



Fannin
Central
Appraisal
District

2016

Investment Policy

Policy and
investment strategy
guidelines for
District funds

Adopted January 5, 2016

Preface

The purpose of this document is to set forth specific investment policy and strategy guidelines for the Fannin Central Appraisal District in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The Board of Directors of the Fannin Central Appraisal District shall review its investment strategies and policy not less than annually. This policy serves to satisfy the statutory requirement (specifically the Public Funds Investment Act, Article 342a-2 V.T.C.S. (the "Act") to define, adopt and review a formal investment strategy and policy.

It is the policy of the Fannin Central Appraisal District that, given due regard to safety and risk of investment, all available funds shall be invested in conformance with the state and federal regulations, adopted investment policy and adopted investment strategy.

Effective investment strategy development coordinates the primary objectives of the District's investment policy and cash management procedures with investment security risk/return analysis to enhance interest earning and reduce investment risk and aggressive cash management to increase the available "investment period." Maturity selections shall be based on cash flow and market conditions to take advantage of interest earnings as a viable and material revenue source to the District's funds. The District's portfolio shall be designed and managed in a manner responsible to the public trust consistent with the Investment Policy.

Fannin Central Appraisal District has only one fund type. It has varying cash flow requirements and liquidity needs, and therefore a specific strategy shall be implemented to deal with the fund's unique requirements.

Investment Strategy

The Fannin Central Appraisal District has a single investment portfolio that utilizes specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolio. In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The composite portfolio will have a dollar weighted average maturity of 365 days or less. The dollar weighted average maturity will be calculated using the stated final maturity dates of each security.

The investment guidelines and strategy for the fund have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity, as well as a reasonable rate of return.

Authorized Training Sources

The independent source for authorized training will be the Texas Association of Appraisal Districts, Inc. (TAAD).

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INVESTMENT POLICY

POLICY

It is the policy of the Fannin Central Appraisal District (FCAD) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the district and conforming to all state statutes governing the investment of public funds.

SCOPE

This investment policy applies to all financial assets of the Fannin Central Appraisal District.

PRUDENCE

Investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would 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.

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

OBJECTIVES

The primary objectives, in priority order, of the Fannin Central Appraisal District shall be:

- **Safety:** Preservation of capital and protection of principal is the foremost objective of the investment program.
- **Liquidity:** Fannin Central Appraisal District’s investment portfolio will remain sufficiently liquid to enable the district to meet all operating requirements which might be reasonably anticipated.
- **Return on investment:** Fannin Central Appraisal District’s investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the district’s investment risk constraints and the cash flow characteristics of the portfolio.
- **Public Trust:** All participants in the district’s investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transactions which might impair public confidence in the district’s ability to function as a government effectively.

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DELEGATION OF AUTHORITY:

Authority to manage Fannin Central Appraisal District's investment program is derived from the Public Funds Investment Act, Chapter 2256 Government Code. The duties of investment officer are hereby delegated to the Chief Appraiser, who shall establish procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The Chief Appraiser may delegate authority to his employees pursuant to Section 6.05 (e) of the Property Tax Code. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

TRAINING

The Investment Officer and any persons authorized to execute investment transactions shall attend at least one investment training session within 12 months after taking office or assuming duties and receive not less than 10 hours of instruction relating to investment responsibilities every two years. The training provider must be an independent source approved by the Board of Directors of the Fannin Central Appraisal District.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. An investment officer of the district who has a personal business relationship with an entity seeking to sell an investment to the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, Local Government Code, to an individual seeking to sell an investment to the district shall file a statement disclosing that relationship. A statement required under this section must be filed with the Texas Ethics Commission and with the Board of Directors, Fannin Central Appraisal District.

AUTHORIZED AND SUITABLE INVESTMENTS

Fannin Central Appraisal District funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act). However, investments in instruments other than government securities shall be made only if the yield is equal or greater than the bond equivalent yield on U.S. Treasury obligations of comparable maturity. Obligations not listed below are strictly prohibited. The purchase of specific issues may at time be restricted or prohibited by the Investment Officer due to current market conditions. An investment that requires a minimum rating under this section does not qualify as an authorized investment during periods the investment does not have the minimum ratings.

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The Fannin Central Appraisal District shall take all prudent measures consistent with this investment policy to liquidate an investment that does not have the minimum rating. The district is not required to liquidate investments that were authorized at the time of purchase.

OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENT ENTITIES

- Obligations of the United States or its agencies and instrumentalities;
- Direct obligations of the State of Texas or its agencies and instrumentalities;
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or of the United States or their respective agencies and instrumentalities; and
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent;

CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES

A certificate of deposit is an authorized investment if the certificate is issued by a state or national bank domiciled in this state, a savings and loan association domiciled in this state, or a state or federal credit union domiciled in this state and is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, is secured by obligations that are described in 8.1 above, including mortgage backed securities of the nature described in Section 2256.009(b) Government Code, or secured in any manner and amount provided by law for deposits of the investing entity.

Bids for certificates of deposit may be solicited orally, in writing, electronically, or in any combination of those methods.

COMMERCIAL PAPER

Commercial paper is an authorized investment if the commercial paper has a stated maturity of 270 days or fewer, from the date of its issuance, is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or on nationally recognized 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.

INVESTMENT POOLS

Fannin Central Appraisal District may invest funds through an eligible investment pool if the Board of Directors by resolution authorizes investing in the particular pool. To be eligible to receive funds from and invest funds on behalf of Fannin Central Appraisal District, the investment pool must furnish to the investment officer such information as is contained in Sections 2256.016 Government Code, and are rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

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MUTAL FUNDS

Fannin Central Appraisal District may invest in a no-load money market mutual fund if the mutual fund is registered with and regulated by the Securities and Exchange Commission and provides the district with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, has a dollar-weighted average stated maturity of 90 days or less and includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

COLLATERALIZATION, SAFEKEEPING AN CUSTODY

Collateralization will be required on certificates of deposit, at a level of 102% of market value of principal and accrued interest.

All security transactions, including collateral for repurchase agreements and certificates of deposit, entered in to by the district shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Investment Officer and evidenced by a clearly marked safekeeping receipts supplied to the Fannin Central Appraisal District.

Collateral will always be held by an independent third party with whom the district has a current custodial agreement. A clearly marked receipt of ownership (safekeeping receipt) must be supplied to the Fannin Central Appraisal District and retained by the Investment Officer.

DIVERSIFICATION

Fannin Central Appraisal District will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 40% of Fannin Central Appraisal District's investment portfolio will be invested in a single security type or with a single financial institution.

MAXIMUM 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 risk caused by changes in interest rates. To the extent possible, Fannin Central Appraisal District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, Fannin Central Appraisal District will not directly invest in securities maturing more than 12 months from the date of purchase.

INTERNAL MANAGEMENT REPORTS

Not less than quarterly, the Investment Officer shall prepare and submit to the Board of Directors a written report of investment transactions for the preceding reporting period. The report must describe in detail the investment position of the entity on the date of the report, be prepared jointly by the investment officials of the district, be signed by the investment officers. Additionally, it must contain a summary statement of the fund that indicates the beginning market value for the reporting period, any additions and changes to the market value during the

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period and the ending market value for the period. The report is to state the maturity date of each separately invested asset that has a maturity date, the fund or pooled fund for which the asset was acquired and state the compliance of the investment as it relates to the investment strategy expressed in this policy.

INVESTMENT POLICY ADOPTION

Texas Government Code Chapter 2256, Public Funds Investment Act requires all governmental agencies in the State of Texas to have a written investment policy. Further, the governing body is required by statute to review annually the policy, and to adopt a written statement that it has reviewed the investment policy.

The Fannin Central Appraisal District investment policy and strategies shall be adopted by resolution of the Board of Directors of the Fannin Central Appraisal District. The policy and strategies shall be reviewed and adopted by resolution annually by the Board of Directors. Any changes made to the current policy or strategies shall be identified in the resolution. If no changes are made to the policy or strategies, the Board of Directors must still adopt a resolution on an annual basis. In the event state law changes the Fannin Central Appraisal District cannot invest in the investments described in this Policy, this Policy shall automatically be conformed to the existing law.

Additionally, it is a requirement that the Investment Officer have at least 10 hours of training relating to investment responsibilities under Chapter 2256, at least every two years, and that the training be provided by an independent source approved by the governing body. The current authorized training source, TAAD, shall be the approved independent source for Investment Officer Training.

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**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE FANNIN CENTRAL APPRAISAL DISTRICT
TO ADOPT THE 2016 INVESTMENT POLICY**

Whereas, Texas Government Code Chapter 2256, Public Funds Investment Act requires all governmental agencies in the State of Texas to have a written investment policy,

Whereas, the governing body is required by stature to annually review the policy

Whereas, the governing body is required annually to issue a written statement that it has reviewed the investment policy,

Whereas, the governing body is required to designate an Investment Officer,

Whereas, the Investment Officer is required to attend investment training education provided by an independent source approved by the governing body within 12 months of assuming the duties of Investment Officer,

Therefore be it resolved that Mr. Michael R. Jones, Chief Appraiser for the Fannin Central Appraisal District is hereby authorized to serve as the Investment Officer for the Fannin Central Appraisal District,

Be it further resolved, the Texas Association of Appraisal Districts, Inc. is designated as the independent source to provide the required investment training.

Be it further resolved, the Fannin Central Appraisal District Investment Policy, a copy of which is attached for reference, is hereby reviewed and adopted.

This resolution is effective immediately upon adoption.

Adopted this 5th day of January, 2016.



Chairman, Board of Directors

ATTEST:



Secretary, Board of Directors

