MONTAGUE COUNTY

INVESTMENT POLICY

August 2025

It is the policy of Montague County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, formal Investment Policy, and informal investment strategy.

Effective cash management is recognized as essential to good fiscal management. Aggressive cash management and effective investment strategy development will be pursued to take advantage of interest earnings as viable and material revenue to all County funds. The County's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with this Policy.

SCOPE

This investment policy applies to all the investment activities for Montague County. This Policy establishes guidelines for those authorized to invest funds, for how County funds will be invested and for when and how a periodic review of investments will be made. In addition to this Policy, bond refunds (as defined by the Internal Revenue Service) shall be managed by their governing resolution and all applicable State and Federal Law.

SAFETY OF PRINCIPAL

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

MAINTENANCE OF ADEQUATE LIQUIDITY

The investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated, Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements; investing in securities with active secondary markets; and maintains appropriate portfolio diversification. "THE COUNTY AUDITOR SHALL COORDINATE WITH THE COUNTY TREASURER AND ADVISE WHEN FUNDS ARE AVAILABLE FOR INVESTMENT AND REQUIRED MATURITY DATE, OR WITHDRAWAL."

RETURN ON INVESTMENTS

Consistent with Article 4413 (34) @V.A.S., the county "shall invest local funds in investments which yield the highest possible rate of return while providing necessary protection of the principal consistent with the operating requirements as determined by the governing body."
For bond proceeds to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to obtain maximum market yield and to minimize the costs associated with the investment of such funds with the constraints of all applicable regulations.

STANDARD OF CARE

The standard of care used by Montague County shall be the "prudent person rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraint. The Public Funds Act 2256.006(a) 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."
All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the County.

ELIGIBLE INVESTMENTS

Investments described below are authorized by the Public Funds Investment Act of 1987 (Article 842 a-2, Texas Revised Civil Statutes), as mended as eligible securities for the County. County funds governed by the Policy may be invested in:

1. Obligations of the United States or it's agencies and instrumentalities.

2. Repurchase Agreements, (Sweep), and or Certificates of Deposit issued by State and National banks domiciled in Texas that are:
a. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or secured obligations that are described by item 1 above, which are intended to include all direct Federal agency or instrumentality issued mortgage-backed securities that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the county; except no CMO's are to be used for collateral.

b. governed by a Depository Contract that complies with Federal and State regulation to properly secure a pledged security interest.

3. SEC-registered money market mutual funds with a dollar -weighted average portfolio maturity of 90 days or less: whose assets consist exclusively of the obligations that are eligible under the Public Funds Investment Act, as amended; that fully invest dollar for

dollar all County funds without sales commissions or loads; and whose investments objectives include seeking to maintain a stable net asset value of $1 per share. The county may not invest funds under its control in amounts that exceed 10% of the total assets of any individual money market mutual fund.

4. Local government investment pool organized in accordance with the Interlocal Cooperation Act (Article 4413 (32c), V.T.C.S.) as amended , whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase agreements involving those same obligations, money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (SEC), is rated "AAA" or the equivalent, maintains a dollar-weighted average stated maturity of 90 days or less and a dollar-weighted maturity of 60 days or less, and whose investment philosophy and strategy are consistent with the Policy and the County's ongoing investment strategy.

PROTECTION OF PRINCIPAL

The county shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy; by qualifying the broker, dealer, and financial institution with whom the County will transact; by collectivization as required by law; and through portfolio diversification by maturity and type.

In order to minimize risk of loss due to interest rates fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines by funds are as follows:

a. **OPERATING FUND**

The weighted average days to maturity for the operating fund portfolio shall be less than 367 days.

b. **BOND PROCEEDS**

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.

c. **DEBT SERVICE FUNDS**

Debt Service Funds shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officer shall invest in such a manner as not to exceed an "unfounded" debt service dated with the maturity of any investment. An unfunded debt service is defined as a coupon or principal date that does not have cash or investment securities available to satisfy said payment.

d. **BOND RESERVE FUNDS**

Market conditions, Bond Resolution constraints and, if applicable, Arbitrage regulation compliance will be considered when formulating Reserve Fund strategy. Maturity limitation shall generally not exceed the call provisions of the Bond Resolution and shall not exceed the final maturity of the bond issue.

e. **OTHER FUNDS**

The anticipated cash requirements of other County funds will govern the appropriate maturity mix. Appropriate portfolio strategy shall be determined based on market conditions, Policy compliance, County financial condition, and risk/return constraints. Maximum maturity shall not exceed five years.

COLLATERALIZATION

Consistent with the requirements of State law, the County requires all bank and other deposits to be federally insured or collateralized with eligible securities as noted below. Financial institutions serving as county Depositories will be required to sign a Depository Agreement with the county and the County's safekeeping agent. The safekeeping portion of the agreement shall define the County's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State Regulations, including:

1. the Agreement must be in writing.
2. the Agreement must be executed by the Depository and the County contemporaneously with the acquisition of the asset.
3. the Agreement must be approved by the Board of directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to the County.
4. The Agreement must be a part of the Depository's "official record" continuously since its executions.

ALLOWABLE COLLATERAL

Certificates of Deposit--Eligible securities for collateralization of deposits are defined as obligations of the United States or its agencies and instrumentalities that are acceptable under the "Public Funds Collateral Act", as amended. No CMO's shall be allowed as collateral.

SAFEKEEPING

The County shall contract with a financial institution (s) for the safekeeping of securities either owned by the county as a part of its investment portfolio or as a part of its depository agreement (s). All collateral securing deposits must be held by a banking institution acceptable and under contract with the County.

AUTHORITY TO INVEST

The County Treasurer is the "Investment Officer" of the county. The Investment Officer shall meet standard education requirements as stated in PFIA Chapter 2256. The Investment Officer shall perform the duties in accordance with this Investment Policy and when acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability.

REPORTING

It shall be the duty of the Treasurer of Montague County to notify the Commissioner's Court of any significant changes in current investment methods and procedures prior to their implementation, as well as a Monthly Report for Commissioner's Court approval.

This Investment Policy shall be in full force and effect from and after its approval by the Commissioner's Court of Montague County.

Prepared and submitted by Jennifer Fenoglio, Montague County Treasurer

REVIEWED AND PASSED ON AUGUST 25, 2025

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