

**INVESTMENT AND FINANCIAL MANAGEMENT POLICY
FOR
REUNION RANCH WATER CONTROL AND IMPROVEMENT DISTRICT**

May 21, 2024

ARTICLE I

DEFINITIONS

- 1.01. Board. “Board” means the Board of Directors of the District.
- 1.02. Business Organization. “Business Organization” means a sole proprietorship, partnership, firm, corporation, holding company, joint stock company, receivership, trust or any other entity recognized by law through which business is conducted. For the purposes of Section 2.06 below, “Business Organization” shall have the meaning set forth in that Section.
- 1.03. Commission. “Commission” means the Texas Commission on Environmental Quality.
- 1.04. Director. “Director” means a person elected or appointed to serve on the Board of Directors of the District.
- 1.05. District. “District” means Reunion Ranch Water Control and Improvement District.
- 1.06. Employee. “Employee” means a person or Business Organization employed by the District.
- 1.07. Investment Officer. “Investment Officer” means a person appointed by the Board to handle District investment.
- 1.08. Officer. “Officer” means an elected or appointed officer of the District, including an Investment Officer.
- 1.09. Public Funds Investment Act. “Public Funds Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time.
- 1.10. Public Funds Collateral Act. “Public Funds Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- 1.11. Qualified Representative. “Qualified Representative ” means a person who holds a position with a Business Organization, who is authorized to act on behalf of the Business Organization, and who is one of the following:
- (A) for a Business Organization doing business that is regulated by or registered

with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

1.12. Water Code. “Water Code” means the Texas Water Code, as amended from time to time.

ARTICLE II

INVESTMENT POLICY

2.01. Scope. This Policy applies to all transactions involving the investment assets of the District.

2.02. Policy. District funds will be invested in compliance with applicable legal requirements, the guidelines stated in this Policy, each District Investment Strategy, and the restrictions contained in the District’s bond resolutions. Effective cash management is recognized as a foundation of this Policy. Notwithstanding the foregoing, investment of District funds is limited to types of investments set forth on the attached Exhibit “A.”

2.03. Allowable Maturities. Unless otherwise stated in Exhibit “A,” the maximum allowable stated maturity of any individual investment may not exceed 180 days and the maximum dollar-weighted average maturity for pooled fund groups based on the stated maturity date for the portfolio may not exceed 60 days. Settlement of all transactions, other than investments in investment pool funds and mutual funds, must be consummated on a delivery versus payment basis.

2.04. Investment Objectives. The District’s investment portfolio will be planned and managed to take advantage of investment interest as a source of income from all operating and capital funds. In addition, the portfolio will be managed in accordance with the covenants of the District’s bond resolutions, including covenants with respect to arbitrage regulations under the U.S. Internal Revenue Code. Consideration will be given to the following objectives:

A. Safety of Capital. The primary objective of the District is to ensure the preservation and safety of principal.

B. Liquidity. The District will maintain sufficient liquidity to ensure the availability of funds necessary to pay obligations as they become due.

C. Return on Investment. The District will seek to optimize return on investments within the constraints of safety and liquidity.

D. Standard of Care. The District will seek to ensure that all persons involved in the investment process act responsibly in the preservation of District capital. District investments will be made with the exercise of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

E. Investment Strategies. The District's Investment Strategies are set forth in **Exhibit "B"** attached hereto.

2.05. Investment Officer; Quarterly Report; Monitoring Investments. Purchases and sales of District investments may only be initiated by an Investment Officer appointed by resolution of the Board. The District's Investment Officer will be required to attend training, in compliance with the Public Funds Investment Act and the Texas Water Code, from an independent source approved by the Board that includes education in investment controls, security rights, strategy rights, market rights, and compliance with the Public Funds Investment Act. The Board may authorize an Investment Officer to invest and reinvest funds of the District in accordance with this Policy. The Investment Officer must submit a written report to the Board on at least a quarterly basis, which sets forth all investment transactions during the previous quarter and which complies with the requirements of the Public Funds Investment Act. The Investment Officer shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this Policy, the Investment Officer shall notify the Board of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating. Upon receipt of such notice, the Board will consider the liquidation options in accordance with Section 2256.021, Government Code.

2.06. Acknowledgment Required. A written copy of this Policy shall be presented to any Business Organization offering to engage in an investment transaction with the District. For purposes of this Section 2.06, "Business Organization" means an investment pool or investment management firm under contract with the District to invest or manage the District's investment portfolio that has accepted authority granted by the District under the contract to exercise investment discretion in regard to the District's funds. Nothing in this Section relieves the District of the responsibility for monitoring the investments made by the District to determine that they are in compliance with this Policy. The Qualified Representative of the Business Organization offering to engage in an investment transaction with the District entity shall execute a written

instrument in a form acceptable to the District and the Business Organization substantially to the effect that the Business Organization has:

- (1) received and reviewed this Policy; and
- (2) acknowledged that the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and the Business Organization that are not authorized by this Policy, except to the extent that this authorization:
 - (A) is dependent on an analysis of the makeup of the District's entire portfolio;
 - (B) requires an interpretation of subjective investment standards; or
 - (C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the Business Organization has accepted discretionary investment authority.

The District's Investment Officer may not acquire or otherwise obtain any authorized investment described in this Policy from a Business Organization that has not delivered to the District the instrument required by this Section.

A list of brokers selling investments to the District is attached hereto as Exhibit "C."

2.07. Collateralization. Funds held at a bank or trust company that are not invested must be collateralized by collateral securities set forth in the Public Funds Collateral Act, to the extent not covered by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), or their successors.

2.08. Review. This Policy and investment performance and security will be reviewed and evaluated at least annually by the Board, or more frequently upon the request of any Director. Following its annual review, and if a review is performed more frequently upon request of a Director, the Board will adopt a written resolution confirming its review of this Policy and the separate investment strategies adopted by the Board. A compliance audit of management controls on investments and adherence to this Policy shall be conducted in conjunction with the District's annual financial audit.

ARTICLE III

FINANCIAL MANAGEMENT

3.01. Accounting Records. The District's financial records will be prepared on a timely basis and maintained in an orderly manner, in conformity with generally accepted accounting principles. These records will be available for public inspection during regular business hours at

the District's office.

3.02. Audit Requirements.

A. Until such time as the District is required to file an audit under Section 49.191, Texas Water Code, the District will prepare and file either (i) an annual financial dormancy affidavit under Section 49.197, Water Code, or (ii) an annual financial report and affidavit under Section 49.198, Water Code.

B. At such time as the District is required to comply with Section 49.191, Texas Water Code, the District's fiscal accounts and records will be audited annually, at the expense of the District, by a certified public accountant. District audits will be performed according to generally accepted auditing standards adopted by the American Institute of Certified Public Accountants and any accounting and auditing manuals adopted by the Executive Director of the Commission. The District will comply with uniform reporting requirements that use "Audits of State and Local Governmental Units" as a guide on audit working papers and "Governmental Accounting and Financial Reporting Standards." In addition, the District's auditor will review management controls on District investments and the District's compliance with the Policy contained in Article III.

C. Within 135 days after the close of the District's fiscal year, the District will file a copy of its annual audit report and the annual filing affidavit prescribed by Section 49.194 of the Water Code with the Executive Director of the Commission. If the Board refuses to approve the annual audit report, the Board will file a statement with the audit that explains the reasons for disapproval.

3.03. Audit Committee. Upon the District's becoming financially active, the Board will establish an audit committee comprised of one or more Directors and any Employees the Board deems appropriate, and this committee will conduct, at a minimum, an annual review of the District's financial status. The audit committee will monitor variances from the District's budget and make budget recommendations to the Board. The audit committee will also review the annual District audit and make recommendations on it to the Board.

3.04. Budget. Upon the District's becoming financially active, the Board will adopt an annual budget for use in planning and controlling District costs. This budget will take into consideration all District revenues, including utility fees, taxes, and surcharges, if any, and all projected District obligations and expenditures. The District bookkeeper or manager will provide a comparison of budgeted expenditures and revenues to actual expenditures and revenues for review on a monthly basis. The approved budget will be reviewed by the Board at least quarterly and all necessary revisions to the budget will require approval of a majority vote of the Board.

ADOPTED this 21st day of May, 2024.

REUNION RANCH WATER CONTROL
AND IMPROVEMENT DISTRICT

By: 
Name: Dennis B. Daniel, President
Board of Directors

ATTEST:

By: 
Name: Mark D. Olson ~~Asst.~~ Secretary
Board of Directors

[SEAL]

EXHIBIT "A"

AUTHORIZED INVESTMENTS

1. The following obligations of governmental entities and obligations guaranteed by governmental entities are allowed:
 - a. Obligations of the United States or its agencies and instrumentalities;
 - b. Direct obligations of the State of Texas or its agencies and instrumentalities;
 - c. With prior approval of the Board, collateralized mortgage obligations directly issued by the federal government, the underlying security for which is guaranteed by the United States with certain exceptions set forth in the Public Funds Investment Act;
 - d. Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the full faith and credit of the United States; and
 - e. With prior approval of the Board, obligations of states, agencies, counties, cities and other political subdivisions having not less than an "A" rating from a nationally recognized investment rating firm.
2. Certificates of deposit issued by a bank or savings and loan association doing business in Texas guaranteed by the FDIC or the obligations set forth above in 1.
3. With prior approval of the Board, repurchase agreements with a defined termination date, that are secured by a combination of cash and the obligations set forth in 1, require the securities being purchased or cash held to be pledged to the District either directly or through a joint account approved by the District, held in the District's name either directly or through a joint account approved by the District, and deposited at the time the investment is made with the District, or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas.
4. With prior approval of the Board, bankers' acceptance with a stated maturity of 270 days or less that will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency and meets other credit requirements established by the Board.

5. With prior approval of the Board, commercial paper with a stated maturity of 270 days or less, rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies; or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state and meeting other credit requirements established by the Board.
6. With prior approval of the Board, money market mutual funds that are no-load and: (a) are registered with and regulated by the Securities and Exchange Commission (“SEC”); (b) have provided the District with a prospectus and other information required by the Securities Exchange Act of 1934 and the Investment Company Act of 1940; (c) have a dollar-weighted average stated maturity of 90 days or fewer; and (d) have an investment objective of maintaining a stable net asset value of \$1 per share.
7. Other types of mutual funds which are no-load and: (a) are registered with the SEC; (b) have an average weighted maturity of less than 2 years; (c) are invested exclusively in obligations approved by the Public Funds Investment Act; (d) have a “AAA” rating; and (e) meet certain requirements of investment pools, as set forth in the Public Funds Investment Act.
8. Public funds investment pool which meets the criteria as set forth in the Public Funds Investment Act, maintains a “AAA” rating, and have an investment objective of maintaining a stable net asset value of \$1 per share.

EXHIBIT "B"

INVESTMENT STRATEGIES

Investment Strategies in order of priority:

A. Investment Requirements by Fund.

1. Operating Funds. The District will maintain funds in the operating checking account at its depository bank, TexPool or any qualified money market fund to cover approximately two (2) months of operating needs. The remaining operating funds will be invested in acceptable investments to meet the operating requirements of the District as determined by the annual operating budget adopted by the Board, not to exceed a maximum maturity of one year.
2. Tax Collections. Tax collections will be deposited into the District's tax account at its depository bank. The balance will be checked monthly, except during December and January, when the balance will be checked on a weekly basis. Tax receipts will be allocated according to the Order Levying Taxes, then transferred to the operating and debt service accounts.
3. Debt Service Funds. The District will maintain an approximate \$1,000 balance in the debt service account if needed. This balance will cover any minimal debt service expenses that may arise. The remaining funds will be invested to mature three (3) to seven (7) days prior to the next bond payment dates.
4. Construction Funds. The District will maintain an approximate \$3,000 balance in the construction account if needed. The remaining construction funds will be invested in acceptable investments not to exceed a maximum maturity of one (1) year. Escrowed construction moneys will be maintained in a separate interest-bearing account(s).

B. Suitability. The District's Investment Officer must understand the District's financial requirements. Appropriate investments will be made to meet the needs of the District. TexPool or a qualified money market fund will be considered acceptable investments if approved by the District's Investment Officers in accordance with the strategies.

C. Preservation of Capital. A safe investment will allow the District to recover every dollar invested.

D. Liquidity. The District's Investment Officer must invest in securities that are easily and rapidly converted into cash without a substantial loss of value.

E. Investment Marketability Requirements. All investments must be "marketable" in case the need arises to liquidate an investment before maturity.

F. Maximum Maturities. To the extent possible, the District will match its investments with anticipated cash flow requirements. As required by the Public Funds Investment Act and the District's Financial Investment Policy, certain investments will have maturity limitations.

G. Diversification. There will be no defined level of investment diversification as long as all funds of the District are invested in accordance with these strategies.

H. Yield. District funds must be invested to obtain the maximum yield for each time frame taking into consideration the priority of preservation and safety of the principal and the liquidity of the investment.

I. Annual Review of Investment Strategies. The Board will review these strategies at least annually. Any changes deemed necessary by the Board at the time of each review will be reflected in an amendment to these strategies.

EXHIBIT "C"

LIST OF BROKERS

Phone: _____

Facsimile: _____

District Depository:

Phone: _____

Facsimile: _____