accrued interest of deposits at financial institutions.

3. Financial institutions with which the City invests or maintains other deposits shall provide monthly, and as requested by the Investment Officer, a listing of the collateral pledged to the City, marked to current market prices. The listing shall include total pledged securities itemized by name, type, description, par value, current market value, maturity date, and Moody's or Standard & Poor's rating, if applicable. The City and the financial institution shall jointly assume the responsibility for ensuring that the collateral is sufficient.
- C. Collateralized Deposits - Consistent with the requirements of State law, the City requires all bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as City depositories will be required to sign a "Depository Agreement" with the City and the City's safekeeping agent. The collateralized deposit portion of the Agreement shall define the City's rights to the collateral in the event of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:
1. Agreement must be in writing;
  2. Agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
  3. Agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
  4. Agreement must be part of the Depository's "official record" continuously since its execution.

## **XII. INTERNAL CONTROL**

The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this policy. The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to the DISTRICT's established investment policy.

## **XIII. PERFORMANCE**

The DISTRICT's investment portfolio shall be designed to obtain a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the DISTRICT. This investment policy establishes "weighted average yield to maturity" as the standard portfolio performance measurement.

## **XIV. REPORTING**

- A. Quarterly - The Director of Finance shall prepare and submit a signed quarterly investment report to the Corinth Fire Control, Prevention and Emergency Services

District Board and the Finance Audit Committee that summarizes current market conditions, economic developments, and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter. The City shall also monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research, or with the assistance of broker-dealers, investment advisors, banks or safekeeping agents.

- B. Annual Report** - Within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Corinth Fire Control, Prevention and Emergency Services District Board, City Manager and the City Council. The quarterly reports prepared by the Director of Finance shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.
- C. Methods** - The quarterly and annual investment reports shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner which will allow the DISTRICT to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will include the following:
1. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
  2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
  3. Additions and changes to the market value during the period;
  4. Fully accrued interest for the reporting period;
  5. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
  6. Listing of investments by maturity date;
  7. The percentage of the total portfolio which each type of investment represents; and
  8. Statement of compliance of the DISTRICT's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
  9. Market yield benchmark comparison of the average 90-day U. S. Treasury Bill auction yield during the reporting period.

10. The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Director of Finance shall oversee the filing and/or storing of investment records.

**XV. INVESTMENT POLICY ADOPTION AND AMENDMENT**

The DISTRICT's investment policy shall be reviewed by the Corinth Fire Control, Prevention and Emergency Services District and formally adopted and amended by resolution by the City Council. The CITY's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the CITY. The City Council, not less than annually, shall adopt a written instrument 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 policy or strategies.

## Attachment A

CITY OF CORINTH, TEXAS  
 Corinth Fire Control, Prevention and Emergency Services District  
 Investment Strategy Statement

### Operating Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Operating Funds.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. Short-term investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
5. Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the DISTRICT. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
6. Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury-bill portfolio will be the minimum yield objective.

### Reserve Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the investment policy.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the DISTRICT debt is redeemed and the Reserve Fund liquidated. The fund shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of the

borrowing or two years. Annual mark-to-market requirements or specific maturity and average life limitations within the borrowing's documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

3. Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
4. Liquidity – Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the DISTRICT's debt holders. The funds are "returned" to the DISTRICT at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the DISTRICT is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
5. Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.
6. Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the investment policy's risk constraints.

### **Bond Funds**

1. Suitability - Any investment eligible in the investment policy is suitable for Bond Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing Bond Funds to not exceed the shorter of two years or the anticipated expenditure schedule and maintaining a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days the market risk of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity – Bond Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds will provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

5. Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the DISTRICT is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.
  
6. Yield - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the investment policy's risk constraints. The yield of an equally weighted, rolling six-month treasury-bill portfolio will be the minimum yield objective for non-borrowed funds.



**Attachment B**

CITY OF CORINTH, TEXAS  
Investment Policy

[SAMPLE]  
TEXAS PUBLIC FUNDS INVESTMENT ACT  
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the CITY of Corinth, Texas (the "CITY") and \_\_\_\_\_ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") in connection with investment transactions conducted between the CITY and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code; and
2. The Qualified Representative of the Business Organization has received and reviewed the investment policy furnished by the CITY; and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the CITY that are not authorized by the CITY's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the CITY's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of Business Organization

Firm: \_\_\_\_\_

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CORINTH, TEXAS  
CORINTH CRIME CONTROL AND PREVENTION DISTRICT  
INVESTMENT POLICY**

**PREFACE**

It is the policy of the City of Corinth (the "City") and the Corinth Crime Control and Prevention District (the "DISTRICT") that after allowing for the anticipated cash flow requirements and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate-of-return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for DISTRICT funds. The DISTRICT's portfolio shall be designed and managed in a manner responsive to the public trust and shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and adopted investment policy. The DISTRICT will invest public funds in a manner which will provide the maximum security and a market rate-of-return while meeting the daily cash flow demands of the DISTRICT.

Pursuant to Subchapter E of Chapter 363 of the Local Government Code, the DISTRICT designates the City of Corinth to invest its funds in accordance with the provisions and requirements of this policy and § 363.206(c) of the Texas Local Gov't Code.

## I. PURPOSE

The purpose of this investment policy (the “policy”) is to set forth specific investment policy and strategy guidelines for the DISTRICT in order to achieve the goals of safety, liquidity, rate-of-return, and public trust for all investment activities.

## II. SCOPE

The investment policy shall govern the investment of all financial assets considered to be part of the DISTRICT and includes the following separately invested funds or fund types: Operating, Reserve, and Bond Funds, although the DISTRICT has only operating funds. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of the DISTRICT by outside agencies under retirement or deferred compensation programs. The City shall and will maintain responsibility for these funds to the extent required by: Federal and State law; the City Charter; and donor stipulations.

## III. INVESTMENT OBJECTIVES

Funds of the DISTRICT shall be invested in accordance with all applicable Texas statutes, this policy and any other approved, written administrative procedures. The five objectives of the DISTRICT’s investment activities shall be as follows (in the order of priority):

- A. Safety – Preservation and safety of Principal. Safety of principal invested is the foremost objective in the investment decisions of the DISTRICT. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this policy, by qualifying the financial institutions with which the DISTRICT will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the DISTRICT’s investments
- B. Liquidity -The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the DISTRICT’s cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the DISTRICT’s portfolio.
- C. Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the DISTRICT. Diversifying the appropriate maturity structure will reduce market cycle risk.
- D. Market Rate-of-Return (Yield) - The DISTRICT’s investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate-of-return throughout budgetary and economic cycles. The DISTRICT will not attempt to consistently attain an unrealistic above market rate-of-return as this objective will subject the overall portfolio to greater risk. Therefore, the DISTRICT’s rate-of-return objective is secondary to those of safety and liquidity. Rate-of-return (yield) is defined as the annual income returned on an investment, expressed as a percentage.

- E. Public Trust - The Investment Officer(s) shall avoid any transactions that might impair public confidence in the DISTRICT's ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

#### IV. INVESTMENT STRATEGY

The City maintains a comprehensive and proactive cash management program which is designed to monitor and control all DISTRICT funds to ensure maximum utilization and yield a market rate-of-return. The basic and underlying strategy of this program is that all of the DISTRICT's funds are earning interest. It is the responsibility and obligation of the City to maintain a flexible approach and be prepared to modify the investment strategy as market conditions dictate. The investment strategy described is predicated on conditions as they now exist and are subject to change. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. The strategy also considers the expertise and time constraints of the Investment Officers. The allowable investments as defined in Section VII of this policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification. The active management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The strategies for the DISTRICT's investment activities shall be as follows:

##### Strategy No. 1

Diversifying the DISTRICT's investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the City Council. An investment pool is a professionally managed portfolio of shared assets created to invest public funds jointly on behalf of the governmental entities that participate in the pool and whose investment objectives in order of priority match those objectives of the DISTRICT. Fund withdrawals are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve desired diversification. The strategy of the DISTRICT calls for the use of investment pools as a primary source of diversification and a supplemental source of liquidity. Funds that may be needed on a short-term basis but are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

##### Strategy No. 2

Building a ladder of authorized securities with staggered maturities for all or part of the longer-term investable funds. The benefits of this ladder approach include the following:

- A. It is straight-forward and easily understood;
- B. It will assure the DISTRICT that it will capture a reasonable portion of the yield curve; and,
- C. It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

**Strategy No. 3**

Utilizing the services of a Professional Investment Advisor in order to maximize investment earnings and realize market opportunities when they become available. Other responsibilities of the Investment Advisor include, but are not limited to broker compliance, security selection, competitive bidding, investment reporting, and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board and shall adhere to the spirit and philosophy of this policy and avoid recommending or suggesting transactions outside the "Standard of Care" under this policy.

**Strategy No. 4**

The DISTRICT will utilize a general investment strategy designed to address the unique characteristics of specific fund-types (detailed strategies are presented in Attachment A):

- A. Investment strategies for operating funds and pooled funds containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio which will experience minimal volatility during economic cycles.
- B. Investment strategies for reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund.
- C. Investment strategies for special projects and capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.
- D. The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

**Strategy No. 5**

The DISTRICT generally intends to hold all of its securities until they mature and will accomplish this by maintaining sufficient liquidity in its portfolio so that it does not need to sell a security early. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the prior written consent of the City Manager must be obtained. Securities may be sold prior to maturity by the Director of Finance at or above their book value at any time, without the consent of the City Manager.

**Strategy No. 6**

All demand deposits of the DISTRICT will be concentrated with one central depository. The City's depository procedure will maximize the DISTRICT's ability to pool cash for investment purposes and provide more manageable banking relationships. In addition, depositories not holding demand deposits of the DISTRICT may be eligible to bid on DISTRICT investments.

**Strategy No. 7**

This policy shall further seek to maintain good depository bank relationships while minimizing the cost of banking services. The City will seek to maintain a depository contract which will be managed to a level that minimizes the cost of the banking relationship to the DISTRICT, while allowing the DISTRICT to earn an appropriate return on idle demand deposits.

**Strategy No. 8**

A single pooled fund group, as defined in this policy, may be utilized at the discretion of the Investment Officer. However, earnings from investments will be allocated on a pro-rata cash basis to the individual funds and used in a manner that will best service the interests of the DISTRICT.

**Strategy No. 9**

Procedures shall be established and implemented in order to maximize investable cash by decreasing the time between the actual collection and the deposit of receipts, and by the controlling of disbursements.

**V. FINANCE AUDIT COMMITTEE**

- A. Members** - There is hereby created a Finance Audit Committee consisting of the Mayor, two members of the City Council and two citizens appointed by the City Council. The Mayor will be a permanent member of the Committee. The other four members of the Committee will be appointed by the City Council to serve a two-year term and shall not exceed two successive terms. The Mayor and the two members of the City Council shall be voting members of the committee. The Community Representative members shall be non-voting members of the Committee.
- B. Scope** - The Finance Audit Committee shall meet at least once per calendar quarter to determine general strategies and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the DISTRICT's funds, authorized brokers and dealers, and the target rate-of-return on the investment portfolio.
- C. Procedures** - The Finance Audit Committee shall provide minutes of its meetings. Any two members of the Finance Audit Committee may request a special meeting, and a majority of the voting members shall constitute a quorum. The Finance Audit Committee shall abide by the Rules of Procedure and Policies as set forth in Resolution 09-05-01-11, as amended, and the Charter of the City of Corinth.

## VI. RESPONSIBILITY AND STANDARD OF CARE

- A. The responsibility for the daily operation and management of the DISTRICT's investments shall be outlined within this section.
1. Delegation of Authority - Management responsibility for the investment program is hereby delegated to the Director of Finance, who shall be authorized to deposit, withdraw, invest, transfer or manage the funds of the DISTRICT and shall establish written procedures for the operation of the investment program, consistent with this policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions. All persons involved in investment activities will be referred to in this policy as "Investment Officers." No persons may engage in investment transactions, except as provided under the terms of this policy and the procedures established by the Director of Finance.
  2. The Director of Finance shall assume responsibility for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officers. The system of controls shall be designed to provide reasonable assurance that ensures the assets of the DISTRICT are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:
    - a. The cost of control should not exceed the benefits likely to be derived; and,
    - b. The valuation of costs and benefits requires estimates and judgments by management.
  3. The Director of Finance shall be designated as the primary Investment Officer for the DISTRICT and shall be responsible for investment decisions and activities under the direction of the City Manager. The Director of Finance may delegate any phase of the investment program to a secondary Investment Officer. Both the Director of Finance and the designated secondary Investment Officer are responsible for daily investment decisions and activities. However, ultimate responsibility for investment decisions will rest with the Director of Finance.
- B. Prudence - The standard of prudence to be applied by the Investment Official shall be the "prudent investor" rule, which states, "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." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:
1. The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
  2. The investment decision was consistent with the written investment policy and procedures of the DISTRICT.
- C. Due Diligence - The Director of Finance, designated secondary Investment Officer, Mayor, City Council, City Manager, other Finance employees and citizen committee

members acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported in a timely manner and that appropriate action is taken to control adverse developments.

**D. Ethical Standards and Conflicts of Interest**

1. All DISTRICT Investment Officers having a direct or indirect role in the investment of DISTRICT funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.
2. An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to the DISTRICT shall file a statement disclosing that personal business interest.
3. An Investment Officer has a personal business relationship with a business organization if:
  - a. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity owns 10% 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;
  - b. Funds received by the Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity from the business organization exceed 10% of the Investment Official's gross income for the prior year; or
  - c. The Investment Officer or one related to the Investment Officer within the second degree of affinity or consanguinity has acquired from the business organization during the prior year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.
  - d. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the DISTRICT shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

- E. Training** - The City shall provide periodic training in investments for the investment personnel through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of the DISTRICT'S investment personnel making investment decisions in compliance with the Public Funds Investment Act (PFIA). The Investment Officials and the Finance Audit Committee members shall attend at least one training session containing at least 10 hours of instruction relating to the officer's responsibility under the PFIA within 12



months after assuming duties, and thereafter shall attend at least 8 hours of additional investment training in subsequent two-year periods which begin on the first day of the fiscal year and consist of the two consecutive fiscal years after that date. The Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments are approved as independent training sources by the City Council.

## VII. AUTHORIZED INVESTMENTS

- A. Generally - Safety of principal is the primary objective in investing public funds and can be accomplished by limiting credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer to pay back principal and interest on a timely basis. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as the DISTRICT's primary objective, only certain investments are authorized as acceptable investments for the DISTRICT. The following list of authorized investments for the DISTRICT intentionally excludes some investments authorized by state law. These restrictions are intended to limit possible risk and provide the maximum measure of safety to DISTRICT funds. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, the DISTRICT is not required to liquidate investments that were authorized at the time of purchase.
- B. Authorized and Acceptable Investments - The authorized list of investment instruments is as follows:
1. Obligations of the United States or its agencies and instrumentalities or any obligation fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), *excluding mortgage-backed securities*.
  2. Direct obligations of the State of Texas, or its agencies and instrumentalities 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, excluding mortgage-related securities.
- C. Certificates of Deposit – A certificate of deposit issued by a depository institution that has its main office or branch office in this state and is secured in accordance with the specific collateralization requirements contained in section XI.B of this policy. In addition, an investment in “bundled” or “shared” CDs made in accordance with the following conditions is permitted:
1. The funds are invested through a broker that has its main office or a branch office in this state selected from a list adopted by the City as required by Section 2256.025; or through a depository institution that has its main office or a branch office in this state and that is selected by the City;
  2. The selected broker or depository institution 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 City.

3. The full amount of the principal and accrued interest of each of the CD is insured by the United States or an instrumentality of the United States; and
  4. The City appoints the depository institution, a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to SEC Rule 15c3-3, or an entity described in the Public Funds Collateral Act, Section 2257.041(d), as custodian for the City with respect to those CDs issued for the City's account.
- D. Eligible Local Government Investment Pools – AAA-rated public funds investment pools, with a weighted average maturity of 60 days or less, individually approved by formal Council resolution, which invest in instruments and follow practices allowed by the current law as defined by Section 2256.016 of the Texas Government Code. The 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. A public funds investment pool created to function as a money market mutual fund must mark to market daily and stabilize at a \$1 net asset value.
- E. Repurchase Agreements – Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a financial institution doing business in the State of Texas, and fully secured by cash and obligations of the United States or its agencies and instrumentalities. This collateral must be pledged to the DISTRICT and held in safekeeping with a third-party custodian approved by the City. All collateral must be maintained at a market value of no less than the principal amount of the outstanding funds disbursed. All transactions shall be governed by signed Security Industry and Financial Markets Association, (SIFMA) Master Repurchase Agreement. Repurchase agreements must also be collateralized in accordance with State law as described in Section XI of this policy. Authorization under this section includes flexible repurchase agreements which may be used for specific investment of bond proceeds *but shall not include reverse repurchase agreements*.
- F. Bankers' Acceptances and Commercial Paper (LIMITED USE) – These investments are authorized for the DISTRICT to the extent that they are contained in the portfolios of approved public funds investment pools or money market funds in which the DISTRICT invests.
- G. AAA-rated SEC-Regulated 2a7 No-Load Money Market Mutual Funds – An SEC-registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less whose assets consist exclusively of the assets described in section VII.A and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share: furthermore, it provides the DISTRICT with a prospectus and other information required by the SEC act of 1934 or the Investment Advisor Act of 1940 and which provides the DISTRICT with a prospectus and other information required by the Securities Exchange Act of 1934 (15 USC Section 78a et. Seq.) of the Investment Company Act of 1990 (15 USC Section 80a-1 et. Seq.).
- H. Unauthorized Securities – State law specifically prohibits investment in the following securities:

1. An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal.
2. An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest.
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
4. Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

### VIII. DIVERSIFICATION

- A. Generally - Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities (debt obligations issued by the U. S. Government, its agencies, or instrumentalities) as authorized in this policy, and authorized local government investment pools, no more than forty percent (40%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.
- B. Diversification by Maturities - The longer the maturity of investments, the greater their price volatility. Therefore, it is the DISTRICT's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. The DISTRICT will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow (including the anticipated cash flow requirements of bond proceeds within the temporary period), the DISTRICT will not directly invest in securities maturing more than two (2) years from the date of purchase. However, the above described obligations, certificates, or agreements may be collateralized using longer date instruments. The DISTRICT shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire DISTRICT portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than two hundred seventy (270) days. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is never anticipated, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days.

- C. Diversification by Investment Instrument - Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

Maximum %  
of Portfolio

U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	75%
Local Government Obligations	10%
Fully Collateralized Certificates of Deposit	75% 50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	100% 50%
U.S. Treasury & Agency Callables	30%

**IX. SECURITY SWAPS**

Security swaps may be considered as an investment option for the DISTRICT. A swap out of one instrument into another is acceptable to increase yield, realign for disbursement dates, extend or shorten maturity dates and improve market sector diversification. Swaps may be initiated by brokers/dealers who are on the City’s approved list. A horizon analysis is required for each swap proving benefit to the DISTRICT before the trade decision is made, which will accompany the investment file for record keeping.

**X. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS.**

- A.** The Director of Finance will maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list will also be maintained of approved broker/dealers authorized to provide investment services in the State of Texas. These will include financial institutions that qualify under Securities & Exchange Commission Rule 15-C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.
- B.** All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance with the following, as appropriate: audited financial statements, proof of Financial Industry Regulatory Authority certification, trading resolution, proof of State registration, completed broker/dealer questionnaire and certification of having read the DISTRICT’s investment policy.
- C.** The Finance Audit Committee shall be responsible for adopting the list of brokers and dealers of government securities. Their selection shall be among only primary government securities dealers that report directly to the New York Federal Reserve Bank, unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. The Finance Audit Committee shall base its evaluation of security dealers and financial institutions upon:
  - 1. Financial conditions, strength and capability to fulfill commitments;
  - 2. Overall reputation with other dealers or investors;
  - 3. Regulatory status of the dealer;
  - 4. Background and expertise of the individual representatives.
- D.** Investment Officers shall only conduct business with securities dealers approved by the Finance Audit Committee and will not purchase investments from any financial

organization until the organization's registered principal has executed a written instrument stating that he or she has thoroughly reviewed the DISTRICT's investment policy. ~~and acknowledges that reasonable procedures and controls have been implemented to preclude imprudent investment activities arising out of transactions between the organization and the DISTRICT, except to the extent that this authorization is dependent on an analysis of the makeup of the DISTRICT's entire portfolio or requires an interpretation of subjective investment standards.~~

- E. To guard against default possibilities under these conditions, and to assure diversification of bidders, business with any one issuer, or investment broker, should be limited to forty percent (40%) of the total portfolio at any point in time. In this way, bankruptcy, receivership or legal action would not immobilize the DISTRICT's ability to meet payroll or other expenses.
- F. All investment (governments or bank C.D.'s) will be solicited on a competitive basis with at least three (3) institutions. The Finance Audit Committee can approve exceptions on a case by case basis or on a general basis in the form of guidelines. These guidelines shall take into consideration the investment type maturity date, amount, and potential disruptiveness to the DISTRICT's investment strategy. The investment will be made with the broker/dealer offering the best yield/quality to the DISTRICT. The quotes may be accepted orally, in writing, electronically, or any combination of these methods.
- G. An annual review of the financial condition and registration of qualified financial organizations will be conducted by the Director of Finance.
- H. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the DISTRICT invests.
- I. If the City has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of the DISTRICT. The advisor shall determine selection criteria and shall annually present a list of its authorized broker/dealers to the CITY for review and likewise shall execute the aforementioned written instrument stating that the advisor has reviewed the DISTRICT's investment policy and has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the DISTRICT. The advisor shall obtain and document competitive bids and offers on all transactions and present these to the City as part of its standard trade documentation.
- J. It is the policy of the City that all security transactions entered into with the DISTRICT shall be conducted on a "Delivery-versus-Payment basis through the Federal Reserve System. By doing this, DISTRICT funds are not released until the City has received, through the Federal Reserve wire, the securities purchased. The City shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of the DISTRICT. The notification may be oral, but shall be confirmed in writing.
  - 1. Financial conditions, strength and capability to fulfill commitments;
  - 2. Overall reputation with other dealers or investors;

3. Regulatory status of the dealer;
4. Background and expertise of the individual representatives.

## XI. SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping - All securities owned by the DISTRICT shall be held by a third-party safekeeping agent selected by the City. The collateral for bank deposits will be held in the City's name in the bank's trust department, in a Federal Reserve Bank account in the City's name, or third-party financial institutions doing business in the state of Texas, in accordance with state law. Original safekeeping receipts shall be obtained and held by the City. The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure time deposits.
- B. Collateralization - Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank. The market value of the investments securing the deposit of funds shall be at least equal to 102% of the amount of the deposits of funds reduced to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The agreement is to specify the acceptable investment securities as collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. The safekeeping agreement must clearly state that the safekeeping bank is instructed to release purchased and collateral securities to the City in the event the City has determined that the depository bank has failed to pay on any matured investments in certificates of deposit, or has determined that the funds of the City are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of ownership, e.g., safekeeping receipt, must be supplied to the City and retained by the City.
1. The City may accept the following to insure or collateralize bank deposits:
    - 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. United States Treasuries & Agencies, including FHLB letters of credit (LOCs) in an amount not less than the value of the deposits, plus accrued interest.
    - c. Other securities as approved by the Finance Audit Committee
  2. For certificates of deposit and other evidences of deposit, collateral shall be at 102% of market value. The market value of collateral will always equal or exceed 102% of the principal plus accrued interest of deposits at financial institutions.
  3. Financial institutions with which the City invests or maintains other deposits shall provide monthly, and as requested by the Investment Officer, a listing of the collateral pledged to the City, marked to current market prices. The listing shall include total pledged securities itemized by name, type, description, par value,

current market value, maturity date, and Moody's or Standard & Poor's rating, if applicable. The City and the financial institution shall jointly assume the responsibility for ensuring that the collateral is sufficient.

**C. Collateralized Deposits** - Consistent with the requirements of State law, the City requires all bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as City depositories will be required to sign a "Depository Agreement" with the City and the City's safekeeping agent. The collateralized deposit portion of the Agreement shall define the City's rights to the collateral in the event of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

1. Agreement must be in writing;
2. Agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
3. Agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
4. Agreement must be part of the Depository's "official record" continuously since its execution.

## **XII. INTERNAL CONTROL**

The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this policy. The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to the DISTRICT's established investment policy.

## **XIII. PERFORMANCE**

The DISTRICT's investment portfolio shall be designed to obtain a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the DISTRICT. This investment policy establishes "weighted average yield to maturity" as the standard portfolio performance measurement.

## **XIV. REPORTING**

**A. Quarterly** - The Director of Finance shall prepare and submit a signed quarterly investment report to the Corinth Crime Control and Prevention District Board and the Finance Audit Committee that summarizes current market conditions, economic developments, and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter. The City shall also monitor the credit ratings

on securities that require minimum ratings. This may be accomplished through staff research, or with the assistance of broker-dealers, investment advisors, banks or safekeeping agents.

- B. Annual Report** - Within 180 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Corinth Crime Control and Prevention District Board, City Manager and the City Council. The quarterly reports prepared by the Director of Finance shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.
- C. Methods** - The quarterly and annual investment reports shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner which will allow the DISTRICT to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will include the following:
1. A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
  2. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
  3. Additions and changes to the market value during the period;
  4. Fully accrued interest for the reporting period;
  5. Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
  6. Listing of investments by maturity date;
  7. The percentage of the total portfolio which each type of investment represents; and
  8. Statement of compliance of the DISTRICT's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
  9. Market yield benchmark comparison of the average 90-day U. S. Treasury Bill auction yield during the reporting period.
  10. The guidelines of retaining records for seven years as recommended in the *Texas State Library Municipal Records Manual* should be followed. The Director of Finance shall oversee the filing and/or storing of investment records.



**XV. INVESTMENT POLICY ADOPTION AND AMENDMENT**

The DISTRICT's investment policy shall be reviewed by the Corinth Crime Control and Prevention District and formally adopted and amended by resolution by the City Council. The CITY's written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of the CITY. The City Council, not less than annually, shall adopt a written instrument 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 policy or strategies.

## Attachment A

### CITY OF CORINTH, TEXAS Corinth Crime Control and Prevention District Investment Strategy Statement

#### Operating Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Operating Funds.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing the weighted average days to maturity for the Operating Fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the Fund types. Short-term investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
5. Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the DISTRICT. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.
6. Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury-bill portfolio will be the minimum yield objective.

#### Reserve Funds

1. Suitability - Any investment eligible in the investment policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the investment policy.
2. Safety of Principal - All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment's market risk if the DISTRICT debt is redeemed and the Reserve Fund liquidated. The fund shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days. No stated final investment maturity shall exceed the shorter of the final maturity of the

borrowing or two years. Annual mark-to-market requirements or specific maturity and average life limitations within the borrowing's documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

3. Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.
4. Liquidity – Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the DISTRICT's debt holders. The funds are "returned" to the DISTRICT at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, the DISTRICT is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.
5. Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.
6. Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the investment policy's risk constraints.

### **Bond Funds**

1. Suitability - Any investment eligible in the investment policy is suitable for Bond Funds.
2. Safety of Principal - All investments will be of high quality securities with no perceived default risk. Market price fluctuations will occur. However, by managing Bond Funds to not exceed the shorter of two years or the anticipated expenditure schedule and maintaining a maximum average dollar-weighted maturity, based on the stated maturity date, of less than three hundred sixty-five (365) days the market risk of the overall portfolio will be minimized.
3. Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.
4. Liquidity – Bond Funds used for capital improvements programs have reasonably predictable draw down schedules. Therefore investment maturities should generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds will provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

5. Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for construction, loan and bond proceeds. Generally, when investment rates exceed the applicable cost of borrowing, the DISTRICT is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.
  
6. Yield - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the investment policy's risk constraints. The yield of an equally weighted, rolling six-month treasury-bill portfolio will be the minimum yield objective for non-borrowed funds.

**Attachment B**

CITY OF CORINTH, TEXAS  
Investment Policy

[SAMPLE]  
TEXAS PUBLIC FUNDS INVESTMENT ACT  
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the CITY of Corinth, Texas (the "CITY") and \_\_\_\_\_ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") in connection with investment transactions conducted between the CITY and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code; and
2. The Qualified Representative of the Business Organization has received and reviewed the investment policy furnished by the CITY; and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the CITY that are not authorized by the CITY's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the CITY's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of Business Organization

Firm: \_\_\_\_\_

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**CITY OF CORINTH**  
**Staff Report**

<b>Meeting Date:</b>	12/16/2021	<b>Title:</b>	Report   Rebatable Arbitrage
<b>Ends:</b>	<input type="checkbox"/> Resident Engagement <input checked="" type="checkbox"/> Proactive Government <input type="checkbox"/> Organizational Development <input type="checkbox"/> Health & Safety <input type="checkbox"/> Regional Cooperation <input type="checkbox"/> Attracting Quality Development		
<b>Governance Focus:</b>	<i>Focus:</i> <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Customer <input type="checkbox"/> Stakeholder		
	<i>Decision:</i> <input type="checkbox"/> Governance Policy <input checked="" type="checkbox"/> Ministerial Function		

**Item/Caption**

Receive a report and hold a discussion on the fiscal year 2020-2021 Summary of Rebatable Arbitrage.

**Item Summary/Background/Prior Action**

Arbitrage rebate requirements require that any excess earnings or arbitrage be rebated to the Federal Government. Arbitrage is the ability to obtain tax-exempt bond proceeds and invest the funds in higher yielding taxable securities. The rebate amount due to the Federal Government is equal to the excess of the amount earned on all non-purposed investment purchased with gross proceeds of the bonds over the amount which would have been earned if such non-purchase investments were invested at a rate equal to the yield on the bonds.

The rebate computation and payment to the Federal Government, if applicable, is required to be made at least every five-year period an issue remains outstanding, and upon the retirement of an issue. The payment is due to the Federal Government within 60 days from either each Rebate Installment Computation Date or Final Rebate Computation Date. Failure to comply with these Federal Rebate Requirements could lead to substantial late filing penalties and interest and/or, potentially the loss of tax-exempt status for these bonds and subsequent bonds.

Hilltop Securities Asset Management has performed the annual computation to ensure the City's compliance with the Federal Government Requirements. The attached 2020-2021 Summary of Rebatable Arbitrage includes the required annual computation for all bonds through September 30, 2021.

**Applicable Owner/Stakeholder Policy**

In accordance with the Federal Tax Reform Act, tax-exempt bonds which were issued on or after September 1, 1986 are subject to federal arbitrage rebate requirements.

**Staff Recommendation/Motion**

There is no action to be taken on this item.



**City of Corinth, Texas**  
**Summary of Rebatable Arbitrage and Yield Restriction**  
**As of September 30, 2021**

**Final Numbers\***

*(Issues delivered prior to 5/14/2010, which are not presented herein, no longer require calculations)*

Delivery Date	Par Amount	Issue Description	Bond Yield	Rebatable Arbitrage / Yield Restriction		Upcoming IRS Dates		
				9/30/2020	9/30/2021	Next IRS Calculation Date**	Next IRS Payment Date**	
05/14/10	\$1,500,000	Combination Tax and Rev. CO, Series 2010	3.404388%	(14,636.94)	(2)	(1)	--	--
05/19/16	\$1,510,000	General Obligation Refunding Bonds, Series 2016						
05/19/16	\$13,275,000	Combination Tax and Ltd. Surplus Rev. CO, Series 2016	2.382943%	(368,081.59)		(404,793.22)		
	\$14,785,000	Combined Liability						
08/03/17	\$14,240,000	General Obligation Refunding Bonds, Series 2017						
08/03/17	\$4,855,000	Combination Tax and Ltd. Surplus Rev. CO, Series 2017	2.281137%	(94,524.87)		(99,261.85)	8/3/2022	10/3/2022
	\$19,095,000	Combined Liability						
04/04/19	\$19,205,000	Combination Tax and Ltd. Surplus Rev. CO, Series 2019	2.879136%	(427,187.86)		(891,326.39)	--	--
11/19/20	\$9,260,000	Combination Tax and Ltd. Surplus Rev. CO, Series 2020	1.366956%	N/A		(96,177.71)	--	--
02/18/21	\$4,740,000	Combination Tax and Ltd. Surplus Rev. CO, Series 2021	1.226167%	N/A		(32,537.92)	--	--
<b>Total Cumulative Liability</b>				<b>\$0.00</b>		<b>\$0.00</b>		

(1) All bonds have been redeemed. No further calculations required.

(2) Represents liability as of final installment calculation date of February 15, 2020. Report previously issued.

\* Unless otherwise noted, all liabilities represent annual estimations of the rebate and yield restriction amounts as of your current fiscal year end.

\*\* Next IRS Pay Date represents potential payments that are upcoming in the next two years from the current fiscal year end. Actual IRS Calculation Dates and Payment Dates may be accelerated as a result of refundings/defeasances occurring after the date of this summary.