

# CYPRESS CREEK UTILITY DISTRICT

## Order Adopting Investment Policy

The board of directors ("Board") of Cypress Creek Utility District ("District") met at the Board's regular meeting place on August 22, 2011, with a quorum of directors present, as follows:

Glenn Land, President  
Mary Martin, Vice President  
Harvey W. Roensch, Secretary  
Chris Stanley, Director

and the following absent:

Robert Jackson, Director

when the following business was transacted:

The order set out below was introduced for consideration by the Board. It was duly moved and seconded that said order be adopted; and, after due discussion, said motion carried by the following vote:

Ayes: All directors present

Noes: None.

The order thus adopted is as follows:

The Investment Policy attached hereto is hereby adopted by the Board of Directors of the District. Any order and amendments thereto, heretofore adopted by the Board, providing for policy for investment of funds by the District, is hereby revoked upon the effective date of this order.

The order hereinafter set forth shall become effective on August 22, 2011.

## INVESTMENT POLICY

### Section 1. Policy

The District's objectives for the investment of District funds, specifically monies in the District's general fund, capital projects fund and debt service fund are (1) the safety and protection of principal, (2) liquidity of principal, and (3) the achievement of the highest rate of return. Investments shall be made under circumstances then prevailing that 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.

### Section 2. Eligible Investments

District funds shall be invested in the types of investments and with no greater than the maximum maturity schedule as permitted by and in accordance with the Texas Water Code and Chapter 2256, Texas Government Code, the Public Funds Investment Act (the "Act"), as amended.

### Section 3. Strategy and Objectives

A. Investments of monies in each of the District's funds (general fund, debt service fund, and capital projects fund) shall be made upon evaluation of the following investment objectives in order of importance:

- (a) understanding of the suitability of the investment to the financial requirements of the entity;
- (b) preservation and safety of principal;
- (c) liquidity;
- (d) marketability of the investment if the need arises to liquidate the investment before maturity;
- (e) diversification of the District's investment portfolio; and
- (f) interest rates and yield, except that bond order requirements will be followed with respect to arbitrage restrictions on any funds in the capital projects fund and debt service fund.

B. The District's investment officer shall maintain a working knowledge of the market price of the investments in each fund.

C. The District shall require that settlement of all transactions, except investment pools or money market funds, be on a delivery versus payment basis.

D. The District's investment officer shall monitor rating changes and take all prudent measures that are consistent with the District's investment policy to liquidate an investment in the event such investment loses its required rating.

#### Section 4. Appointment of Investment Officer

A. The Board shall, by separate order, appoint one or more officers or employees of the District or shall, pursuant to the Texas Water Code Section 49.1571, contract with a person to serve as the District's investment officer who shall be responsible for the supervision of investment of District funds and for carrying out those duties of an investment officer as set forth by the Act.

B. The District's consultants shall be authorized to assist the investment officer in the carrying out of the duties of investment officer.

C. The investment officer shall not authorize any action with respect to investment of District funds unless those actions are reviewed and approved by the Board at a meeting of the Board. This limitation does not extend to the review of reports and financial information or consultation with the District's consultants regarding investments of District funds.

D. The investment officer shall attend training in the officer's duties and responsibilities as required by Section 49.1571, Texas Water Code. Such training shall be at a minimum:

- (a) one training session of no less than six hours of instruction relating to investment responsibilities under Chapter 2256, Texas Government Code no later than the first anniversary of the date the officer takes office or assumes the officer's duties, and
- (b) attend at least four hours of additional instruction relating to investment responsibilities under Chapter 2256, Texas Government Code within each two-year period after the first year.

E. The training shall be from an independent source approved by the Board. Training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with Chapter 2256, Texas Government Code.

F. An investment officer who (1) has a personal business relationship as defined by Section 2256.005 (i) of the Act with a business organization offering to engage in an investment transaction with the entity, or (2) is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the entity, shall file the statement disclosing such relationship as required by the Act. A personal business relationship exists if:

- (a) the investment officer owns 10 percent 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 from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- (c) the investment officer has acquired from the business organization during the previous year investment with a book value of \$2,500 or more for the personal account of the investment officer.

#### Section 5. Reports and Investment Policy Review

A. The District's bookkeeper shall provide the investment officer and the Board with a monthly report of District investments, including maturity dates, ratings changes, interest rates and interest earned on the funds.

B. The Board shall review its investment policy and investment strategies not less often than annually, in connection with the approval of its annual fiscal year audit. The District shall adopt a resolution after the review (1) stating that the Board has reviewed the investment policy and investment strategies of the District, and (2) setting forth any changes to the investment policy or strategies adopted.

C. If the District has, in the previous fiscal year, invested in any investment other than money market funds, certificates of deposit at a depository bank, or in an authorized investment pool, the District shall request a review by the District's auditors of the investment reports provided by the bookkeeper under Section 5(A) herein. The auditors shall report on the findings of the review at the time of presentation of the annual fiscal year audit of the District.

D. In conjunction with its annual financial audit, the District shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies.

#### Section 6. List of authorized brokers

As a part of its investment policy, the District has or will adopt a list of qualified brokers. The District shall, at least annually, review and if necessary revise the list of qualified brokers that are authorized to engage in investment transactions with the District.

#### Section 7. Investment Transactions

The District's bookkeeper is authorized to present a copy of this order adopting the District's Investment Policy to any person offering to engage in an investment transaction with the District and to obtain a written acknowledgment of such policy, as required by the Act, in the form set out in Exhibit "A" attached hereto.

The president or vice president is authorized to execute and the secretary or assistant secretary to attest this Order on behalf of the Board and the District.

Passed and adopted this August 22, 2011.

GLENN LAND

President

ATTEST:

HARVEY W. ROENSCH

Secretary

Exhibit "A"

ACKNOWLEDGMENT OF BUSINESS ORGANIZATION

The undersigned qualified representative of a business organization offering to engage in an investment transaction with Cypress Creek Utility District (the "District") and authorized to engage in such a transaction with the District, has (1) received and reviewed the investment policy of the District and (2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investments that are not authorized by the District's investment policy, with the following reservations:

1. No independent analysis has been performed of the District's entire portfolio of investments.
2. The review performed herein does not include any interpretation of the District's subjective investment standards.

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

\_\_\_\_\_  
[Name of Investment Provider]

By: \_\_\_\_\_

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

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

I, the undersigned secretary of the board of directors of Cypress Creek Utility District hereby certify that the foregoing is a true and correct copy of the Order Adopting Investment Policy adopted by said board at its meeting of August 22, 2011 together with excerpts from the minutes of said board's meeting on that date showing the adoption of said Order as same appear of record in the official minutes of the Board on file in the District's office.

I further certify that said meeting was open to the public, and that notice thereof was posted in compliance with the provisions of Tex. Gov't. Code Ann. § 551.001 et seq.

Witness my hand and the official seal of said District this \_\_\_\_\_,  
2011.

Honey Rouse  
Secretary

