City of Colleyville
Audit Committee
Agenda

City Hall
100 Main Street
Colleyville, Texas 76034
817.503.1000
www.colleyville.com

Tuesday, June 5, 2018
4:00 p.m.

City Manager's Conference Room
Third Floor – City Hall

1. CALL TO ORDER

2. APPROVAL OF MINUTES

May 1, 2018

3. REGULAR AGENDA ITEMS

3a Discussion and review of the City of Colleyville investment policy and propose changes

4. REPORTS

4a Discussion of of the City of Colleyville first Popular Annual Financial Report (PAFR) for Fiscal Year 2017

4b Discussion of of the City of Colleyville Popular Annual Financial Report (PAFR) for Fiscal Year 2017

4c Discussion of of the City of Colleyville first Popular Annual Financial Report (PAFR) for Fiscal Year 2017

5. ADJOURNMENT

I hereby certify this agenda was posted on City Hall bulletin boards Friday, June 1, 2018, by 5:00 p.m.

Christine Loven, TRMC
City Secretary

A quorum of the Colleyville City Council and/or any other Colleyville Board, Commission, or Committee may be in attendance at this meeting.

Any matter on this agenda may, at the discretion of the governing body, be opened for public comment and discussion.

If you plan to attend this public meeting and have a disability that requires special accommodations, please advise Executive Secretary at least 48 hours in advance at 817.503.1111, and reasonable accommodations will be made to assist you.

City of Colleyville
Audit Committee
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Tuesday, May 1, 2018 — City Manager's Conference Room
3:30 p.m. — Third Floor – City Hall

Chief Financial Officer Shereen Gendy called the Audit Committee to order on May May 1, 2018, at 3:30 p.m.

ROLL CALL: Committee members George Dodson, Kathy Wheat, Bobby Lindamood and Susan Mathisen were present.

City Manager Jerry Ducay, Chief Financial Officer Shereen Gendy, Assistant City Managers Adrienne Lothery and Mark Wood, Accounting Manager Karen Hines, and City Secretary Christine Loven were also present.

2. APPROVAL OF MINUTES
February 20, 2018

Committee member Mathisen made a motion to approve the February 20, 2018 meeting minutes, committee member Dodson seconded the motion. All approved by acclamation.

3. REGULAR AGENDA ITEMS

3a Discussion of the Request for Proposal and selection process for external auditing services for the Fiscal Years ending September 30, 2018 through September 30, 2022

CFO Gendy reviewed the Request for Proposal and staff scoring process. She stated there were six firms who responded to the RFP, and through the staff review process, four firms were selected to be interviewed. CFO Gendy asked if there were any questions before moving forward. There were none.

3b Interview of audit firms submitting proposals in response to the City's request for proposals for an external audit firm

Representatives from the following organizations gave audit service presentations and answered questions of the committee.

- BKD
- Weaver Assurance-Tax-Advisory
- Whitley Penn
- Patillo, Brown, Hill

3c Opening the sealed cost portion of the audit proposals and consider a recommendation to City Council for the selection of an audit firm

The proposals were opened and reviewed and then scored by the committee. The Audit Committee unanimously recommended Weaver Assurance, and this recommendation will be taken to the City Council.

4. REPORTS

Quarterly Investment Report for the quarter ended March 31, 2018

CFO Gendy presented this item and answered questions of the committee.

Update on future discussion items and initiatives

CFO Gendy presented this item and answered questions of the committee. It was decided a June 5, 2018 Audit Committee meeting will be conducted to discuss the City's investment policies.

5. ADJOURNMENT

The meeting was adjourned at 4:52 p.m.

PASSED BY A VOTE OF __ AYES, ___ NAYS, AND ___ ABSTENTIONS, THIS 5TH DAY OF JUNE, 2018.

Minutes taken and prepared by:

Christine Loven, TRMC
City Secretary

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
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Agenda Number 3a **Agenda Date** 06/05/2018 **Number**
Type Presentation and Discussion
Department Finance

Title
Discussion and review of the City of Colleyville investment policy and propose changes

Strategic Plan
1.4 Communicate thoroughly and strategically
1.1 Actively involve and engage stakeholders
2.4 Demonstrate stewardship of public resources

Explanation
Open discussion and review of the City of Colleyville investment policy, portfolio structure and the committee's investment risk tolerance.

Attachments
1. Public Funds Investment Act
2. Current Investment Policy - Approved 9.19.17
3. 2018 Investment Policy - RED LINE DRAFT
4. 2018 Investment Policy - DRAFT
5. Quarterly Investment Report-March 2018

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "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.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

(1) a local government;

(2) a state agency;

(3) a nonprofit corporation acting on behalf of a local government or a state agency; or

(4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

(1) a public retirement system as defined by Section 802.001;

(2) state funds invested as authorized by Section 404.024;

(3) an institution of higher education having total endowments of at least $150 million in book value on September 1, 2017;

(4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;

(5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

(1) orally;

(2) in writing;

(3) electronically; or

(4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

(1) understanding of the suitability of the investment to the financial requirements of the entity;

(2) preservation and safety of principal;

(3) liquidity;

(4) marketability of the investment if the need arises to liquidate the investment before maturity;

(5) diversification of the investment portfolio; and

(6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution 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 investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with 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, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) 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;

(2) 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

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of $2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity'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.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. 1701), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) 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. Investment of funds shall be governed by the following investment objectives, in order of priority:

(1) preservation and safety of principal;

(2) liquidity; and

(3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

(1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

(2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) In addition to the requirements of Subsection (a)(1), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter 392, Local Government Code, may satisfy the training requirement provided by Subsection (a)(2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or

(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

(f) Subsection (a)(2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

(1) does not invest municipal or housing authority funds, as applicable; or

(2) only deposits those funds in:

(A) interest-bearing deposit accounts; or

(B) certificates of deposit as authorized by Section 2256.010.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. 1148), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. 1488), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 2, eff. September 1, 2017.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) 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;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) 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;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section 2257.041(d); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. 2647), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) 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 investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1); and

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with

the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 3, eff. June 14, 2017.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) 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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 270 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies; or

(B) 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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section 1371.059(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.
Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

(4) the objectives of the pool;

(5) the size of the pool;

(6) the names of the members of the advisory board of the pool and the dates their terms expire;

(7) the custodian bank that will safekeep the pool's assets;

(8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and

(13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;

(B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

(C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

(D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;

(E) the size of the pool;

(F) the number of participants in the pool;

(G) the custodian bank that is safekeeping the assets of the pool;

(H) a listing of daily transaction activity of the entity participating in the pool;

(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

(J) the portfolio managers of the pool; and

(K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a $1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment 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.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 6, eff. June 14, 2017.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.
Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment 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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.
Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501 (f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.
Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a) In this section:

(1) "Eligible entity" means a political subdivision that has:

(A) a principal amount of at least $250 million in:

(i) outstanding long-term indebtedness;

(ii) long-term indebtedness proposed to be issued; or

(iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section 1371.001.

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

(1) another law; or

(2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section 1371.059(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

(1) an operation and maintenance expense of the eligible entity;

(2) an acquisition expense of the eligible entity;

(3) a project cost of an eligible project; or

(4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, eff. June 14, 2017.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, see other Sec. 2256.0206.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, eff. September 1, 2017.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

(1) describe in detail the investment position of the entity on the date of the report;

(2) be prepared jointly by all investment officers of the entity;

(3) be signed by each investment officer of the entity;

(4) contain a summary statement of each pooled fund group that states the:

(A) beginning market value for the reporting period;

(B) ending market value for the period; and

(C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section 2256.017, this subchapter does not:

(1) prohibit an investment specifically authorized by other law; or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter 392, Local Government Code; or

(3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.
Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

CITY OF COLLEYVILLE INVESTMENT POLICY

Policy

It is the policy of the City of Colleyville (the City) 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 entity and conforming to all State of Texas laws and statutes including the Public Funds Investment Act, Chapter 2256 of the Government Code and City ordinances.

Scope

This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Debt Service Funds, including reserves and sinking funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately

and any new fund created by the City Council, unless specifically exempted by the City Council or by law. All funds may be combined as pooled funds unless specifically prohibited by State law or statute or City ordinance.

Objectives

The primary objectives, in priority order, of the City's investment activities shall be:

Safety: Safety of principal is the foremost objective of the City in managing its portfolio. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective the City will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. The City will also take into account the marketability of the investment if the need arises to liquidate the investment before maturity.

Liquidity: The City will also maintain sufficient liquidity to provide adequate and timely working funds.

Return on Investments: The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The City investment strategy is passive and the portfolio shall be designed with the objective of regularly exceeding the weighted average return on thirteen-week Treasury bills. This is considered a benchmark for riskless investment transactions, and therefore, is a minimum standard for the portfolio's rate of return. For bond funds that fall under the arbitrage provisions of the Tax Reform Act of 1986, the City will attempt to earn allowable bond yield with market conditions permitting.

Delegation of Authority

The City designates the Investment Officers to be the City Manager with overall responsibilities to see that investment objectives are accomplished and the Chief Financial Officer and Accounting Manager with the specific day-to-day performance of managing the funds of the City.

Ethics and Conflict of Interest

All investment 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 that could impair their ability to make impartial investment decisions. Employees shall disclose to the City of Colleyville and Texas Ethics Commission a statement under the following conditions:

A. If they have a personal business relationship with a business organization offering to engage in an investment transaction with the entity. Under the Public Funds Investment Act, a personal business relationship is defined as:

    1. 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:

2. 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

3. The investment officer has acquired from the business organization during the previous year, investments with a book value of $2,500 or more for the personal account of the investment officer.

B. If they are related within the second degree by affinity or consanguinity, as determined by Chapter 573 V.A.T.C.S. to an individual seeking to sell an investment to the City of Colleyville.

Prudence

Investments shall be made with judgement 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.

The standard of prudence to be used by investment officials shall be the "prudent person", which means the officer may not be an expert but is obligated to act responsibly and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures 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.

Investment officers shall notify the City Council in writing of any conflicts of interest, as defined by the Public Funds Investment Act, no later than the next regularly scheduled Council meeting.

It is the policy of the City that the Investment Officers perform their duties in accordance with the policies and procedures set forth in this policy. The Investment Officers of the City (City Manager, Chief Financial Officer and Accounting Manager) shall be personally indemnified in the event of investment loss provided the Investment Policy is followed.

Internal Controls

The Chief Financial Officer and Accounting Manager shall establish a system of written internal controls which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent the loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

Permissible Instruments

The following is a list of permissible instruments as authorized by the 70th Texas Legislature in the Public Funds Investment Act (TEX. REV. CIV. STAT. ANN. ACT 842A-2) and amended by the 71st Legislature:

1. Obligations of the United States or its agencies or instrumentalities;

2. Direct obligations of the State of Texas or its agencies;

3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities;

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;

5. Certificates of deposit issued by state and national depository institutions that have its main office or branch office in this state that are:
    a. Guaranteed or insured by the Federal Deposit Insurance Corporation, FSLIC or its successors; or
    b. Secured by obligations that are described by subdivisions (1) through (4) of this subsection, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities, and which 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 investing entities;

6. Invest in a local government investment pool as authorized by the

Interlocal Cooperation Act (TEX. REV. CIV. STAT. ANN. ACT. 4413 (32c), as amended, and the Public Funds Investment Act (TEX. REV. CIV. STAT. ACT. 842a-2), as amended. The investment pool must comply with the requirements of the Public Funds Investment Act, as amended, as follows:

a. The investment pool maintains a stable asset value of one dollar as defined in the Public Funds Investment Act;
b. The investment pool maintains a AAA, or AAAm rating by one of the nationally recognized rating agencies;
c. The investment pool's maximum average dollar weighted maturity does not exceed 90 days; and
d. The investment pool's continued compliance with the remaining provisions of the Public Funds Investment Act.
e. The eligible investments of the pool are as follows: obligations of the United States or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States, fully collateralized repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States, and SEC registered money market funds authorized by the Public Funds Investment Act and rated in the highest category by at least one nationally recognized rating agency, reverse repurchase agreements with a term of no longer than 90 days.
f. Include in its investment policy and/or operating procedures the following information: a description of eligible investment securities and unacceptable investments, a written statement on investment policy and objectives, a description of interest calculations, distribution, and treatment of gains and losses, security safeguarding, valuation collateralization and auditing, and a fee schedule.

7. Direct repurchase agreements with primary security dealers or financial institutions doing business in the State of Texas having a defined termination date, and secured by U.S. Government or federal agency securities, provided that the ownership of collateral for the repurchase agreement is transferred to the City, and deposited with a safekeeping agent for the duration of the contract and a signed master repurchase agreement has been executed with the counterparty.

8. SEC-registered no-load money market mutual funds with a dollar

weighted average portfolio of 90 days or less whose assets consist exclusively of United States Government Securities whose investment objectives include seeking to maintain a stable net asset value of $1.00 per share. Investment in mutual funds shall be limited to a maximum of ten percent (10%) of the City's available funds.

9. Certificate of Deposit Account Registry Service (CDARS) deposited with a certificate of deposit issued by a depository institution that has its main office or branch office in this state that is selected by the investing entity pursuant to the requirements of Section 2256.010 of the Government Code.

The City is not required to liquidate an investment that was authorized at the time of its purchase.

Unacceptable Investment Instruments

The following securities, although authorized by the Public Funds Investment Act, are not eligible investments for the City:

1. Collateralized mortgage obligations and/or obligations of the following structure
   a) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
   b) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
   c) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
   d) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

2. Commercial paper

3. Banker's acceptances

4. Reverse repurchase agreements (Local Government Investment Pools which the City participates in may engage in reverse repurchase agreements if the term is 90 days or less)

5. No-load mutual funds other than SEC-registered no-load money market mutual funds with a dollar weighted average portfolio of 90 days or less whose assets consist exclusively of United States Government Securities whose investment objectives include seeking to maintain a stable net asset value of $1.00 per share.

6. Guaranteed investment contracts

7. Share certificates of qualifying credit unions

Effect of Loss of Required Rating

An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have a minimum rating. The Investment Officer shall take all prudent measures that are consistent with the City's investment policy to liquidate the investment(s) that does not have the minimum rating (2256.021). In accordance with Section (2256.005(b)), the Investment Officer shall monitor rating changes in current investments by keeping a monthly record of ratings issued by three nationally recognized rating agencies.

Investment Strategy

The investment strategy by type of fund is as follows:

(1) Operating Funds

The investment strategy for operating fund(s) is to assure that anticipated cash flows are matched with adequate investment liquidity. A secondary objective is to create a portfolio, which will experience minimum volatility during economic cycles. These funds shall not have an investment with a stated maturity greater than two years and the weighted average maturity shall not exceed eighteen months.

(2) Debt Service Funds

The investment strategy for debt service fund(s) is the assurance of investment liquidity to cover the debt service obligations on the required payment date. Investments purchased shall not have a stated final maturity date which exceeds the corresponding debt service payment date. The weighted average maturity shall not exceed one year.

(3) Reserve Funds

The investment strategy for reserve fund(s) is the assurance of investment liquidity adequate to cover the debt service obligations not funded by debt service funds on the required payment date. Investment of reserve funds are controlled by their ordinance, resolution or indenture, and Federal and State law. Bond documents must be examined for each issue, for potential differences with this policy concerning investment instruments, maximum maturity or average life restrictions, call dates or sinking fund redemptions, and applicable arbitrage yields and rebate liability. Provisions contained in the bond documents will supersede provisions of this policy. Weighted average maturity shall be incompliance with bond requirements, as stated.

Reserve funds will be invested using a more conservative approach than the current standard investment strategy when arbitrage rebate rules require refunding excess earnings. All excess earnings received will be segregated to allow a proper determination of interest income to be used in the arbitrage calculation.

(4) Special Project or Special Purpose Funds

The investment strategy for special projects or special purpose fund portfolio(s) will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The city's final maturity dates of securities held shall not exceed the estimated project completion date. Funds in excess of defined construction payment schedules shall be limited to a maximum final maturity date of three years.

Maturity limitations for single issue reserve funds shall not exceed the sooner of five (5) years, the call provisions of the bond ordinance, or the final maturity of the bond issue.

Annually, the City Council shall formally review the Investment Policy and investment strategy contained with the Policy and record in writing that it has reviewed the Policy and record any changes to either the policy or strategy.

A. Diversification

The City will attempt to limit the risk of loss through diversification of its portfolio and to achieve the aforementioned investment strategies by diversification of instruments.

Diversification by Instrument of Portfolio	Maximum Percent

U.S. Treasury Obligations (Bills, Notes and Bonds),	100%
U.S. Government Agency Securities, and Instrumentalities of Government Sponsored Corporations	75%
Certificates of Deposit (CD's) Commercial Bank's	75%
Local Government Investment Pool	75%
Certificate of Deposit Account Registry Service (CDARS)	75%
Tri-Party Repurchase Agreement	75%
SEC registered, no-load mutual fund	10%

Investment Procedures

The City shall enter the following agreements (if applicable): safekeeping, PSA repurchase agreements, wire transfer agreements, banking services contracts, and collateral/depository agreements. These contracts shall include the explicit delegation of authority to persons responsible for the transactions involving these agreements. No person except those designated in the contract may engage in any investment transactions.

On all funds invested in instruments as listed in "Permissible Investments" numbers one through five, oral bids shall be requested from at least two broker/dealers or national banks. The City will accept the bid that provides the highest rate of return within the maturity required and within the parameters of this policy. Records will be kept of the bids offered, bids accepted, and a brief explanation of the decision that was made regarding the investment.

Qualified Institutions

Annually, the City Council shall approve four financial institutions for investment purposes as recommended by the Chief Financial Officer. All firms shall answer the Broker/Dealer questionnaire (Appendix A) and submit their most recent audited financial statements to the City Council for evaluation of credit worthiness. All personnel in the firms who will be trading or quoting securities to the City Council must maintain a current NASD license and be registered to deal securities in the State of Texas. An investment certification form (Appendix B) on the firm's letterhead signed by a principal of the firm must be on file with the City.

Safekeeping

All marketable securities purchased by the City shall be held in third party safekeeping by an institution designated as primary agent. All securities will be delivered to the third party institution by seller. Personnel in the third party institution will verify the correct security was delivered by the seller ("delivery vs payment"). The third party institution shall issue a safekeeping receipt to the City listing the specific instrument, rate/yield, maturity, CUSIP, and other pertinent information. Collateral on deposit type securities which exceed the FDIC coverage shall be held in a third party safekeeping institution. In the event a third party safekeeping institution is used, a collateral agreement shall be executed between the City Council, depository which pledged the collateral, and the third party custodian of the collateral. The City will retain possession of all original safekeeping receipts and the receipts will state the security is pledged to the City. Either the City Manager, Chief Financial Officer or Accounting Manager must approve release of collateral in writing prior to its removal from the safekeeping account.

Selection of Financial Institutions

Depositories shall be selected through the City's banking services procurement process, which shall include a formal request for application. In selecting depositories, the services available, service costs, and credit-worthiness of institutions shall be considered, and the Investment Officers, shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history.

The City shall select financial institutions from which the City may purchase certificates of deposit in accordance with the Act and this Policy. The City will have a written depository agreement with any financial institution with whom the City has time or demand deposits. The Investment Officer shall monitor the financial condition of financial institutions where certificates of deposit are held. A qualified representative of the financial institution must sign the investment certification form (Appendix B) on the financial institutions letterhead and it must be kept on file with the City.

Collateral Securities for Certificates of Deposit and Demand Accounts
The City will accept as collateral for its Certificates of Deposit and demand accounts the following securities:

A. FDIC coverage

B. U.S. Treasury bills, notes and bonds

C. United States Agency and instrumentalities bills or notes

D. GNMA mortgage backed fully modified pass through securities

E. Texas state, city, county or school bonds with a remaining maturity of seven years or less and a rating of "A" or better by Moody's, Fitch Ratings, and Standard and Poor's.

F. Surety Bond

G. Federal Home Loan Bank Letter of Credit issued to the City

Collateral shall be "marked to market" monthly by the Finance Manager. The following percentages constitute the minimum market value for collateral instruments that are pledged for the City's Certificates of Deposit and demand deposits.

Form of Collateral Pledged Collateral	Ratio
1. U.S. Treasury bills, notes, and bonds	
a. maturing within 1 year	102%
b. maturing in 1-5 years	105%
c. maturing in more than 5 years	110%
2. Actively traded U.S. Government Agency securities	
a. maturing in less than 1 year	103%
b. maturing in 1-5 years	107%
c. maturing in more than 5 years	115%
3. GNMA mortgage pass through securities	115%
4. Entities in the State of Texas bonds	

General Obligation Bonds	
a. maturing in less than 1 year	102%
b. maturing in 1-5 years	105%
c. maturing in more than 5 years	107%
Revenue Bonds	
a. maturing in less than 1 year	105%
b. maturing in 1-5 years	110%
c. maturing in more than 5 years	115%

Collateral shall be audited annually be the City's independent auditor and may be audited by the City at anytime during normal business hours of the safekeeping bank.

Arbitrage

The Tax Reform Act of 1986 places limitations on the City's yield from investing certain tax-exempt bond proceeds, debt service funds and reserve funds. The rebate provisions require that the City compute earnings on investments from certain issues of bonds on a periodic basis to determine if rebate is required.

To determine the City's arbitrage position, the City is required to calculate the actual yield earned on the investment of the funds and compare it to the yield that would have been earned if the funds had been invested at a rate equal to the yield on the applicable bonds sold by the City. The rebate provisions state that periodically (not less than once every five years and not later than sixty days after maturity of the bonds), the City is required to pay the United States Treasury a rebate of any excess earnings. These restrictions require extreme precision in the monitoring and record keeping of investments, particularly in computing yields to ensure compliance. Failure to comply can dictate that the bonds become taxable, retroactively from the date of issuance.

The investment strategy for bond funds which fall under the arbitrage provisions of the Tax Reform Act of 1986, is that the City will attempt to earn maximum allowable bond yield with market conditions permitting.

Reporting Requirements

The Chief Financial Officer and Accounting Manager shall issue a written report quarterly to the Audit Committee and City Council concerning the City's investment transactions for the preceding quarter and describing in detail the investment position of the City as of the end of the quarter indicating the market values of all investments held during the quarter. The report shall list for each investment held during the quarter: the purchase price of the investment, the par value of the investment, the market value of the investment at the beginning of the quarter, market value of the investment at the end of the quarter, and fully accrued interest for the period. The portfolio shall be marked to market monthly and market pricing information is to be obtained through the use of appropriate external third party software, third party safekeeping service, or a third party independent pricing service. This report shall be in compliance with provisions of the Public Funds Investment Act, as amended. The report shall be signed by the Chief Financial Officer and Accounting Manager, as the investment officers for the City, and state its compliance with the Public Funds Investment Act and adopted investment policy strategy. The quarterly investment reports must be reviewed annually by the City's external audit firm as a part of the City's annual audit and reported to the City Council.

Training Requirements

In accordance with the Act (2256.005 and 2256.008), the Chief Financial Officer and Accounting Manager shall attend 10 hours of investment training within 12 months of assuming duties and 8 hours not less than once in a two-year period that begins on the first day of the City's fiscal year and consists of the two consecutive fiscal years after that date. Both the Chief Financial Officer and Accounting Manager shall complete ten hours of training every two years as required by the Public Funds Investment Act. This training may be obtained from the following sources: North Central Texas Council of Governments, Government Treasurer's Organization of Texas, Government Finance Officer's of Texas, Texas Municipal League or the University of North Texas Center for Professional Development. The training must include education in investment controls, security risks, strategy risks, market risks, and any other topics as required by the Public Funds Investment Act.

GLOSSARY

AGENCIES - Federal agency securities and/or Government-sponsored entities.

BENCHMARK – A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER – A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT – A time deposit with a specific maturity evidenced by a certificate. Large- denomination CD's are typically negotiable.

COLLATERAL – Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

DEALER – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT – Delivery verses payment is the delivery of a security and there is an exchange of money after the delivery of the security.

DISCOUNT SECURITIES – Non-interest bearing money market instruments that are being issued at a discount and redeemed at maturity for full face value, e.g. Treasury Bills.

DIVERSIFICATION – Dividing instruments among securities offering independent returns.

FEDERAL CREDIT AGENCIES – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals e.g. savings and loans, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) – A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL HOME LOAN BANKS (FHLB) – Government sponsored regional wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. `The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. It is a federal corporation and the largest single provider of residential mortgage funds in the United States. FNMA's securities are highly liquid and widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations. Security holder is backed by the full faith and credit of the US Government.

LIQUIDITY – An asset that can be converted quickly and easily to cash.

LOCAL GOVERNMENT INVESTMENT POOL – An investment by local governments in which their money is pooled as a method for managing local funds.

MARKET VALUE – The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT – A written contract that establishes each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY – The date upon which the principal or stated value of an investment becomes due and payable.

MUTUAL FUND – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange disclosure guidelines.

PORTFOLIO – Collection of securities held by an investor.

PRIMARY DEALER – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to informal oversight.

PRUDENT PERSON RULE – An investment standard outlining fiduciary responsibilities of public funds investors relating to investment practices.

RATE OF RETURN – The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT – An agreement of one party to sell securities at a

specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.
REVERSE REPURCHASE AGREEMENT – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

SAFEKEEPING – Holding of assets (e.g. securities) by a financial institution.

TREASURY BILLS – A non-interest bearing discount security issued by the US Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year. The yields on these bills are monitored closely for interest rate trends.

TREASURY BONDS – Long term US government debt securities with maturities of ten to thirty years.

TREASURY NOTES – Intermediate term US government debt securities with maturities of one to ten years.

YIELD – The current rate of return on an investment security generally expressed as a percentage of the securities current price.

Appendix A

CITY OF COLLEYVILLE BROKER/DEALER CERTIFICATION QUESTIONNAIRE

1. Name of Firm

2. Address

3. Telephone
   National Number -
   Local Number -

4. Primary Representative / Branch Manager

5. Is your firm a primary dealer in U.S. Government securities? If so, how long?

6. Identify all personnel who will be trading or quoting securities to our City's employees.

7. Identify which personnel have read the City of Colleyville's investment policy.

8. Please indicate the current licenses of your representative(s) and attach a copy of their registration.

Representative Name(s) License(s)

9. Have any of your public sector clients ever reported to your firm, its officers or employees, orally or in writing, that they sustained a loss (in a single year) exceeding 10 percent of original purchase price on any individual security purchased through the firm?

10. Has your firm consistently complied with Federal Reserve Bank's capital adequacy guidelines?

As of this date, does your firm comply with the guidelines?

11. By what factor does your firm presently exceed the capital adequacy guidelines?

12. Please attach a sample of any confirmations or transactions reports that the City will receive after a transaction has occurred.

13. Does your firm participate in the S.I.P.C. insurance program? If not, what is the comparable alternative?

14. What percentage of your transactions failed last month? Last year?

15. Describe the precautions taken by your firm to protect the interests of the public when dealing with governmental agencies as investors.

16. Please attach a copy of your firm's most recent audited financial statements. (Condensed statements are acceptable)

Appendix B

(To be completed on your firm's letterhead)

Texas Public Funds Investment Act
Certification by Business Organization

This certification is executed on behalf of the City of Colleyville, Texas ("the Investor"), and <u>(name of firm)</u> ("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 Investor 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 (Note: 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 Investor 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 Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Investor's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

<u>Signature</u>

<u>Name</u>

<u>Title</u>

<u>Date</u>

CITY OF COLLEYVILLE INVESTMENT POLICY

Policy

It is the policy of the City of Colleyville (the City) to invest public funds in a manner ~~which will provide the highest~~ consistent with the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") which places priority in the following order: preservation and safety of principal; liquidity; and yield.~~investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all State of Texas laws and statutes including the Public Funds Investment Act, Chapter 2256 of the Government Code and City ordinances.~~

Governing Body

All investment and cash management activities shall be conducted in full compliance with applicable City ordinances as well as state and federal rules and regulations.

Specific statutory regulations for the investment of public funds in Texas are found in the Act. All investments will be made in accordance with this statute. Collateral requirements are established in Texas by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, for all public Texas funds deposits.

Scope

This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Debt Service Funds, including reserves and sinking funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately

and any new fund created by the City Council, unless specifically exempted by the City Council or by law. All funds may be combined as pooled funds unless specifically prohibited by State law or statute or City ordinance.

Objectives

The primary objectives, in priority order, of the City's investment activities shall be:

Safety: Consistent with the requirement of the Act, s~~S~~afety of principal is the foremost objective of the City in managing its portfolio. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective the City will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. The City will also take into account the marketability of the investment if the need arises to liquidate the investment before maturity.

Liquidity: The City will also maintain sufficient liquidity to provide adequate and timely working funds.

Diversification: The portfolio shall be diversified by market sector, institution, and maturity in order to manage market risk.

Return on Investments: The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The City investment strategy is passive and the portfolio shall be designed with the objective of regularly exceeding the weighted average return on thirteen-week Treasury bills. This is considered a benchmark for riskless investment transactions, and therefore, is a minimum standard for the portfolio's rate of return. For bond funds that fall under the arbitrage provisions of the Tax Reform Act of 1986, the City will attempt to earn allowable bond yield with market conditions permitting.

Delegation of Authority

The City designates the Investment Officers to be the City Manager, Chief Financial Officer, and Accounting Manager working jointly to ensure that investment objectives and day-to-day management activities ~~with overall responsibilities to see that investment objectives~~ are accomplished~~ and the Chief Financial Officer and Accounting Manager with the specific day-to-day~~

~~performance of managing the funds of the City.~~

Ethics and Conflict of Interest

In accordance with section 2256.005 of the Act, a~~A~~ll investment 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 that could impair their ability to make impartial investment decisions. Employees shall disclose to the City of Colleyville and Texas Ethics Commission a statement under the following conditions:

A. If they have a personal business relationship with a business organization offering to engage in an investment transaction with the entity. Under the ~~Public Funds Investment~~ Act, a personal business relationship is defined as:

   1. 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:

   2. 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

   3. The investment officer has acquired from the business organization during the previous year, investments with a book value of $2,500 or more for the personal account of the investment officer.

B. If they are related within the second degree by affinity or consanguinity, as determined by Chapter 573 V.A.T.C.S. to an individual seeking to sell an investment to the City of Colleyville.

Prudence

Investments shall be made with judgement 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.

The standard of prudence to be used by investment officials shall be the "prudent person", which means the officer may not be an expert but is obligated to act responsibly and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures 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.

Investment officers shall notify the City Council in writing of any conflicts of interest, as defined by the ~~Public Funds Investment~~ Act, no later than the next regularly scheduled Council meeting.

It is the policy of the City that the Investment Officers perform their duties in accordance with the policies and procedures set forth in this policy. The Investment Officers of the City ~~(City Manager, Chief Financial Officer and Accounting Manager)~~ shall be personally indemnified in the event of investment loss provided the Investment Policy is followed.

Internal Controls

The ~~Chief Financial Officer and Accounting Manager~~Investment officers shall establish a system of written internal controls which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent the loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

Permissible Instruments

The Act lists all possible authorized investments available to Texas public entities. The City shall invest only in those investments authorized below as such investments are further defined by the Act. If this policy provides for a lower stated maximum maturity or other more restrictive condition on an authorized investment that more restrictive requirement controls. If changes are made to the Act to allow for additional possible authorized investments, such investments will not be authorized by the City until this policy is modified and adopted by the City Council.
~~The following is a list of permissible instruments as authorized by the 70th Texas Legislature in the Public Funds Investment Act (TEX. REV. CIV. STAT. ANN. ACT 842A-2) and amended by the 71st Legislature:~~

1. Obligations of the United States or its agencies or instrumentalities;

2. Direct obligations of the State of Texas or its agencies;

3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities;

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;

5. Certificates of deposit issued by state and national depository institutions that have its main office or branch office in this state that are:
   a. Guaranteed or insured by the Federal Deposit Insurance Corporation, FSLIC or its successors; or
   b. Secured by obligations that are described by subdivisions (1) through (4) of this subsection, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities, and which 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 investing entities;

6. Invest in a local government investment pool as authorized by the Interlocal Cooperation Act~~ (TEX. REV. CIV. STAT. ANN. ACT. 4413 (32c)~~, as amended, and the ~~Public Funds Investment ~~Act~~ (TEX. REV. CIV. STAT. ACT. 842a-2)~~, as amended. The investment pool must comply with the requirements of the Public Funds Investment Act, as amended, as follows:
   a. The investment pool maintains a stable asset value of one dollar as defined in the ~~Public Funds Investment ~~Act;
   b. The investment pool maintains a AAA, or AAAm rating by one of the nationally recognized rating agencies;
   c. The investment pool's maximum average dollar weighted maturity does not exceed 90 days; and
   d. The investment pool's continued compliance with the remaining provisions of the ~~Public Funds Investment ~~Act.
   e. The eligible investments of the pool are as follows: obligations of the United States or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States,

fully collateralized repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States, and SEC registered money market funds authorized by the ~~Public Funds Investment~~ Act and rated in the highest category by at least one nationally recognized rating agency, reverse repurchase agreements with a term of no longer than 90 days.

f. Include in its investment policy and/or operating procedures the following information: a description of eligible investment securities and unacceptable investments, a written statement on investment policy and objectives, a description of interest calculations, distribution, and treatment of gains and losses, security safeguarding, valuation collateralization and auditing, and a fee schedule.

g. The investment pool shall not have more than 50% of funds invested in commercial paper.

h. The City may invest in more than one pool, however no more than 5% of the City's total portfolio may be invested in pools containing commercial paper.

7. Direct repurchase agreements with primary security dealers or financial institutions doing business in the State of Texas having a defined termination date, and secured by U.S. Government or federal agency securities, provided that the ownership of collateral for the repurchase agreement is transferred to the City, and deposited with a safekeeping agent for the duration of the contract and a signed master repurchase agreement has been executed with the counterparty.

8. SEC-registered no-load money market mutual funds with a dollar weighted average portfolio of 90 days or less whose assets consist exclusively of United States Government Securities whose investment objectives include seeking to maintain a stable net asset value of $1.00 per share. Investment in mutual funds shall be limited to a maximum of ten percent (10%) of the City's available funds.

9. Certificate of Deposit Account Registry Service (CDARS) deposited with a certificate of deposit issued by a depository institution that has its main office or branch office in this state that is selected by the investing entity pursuant to the requirements of Section 2256.010 of the Government Code.

The City is not required to liquidate an investment that was authorized at the time of its purchase.

Unacceptable Investment Instruments

The following securities, although authorized by the Public Funds Investment Act, are not eligible investments for the City:

1. Collateralized mortgage obligations and/or obligations of the following structure
   a) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
   b) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
   c) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
   d) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

2. Commercial paper (Exception: Local Government Investment Pools which the City participates may contain commercial paper in compliance with Title 10, sec. 2256.013 of the Texas government code)

3. Banker's acceptances

4. Reverse repurchase agreements (Local Government Investment Pools which the City participates in may engage in reverse repurchase agreements if the term is 90 days or less)

5. No-load mutual funds other than SEC-registered no-load money market mutual funds with a dollar weighted average portfolio of 90 days or less whose assets consist exclusively of United States Government Securities whose investment objectives include seeking to maintain a stable net asset value of $1.00 per share.

6. Guaranteed investment contracts

7. Share certificates of qualifying credit unions

Effect of Loss of Required Rating

An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have a minimum rating. The Investment Officer shall take all prudent measures that are consistent with the City's investment policy to liquidate the investment(s) that does not have the minimum rating (2256.021). In accordance with Section (2256.005(b)), the Investment Officer shall monitor rating changes in current investments by keeping a monthly record of ratings issued by three nationally recognized rating agencies.

Investment Strategy

The investment strategy by type of fund is as follows:

(1) Operating Funds

The investment strategy for operating fund(s) is to assure that anticipated cash flows are matched with adequate investment liquidity. A secondary objective is to create a portfolio, which will experience minimum volatility during economic cycles. These funds shall not have an investment with a stated maturity greater than two years and the weighted average maturity shall not exceed eighteen months.

(2) Debt Service Funds

The investment strategy for debt service fund(s) is the assurance of investment liquidity to cover the debt service obligations on the required payment date. Investments purchased shall not have a stated final maturity date which exceeds the corresponding debt service payment date. The weighted average maturity shall not exceed one year.

(3) Reserve Funds

The investment strategy for reserve fund(s) is the assurance of investment liquidity adequate to cover the debt service obligations not funded by debt service funds on the required payment date. Investment of reserve funds are controlled by their ordinance, resolution or indenture, and Federal and State law. Bond documents must be examined for each issue, for potential differences with this policy concerning investment instruments, maximum maturity or average life restrictions, call dates or sinking fund redemptions, and applicable arbitrage yields and rebate liability. Provisions contained in the bond documents will supersede provisions of this policy. Weighted average maturity shall be incompliance with bond requirements, as stated.

Reserve funds will be invested using a more conservative approach than the current standard investment strategy when arbitrage rebate rules require refunding excess earnings. All excess earnings received will be segregated to allow a proper determination of interest income to be used in the arbitrage calculation.

(4) Special Project or Special Purpose Funds

The investment strategy for special projects or special purpose fund portfolio(s) will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The city's final maturity dates of securities held shall not exceed the estimated project completion date. Funds in excess of defined construction payment schedules shall be limited to a maximum final maturity date of three years.

Maturity limitations for single issue reserve funds shall not exceed the sooner of five (5) years, the call provisions of the bond ordinance, or the final maturity of the bond issue.

~~Annually, the City Council shall formally review the Investment Policy and investment strategy contained with the Policy and record in writing that it has reviewed the Policy and record any changes to either the policy or strategy.~~

A. Diversification

The City will attempt to limit the risk of loss through diversification of its portfolio and to achieve the aforementioned investment strategies by diversification of instruments.

Diversification by Instrument of Portfolio	Maximum Percent
U.S. Treasury Obligations (Bills, Notes and Bonds),	100%
U.S. Government Agency Securities, and Instrumentalities of Government Sponsored Corporations	75%
Certificates of Deposit (CD's)	

Commercial Bank's	75%
Local Government Investment Pool	~~75~~90%
Local Government Investment Pool investing in commercial paper (compliant with Title 10, sec. 2256.013 of the Texas Local Government code)	5%
Certificate of Deposit Account Registry Service (CDARS)	75%
Tri-Party Repurchase Agreement	75%
SEC registered, no-load mutual fund	10%

Investment Procedures

The City shall enter the following agreements (if applicable): safekeeping, PSA repurchase agreements, wire transfer agreements, banking services contracts, and collateral/depository agreements. These contracts shall include the explicit delegation of authority to persons responsible for the transactions involving these agreements. No person except those designated in the contract may engage in any investment transactions.

On all funds invested in instruments as listed in "Permissible Investments" numbers one through five, oral bids shall be requested from at least two broker/dealers or national banks. The City will accept the bid that provides the highest rate of return within the maturity required and within the parameters of this policy. Records will be kept of the bids offered, bids accepted, and a brief explanation of the decision that was made regarding the investment.

Qualified Institutions

A list of financial institutions, broker/dealers, and depositories authorized to provide investment services will be maintained by the Investment Officer(s).

Certification: Section 2256.005(k) and (l) of the Act requires that any business organization offering to engage in an investment transaction with the City must be provided with a copy of this Investment Policy and Strategy and must provide the City with a written instrument (in a form acceptable to both parties) executed by a representative of the person or entity that substantially acknowledges that the person or entity has:

1. received and reviewed the City's Investment Policy and Strategy; and
2. implemented reasonable procedures and controls in an effort to preclude investment transactions with the City that are not authorized by the City's Investment Policy and Strategy.

Any material changes to the Investment Policy and Strategy will require re-certification by all authorized firms.

Security brokers/dealers: Annually, the City Council shall review and adopt a list of brokers/dealers ~~approve four financial institutions~~ for investment purposes as recommended by the Chief Financial Officer.

All personnel working for the firms who will be trading or quoting securities to the City Council must maintain a current NASD license and be registered to deal securities in the State of Texas. Each broker/dealer shall provide the following documentation to the City Council for evaluation:

1. Annual audited financial reports
2. Financial Industry Regulatory Authority (FINRA) registration
3. Central Registration Depository Number (CRD)
4. The City broker/dealer questionnaire (Appendix A) and
5. Investment policy and strategy review certification (Appendix B) on the firm's letterhead signed by a principal of the firm

If the City contracts with a Registered Investment Advisor to manage its portfolio, the approved broker/dealer of that firm will be used, subject to approval by the City council.

~~All firms shall answer the Broker/Dealer questionnaire (Appendix A) and submit their most recent audited financial statements to the City Council for evaluation of credit worthiness. All personnel in the firms who will be trading or quoting securities to the City Council must maintain a current NASD license and be registered to deal securities in the State of Texas. An investment certification form (Appendix B) on the firm's letterhead signed by a principal of the firm must be on file with the City.~~

Safekeeping

All marketable securities purchased by the City shall be held in third party safekeeping by an institution designated as primary agent. All securities will be delivered to the third party institution by seller. Personnel in the third party institution will verify the correct security was delivered by the seller ("delivery vs payment"). The third party institution shall issue a safekeeping receipt to the City listing the specific instrument, rate/yield, maturity, CUSIP, and other pertinent information. Collateral on deposit type securities which exceed the FDIC coverage shall be held in a third party safekeeping institution. In the event a third party safekeeping institution is used, a collateral agreement shall be executed between the City Council, depository which pledged the collateral, and the third party custodian of the collateral. The City will retain possession of all original safekeeping receipts and the receipts will state the security is pledged to the City. Either the City Manager, Chief Financial Officer or Accounting Manager must approve release of collateral in writing prior to its removal from the safekeeping account.

Selection of Financial Institutions

Depositories shall be selected through the City's banking services procurement process, which shall include a formal request for application. In selecting depositories, the services available, service costs, and credit-worthiness of institutions shall be considered, and the Investment Officers, shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history.

The City shall select financial institutions from which the City may purchase certificates of deposit in accordance with the Act and this Policy. The City will have a written depository agreement with any financial institution with whom the City has time or demand deposits. The Investment Officer shall monitor the financial condition of financial institutions where certificates of deposit are held. A qualified representative of the financial institution must sign the investment certification form (Appendix B) on the financial institutions letterhead and it must be kept on file with the City.

Collateral Securities for Certificates of Deposit and Demand Accounts
The City will accept as collateral for its Certificates of Deposit and demand accounts the following securities:

A. FDIC coverage

B. U.S. Treasury bills, notes and bonds

C. United States Agency and instrumentalities bills or notes

D. GNMA mortgage backed fully modified pass through securities

E. Texas state, city, county or school bonds with a remaining maturity of seven years or less and a rating of "A" or better by Moody's, Fitch Ratings, and Standard and Poor's.

F. Surety Bond

G. Federal Home Loan Bank Letter of Credit issued to the City

Collateral shall be "marked to market" monthly by the Finance Manager. The following percentages constitute the minimum market value for collateral instruments that are pledged for the City's Certificates of Deposit and demand deposits for amounts exceeding the FDIC coverage.

~~Form of Collateral~~ Pledged Collateral	Ratio
1. U.S. Treasury bills, notes, and bonds	
a. maturing within 1 year	102%
b. maturing in 1-5 years	105%
c. maturing in more than 5 years	110%
2. Actively traded U.S. Government Agency securities	
a. maturing in less than 1 year	103%
b. maturing in 1-5 years	107%
c. maturing in more than 5 years	115%
3. GNMA mortgage pass through securities	115%
4. Entities in the State of Texas bonds	
General Obligation Bonds	
a. maturing in less than 1 year	102%
b. maturing in 1-5 years	105%
c. maturing in more than 5 years	107%
Revenue Bonds	
a. maturing in less than 1 year	105%
b. maturing in 1-5 years	110%
c. maturing in more than 5 years	115%

Collateral shall be audited annually be the City's independent auditor and may be audited by the City at anytime during normal business hours of the safekeeping bank.

Arbitrage

The Tax Reform Act of 1986 places limitations on the City's yield from investing certain tax-exempt bond proceeds, debt service funds and reserve funds. The rebate provisions require that the City compute earnings on investments from certain issues of bonds on a periodic basis to determine if rebate is required.

To determine the City's arbitrage position, the City is required to calculate the actual yield earned on the investment of the funds and compare it to the yield that would have been earned if the funds had been invested at a rate equal to the yield on the applicable bonds sold by the City. The rebate provisions state that periodically (not less than once every five years and not later than sixty days after maturity of the bonds), the City is required to pay the United States Treasury a rebate of any excess earnings. These restrictions require extreme precision in the monitoring and record keeping of investments, particularly in computing yields to ensure compliance. Failure to comply can dictate that the bonds become taxable, retroactively from the date of issuance.

The investment strategy for bond funds which fall under the arbitrage provisions of the Tax Reform Act of 1986, is that the City will attempt to earn maximum allowable bond yield with market conditions permitting.

Reporting Requirements

The ~~Chief Financial Officer and Accounting Manager~~Investment officers shall issue a written report quarterly to the Audit Committee and City Council concerning the City's investment transactions for the preceding quarter and describing in detail the investment position of the City as of the end of the quarter indicating the market values of all investments held during the quarter. The report shall list for each investment held during the quarter: the purchase price of the investment, the par value of the investment, the market value of the investment at the beginning of the quarter, market value of the investment at the end of the quarter, and fully accrued interest for the period. The portfolio shall be marked to market monthly and market pricing information is to be obtained through the use of appropriate external third party software, third party safekeeping service, or a third party independent pricing service. This report shall be in compliance with provisions of the ~~Public Funds Investment~~ Act, as amended. The report shall be signed by the ~~Chief Financial Officer and Accounting Manager~~investment officers~~, as the investment officers for the City,~~ and state its compliance with the ~~Public Funds Investment~~ Act and adopted investment policy strategy. The quarterly investment reports must be reviewed annually by the City's external audit firm as a part of the City's annual audit and reported to the City Council.

Training Requirements

In accordance with the Act (2256.005 and 2256.008), the Investment officers ~~Chief Financial Officer and Accounting Manager~~ shall attend 10 hours of investment training within 12 months of assuming duties and 8 hours not less than once in a two-year period that begins on the first day of the City's fiscal year and consists of the two consecutive fiscal years after that date. ~~Both the Chief Financial Officer and Accounting Manager~~ The investment officers shall complete ten hours of training every two years as required by the ~~Public Funds Investment~~ Act. This training may be obtained from the ~~following~~ a source~~s~~ approved by the Texas State Board of Public Accountancy including~~:~~ North Central Texas Council of Governments, Government Treasurer's Organization of Texas, Government Finance Officer's of Texas, Texas Municipal League ~~or~~ and the University of North Texas Center for Professional Development. The training must include education in investment controls, security risks, strategy risks, market risks, and any other topics as required by the ~~Public Funds Investment~~ Act.

Review of Investment Policy

Annually the investment officers and city attorney shall review the policy and assess the need for any updates. All updates shall be approved by City council. In September of each off year, the City Council shall formally review and approve the Investment Policy ~~and investment strategy contained with the Policy and record in writing that it has reviewed the Policy and record any changes to either the policy or strategy.~~
Updated council approved investment policies should be provided to the city's authorized firms including the city's depository, investment pools, investment advisors, brokers and dealers the same week council approves the policy. Any changes to the Investment Policy will require re-certification by all authorized firms.

Restated and Revised Policy Adopted: Council meeting - XX/XX/XXXX

Previous Policy Approval Council Meeting Dates:

- **September 19, 2017 - Resolution R-17-4175**
- **September 6, 2016 - Resolution R-16-4029**
- **September 1, 2015 - Resolution R-15-3902**

GLOSSARY

AGENCIES - Federal agency securities and/or Government-sponsored entities.

BENCHMARK – A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER – A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT – A time deposit with a specific maturity evidenced by a certificate. Large- denomination CD's are typically negotiable.

COLLATERAL – Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

DEALER – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT – Delivery verses payment is the delivery of a security and there is an exchange of money after the delivery of the security.

DISCOUNT SECURITIES – Non-interest bearing money market instruments that are being issued at a discount and redeemed at maturity for full face value, e.g. Treasury Bills.

DIVERSIFICATION – Dividing instruments among securities offering independent returns.

FEDERAL CREDIT AGENCIES – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals e.g. savings and loans, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) – A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL HOME LOAN BANKS (FHLB) – Government sponsored regional wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. `The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. It is a federal corporation and the largest single provider of residential mortgage funds in the United States. FNMA's securities are highly liquid and widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations. Security holder is backed by the full faith and credit of the US Government.

LIQUIDITY – An asset that can be converted quickly and easily to cash.

LOCAL GOVERNMENT INVESTMENT POOL – An investment by local governments in which their money is pooled as a method for managing local funds.

MARKET VALUE – The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT – A written contract that establishes each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY – The date upon which the principal or stated value of an investment becomes due and payable.

MUTUAL FUND – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange disclosure guidelines.

PORTFOLIO – Collection of securities held by an investor.

PRIMARY DEALER – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to informal oversight.

PRUDENT PERSON RULE – An investment standard outlining fiduciary responsibilities of public funds investors relating to investment practices.

RATE OF RETURN – The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

REVERSE REPURCHASE AGREEMENT – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

SAFEKEEPING – Holding of assets (e.g. securities) by a financial institution.

TREASURY BILLS – A non-interest bearing discount security issued by the US Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year. The yields on these bills are monitored closely for interest rate trends.

TREASURY BONDS – Long term US government debt securities with maturities of ten to thirty years.

TREASURY NOTES – Intermediate term US government debt securities with maturities of one to ten years.

YIELD – The current rate of return on an investment security generally expressed as a percentage of the securities current price.

Appendix A

CITY OF COLLEYVILLE BROKER/DEALER CERTIFICATION QUESTIONNAIRE

1. Name of Firm

2. Address

3. Telephone
   National Number -
   Local Number -

4. Primary Representative / Branch Manager

5. Is your firm a primary dealer in U.S. Government securities? If so, how long?

6. Identify all personnel who will be trading or quoting securities to our City's employees.

7. Identify which personnel have read the City of Colleyville's investment policy.

8. Please indicate the current licenses of your representative(s) and attach a copy of their registration.

Representative Name(s)	License(s)

9. Have any of your public sector clients ever reported to your firm, its officers or employees, orally or in writing, that they sustained a loss (in a single year) exceeding 10 percent of original purchase price on any individual security purchased through the firm?

10. Has your firm consistently complied with Federal Reserve Bank's capital adequacy guidelines?

As of this date, does your firm comply with the guidelines?

11. By what factor does your firm presently exceed the capital adequacy guidelines?

12. Please attach a sample of any confirmations or transactions reports that the City will receive after a transaction has occurred.

13. Does your firm participate in the S.I.P.C. insurance program? If not, what is the comparable alternative?

14. What percentage of your transactions failed last month? Last year?

15. Describe the precautions taken by your firm to protect the interests of the public when dealing with governmental agencies as investors.

16. Please attach a copy of your firm's most recent audited financial statements. (Condensed statements are acceptable)

Appendix B

(To be completed on your firm's letterhead)

Texas Public Funds Investment Act
Certification by Business Organization

This certification is executed on behalf of the City of Colleyville, Texas ("the Investor"), and (name of firm) ("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 Investor 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 (Note: 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 Investor 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 Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Investor's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

Signature

Name

Title

Date

CITY OF COLLEYVILLE INVESTMENT POLICY

Policy

It is the policy of the City of Colleyville (the City) to invest public funds in a manner consistent with the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act") which places priority in the following order: preservation and safety of principal; liquidity; and yield.

Governing Body

All investment and cash management activities shall be conducted in full compliance with applicable City ordinances as well as state and federal rules and regulations.

Specific statutory regulations for the investment of public funds in Texas are found in the Act. All investments will be made in accordance with this statute. Collateral requirements are established in Texas by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, for all public Texas funds deposits.

Scope

This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Debt Service Funds, including reserves and sinking funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately

and any new fund created by the City Council, unless specifically exempted by the City Council or by law. All funds may be combined as pooled funds unless specifically prohibited by State law or statute or City ordinance.

Objectives

The primary objectives, in priority order, of the City's investment activities shall be:

Safety: Consistent with the requirement of the Act, safety of principal is the foremost objective of the City in managing its portfolio. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective the City will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. The City will also take into account the marketability of the investment if the need arises to liquidate the investment before maturity.

Liquidity: The City will also maintain sufficient liquidity to provide adequate and timely working funds.

Diversification: The portfolio shall be diversified by market sector, institution, and maturity in order to manage market risk.

Return on Investments: The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The City investment strategy is passive and the portfolio shall be designed with the objective of regularly exceeding the weighted average return on thirteen-week Treasury bills. This is considered a benchmark for riskless investment transactions, and therefore, is a minimum standard for the portfolio's rate of return. For bond funds that fall under the arbitrage provisions of the Tax Reform Act of 1986, the City will attempt to earn allowable bond yield with market conditions permitting.

Delegation of Authority

The City designates the Investment Officers to be the City Manager, Chief Financial Officer, and Accounting Manager working jointly to ensure that investment objectives and day-to-day management activities are accomplished

Ethics and Conflict of Interest

In accordance with section 2256.005 of the Act, all investment 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 that could impair their ability to make impartial investment decisions. Employees shall disclose to the City of Colleyville and Texas Ethics Commission a statement under the following conditions:

A. If they have a personal business relationship with a business organization offering to engage in an investment transaction with the entity. Under the Act, a personal business relationship is defined as:

   1. 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:

   2. 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

   3. The investment officer has acquired from the business organization during the previous year, investments with a book value of $2,500 or more for the personal account of the investment officer.

B. If they are related within the second degree by affinity or consanguinity, as determined by Chapter 573 V.A.T.C.S. to an individual seeking to sell an investment to the City of Colleyville.

Prudence

Investments shall be made with judgement 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.

The standard of prudence to be used by investment officials shall be the "prudent person", which means the officer may not be an expert but is obligated to act responsibly and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures 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.

Investment officers shall notify the City Council in writing of any conflicts of interest, as defined by the Act, no later than the next regularly scheduled Council meeting.

It is the policy of the City that the Investment Officers perform their duties in accordance with the policies and procedures set forth in this policy. The Investment Officers of the City shall be personally indemnified in the event of investment loss provided the Investment Policy is followed.

Internal Controls

The Investment officers shall establish a system of written internal controls which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent the loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

Permissible Instruments

The Act lists all possible authorized investments available to Texas public entities. The City shall invest only in those investments authorized below as such investments are further defined by the Act. If this policy provides for a lower stated maximum maturity or other more restrictive condition on an authorized investment that more restrictive requirement controls. If changes are made to the Act to allow for additional possible authorized investments, such investments will not be authorized by the City until this policy is modified and adopted by the City Council.

1. Obligations of the United States or its agencies or instrumentalities;

2. Direct obligations of the State of Texas or its agencies;

3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities;

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by nationally recognized investment rating firm and having received a

rating of not less than "A" or its equivalent;

5. Certificates of deposit issued by state and national depository institutions that have its main office or branch office in this state that are:
   a. Guaranteed or insured by the Federal Deposit Insurance Corporation, FSLIC or its successors; or
   b. Secured by obligations that are described by subdivisions (1) through (4) of this subsection, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities, and which 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 investing entities;

6. Invest in a local government investment pool as authorized by the Interlocal Cooperation Act, as amended, and the Act, as amended. The investment pool must comply with the requirements of the Public Funds Investment Act, as amended, as follows:
   a. The investment pool maintains a stable asset value of one dollar as defined in the Act;
   b. The investment pool maintains a AAA, or AAAm rating by one of the nationally recognized rating agencies;
   c. The investment pool's maximum average dollar weighted maturity does not exceed 90 days; and
   d. The investment pool's continued compliance with the remaining provisions of the Act.
   e. The eligible investments of the pool are as follows: obligations of the United States or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States, fully collateralized repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities, other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States, and SEC registered money market funds authorized by the Act and rated in the highest category by at least one nationally recognized rating agency, reverse repurchase agreements with a term of no longer than 90 days.
   f. Include in its investment policy and/or operating procedures the following information: a description of eligible investment securities and unacceptable investments, a written statement

on investment policy and objectives, a description of interest calculations, distribution, and treatment of gains and losses, security safeguarding, valuation collateralization and auditing, and a fee schedule.

g. The investment pool shall not have more than 50% of funds invested in commercial paper.
h. The City may invest in more than one pool, however no more than 5% of the City's total portfolio may be invested in pools containing commercial paper.

7. Direct repurchase agreements with primary security dealers or financial institutions doing business in the State of Texas having a defined termination date, and secured by U.S. Government or federal agency securities, provided that the ownership of collateral for the repurchase agreement is transferred to the City, and deposited with a safekeeping agent for the duration of the contract and a signed master repurchase agreement has been executed with the counterparty.

8. SEC-registered no-load money market mutual funds with a dollar weighted average portfolio of 90 days or less whose assets consist exclusively of United States Government Securities whose investment objectives include seeking to maintain a stable net asset value of $1.00 per share. Investment in mutual funds shall be limited to a maximum of ten percent (10%) of the City's available funds.

9. Certificate of Deposit Account Registry Service (CDARS) deposited with a certificate of deposit issued by a depository institution that has its main office or branch office in this state that is selected by the investing entity pursuant to the requirements of Section 2256.010 of the Government Code.

The City is not required to liquidate an investment that was authorized at the time of its purchase.

Unacceptable Investment Instruments

The following securities, although authorized by the Public Funds Investment Act, are not eligible investments for the City:

1. Collateralized mortgage obligations and/or obligations of the following structure
   a) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-

backed security collateral and pays no principal;
b) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
c) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
d) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

2. Commercial paper (Exception: Local Government Investment Pools which the City participates may contain commercial paper in compliance with Title 10, sec. 2256.013 of the Texas government code)

3. Banker's acceptances

4. Reverse repurchase agreements (Local Government Investment Pools which the City participates in may engage in reverse repurchase agreements if the term is 90 days or less)

5. No-load mutual funds other than SEC-registered no-load money market mutual funds with a dollar weighted average portfolio of 90 days or less whose assets consist exclusively of United States Government Securities whose investment objectives include seeking to maintain a stable net asset value of $1.00 per share.

6. Guaranteed investment contracts

7. Share certificates of qualifying credit unions

Effect of Loss of Required Rating

An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have a minimum rating. The Investment Officer shall take all prudent measures that are consistent with the City's investment policy to liquidate the investment(s) that does not have the minimum rating (2256.021). In accordance with Section (2256.005(b)), the Investment Officer shall monitor rating changes in current investments by keeping a monthly record of ratings issued by three nationally recognized rating agencies.

Investment Strategy

The investment strategy by type of fund is as follows:

(1) Operating Funds

The investment strategy for operating fund(s) is to assure that anticipated cash flows are matched with adequate investment liquidity. A secondary objective is to create a portfolio, which will experience minimum volatility during economic cycles. These funds shall not have an investment with a stated maturity greater than two years and the weighted average maturity shall not exceed eighteen months.

(2) Debt Service Funds

The investment strategy for debt service fund(s) is the assurance of investment liquidity to cover the debt service obligations on the required payment date. Investments purchased shall not have a stated final maturity date which exceeds the corresponding debt service payment date. The weighted average maturity shall not exceed one year.

(3) Reserve Funds

The investment strategy for reserve fund(s) is the assurance of investment liquidity adequate to cover the debt service obligations not funded by debt service funds on the required payment date. Investment of reserve funds are controlled by their ordinance, resolution or indenture, and Federal and State law. Bond documents must be examined for each issue, for potential differences with this policy concerning investment instruments, maximum maturity or average life restrictions, call dates or sinking fund redemptions, and applicable arbitrage yields and rebate liability. Provisions contained in the bond documents will supersede provisions of this policy. Weighted average maturity shall be incompliance with bond requirements, as stated.

Reserve funds will be invested using a more conservative approach than the current standard investment strategy when arbitrage rebate rules require refunding excess earnings. All excess earnings received will be segregated to allow a proper determination of interest income to be used in the arbitrage calculation.

(4) Special Project or Special Purpose Funds

The investment strategy for special projects or special purpose fund portfolio(s) will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The city's final maturity dates of securities held shall not exceed the estimated project completion date. Funds in excess of defined construction payment schedules shall be limited to a maximum final maturity date of three years.

Maturity limitations for single issue reserve funds shall not exceed the sooner of five (5) years, the call provisions of the bond ordinance, or the final maturity of the bond issue.

A. Diversification

The City will attempt to limit the risk of loss through diversification of its portfolio and to achieve the aforementioned investment strategies by diversification of instruments.

Diversification by Instrument of Portfolio	Maximum Percent
U.S. Treasury Obligations (Bills, Notes and Bonds),	100%
U.S. Government Agency Securities, and Instrumentalities of Government Sponsored Corporations	75%
Certificates of Deposit (CD's) Commercial Bank's	75%
Local Government Investment Pool	90%
Local Government Investment Pool investing in commercial paper (compliant with Title 10, sec. 2256.013 of the Texas Local Government code)	5%
Certificate of Deposit Account Registry Service (CDARS)	75%
Tri-Party Repurchase Agreement	75%
SEC registered, no-load mutual fund	10%

Investment Procedures

The City shall enter the following agreements (if applicable): safekeeping, PSA repurchase agreements, wire transfer agreements, banking services contracts, and collateral/depository agreements. These contracts shall include the explicit delegation of authority to persons responsible for the transactions involving these agreements. No person except those designated in the contract may engage in any investment transactions.

On all funds invested in instruments as listed in "Permissible Investments" numbers one through five, oral bids shall be requested from at least two broker/dealers or national banks. The City will accept the bid that provides the highest rate of return within the maturity required and within the parameters of this policy. Records will be kept of the bids offered, bids accepted, and a brief explanation of the decision that was made regarding the investment.

Qualified Institutions

A list of financial institutions, broker/dealers, and depositories authorized to provide investment services will be maintained by the Investment Officer(s).

Certification: Section 2256.005(k) and (l) of the Act requires that any business organization offering to engage in an investment transaction with the City must be provided with a copy of this Investment Policy and Strategy and must provide the City with a written instrument (in a form acceptable to both parties) executed by a representative of the person or entity that substantially acknowledges that the person or entity has:

1. received and reviewed the City's Investment Policy and Strategy*;* and
2. implemented reasonable procedures and controls in an effort to preclude investment transactions with the City that are not authorized by the City's Investment Policy and Strategy.

Any material changes to the Investment Policy and Strategy will require re-certification by all authorized firms.

Security brokers/dealers: Annually, the City Council shall review and adopt a list of brokers/dealers for investment purposes as recommended by the Chief Financial Officer.

All personnel working for the firms who will be trading or quoting securities to the City Council must maintain a current NASD license and be registered to deal securities in the State of Texas. Each broker/dealer shall provide the following documentation to the City Council for evaluation:

1. Annual audited financial reports
2. Financial Industry Regulatory Authority (FINRA) registration

3. Central Registration Depository Number (CRD)
4. The City broker/dealer questionnaire (Appendix A) and
5. Investment policy and strategy review certification (Appendix B) on the firm's letterhead signed by a principal of the firm

If the City contracts with a Registered Investment Advisor to manage its portfolio, the approved broker/dealer of that firm will be used, subject to approval by the City council.

Safekeeping

All marketable securities purchased by the City shall be held in third party safekeeping by an institution designated as primary agent. All securities will be delivered to the third party institution by seller. Personnel in the third party institution will verify the correct security was delivered by the seller ("delivery vs payment"). The third party institution shall issue a safekeeping receipt to the City listing the specific instrument, rate/yield, maturity, CUSIP, and other pertinent information. Collateral on deposit type securities which exceed the FDIC coverage shall be held in a third party safekeeping institution. In the event a third party safekeeping institution is used, a collateral agreement shall be executed between the City Council, depository which pledged the collateral, and the third party custodian of the collateral. The City will retain possession of all original safekeeping receipts and the receipts will state the security is pledged to the City. Either the City Manager, Chief Financial Officer or Accounting Manager must approve release of collateral in writing prior to its removal from the safekeeping account.

Selection of Financial Institutions

Depositories shall be selected through the City's banking services procurement process, which shall include a formal request for application. In selecting depositories, the services available, service costs, and credit-worthiness of institutions shall be considered, and the Investment Officers, shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history.

The City shall select financial institutions from which the City may purchase certificates of deposit in accordance with the Act and this Policy. The City will have a written depository agreement with any financial institution with whom the City has time or demand deposits. The Investment Officer shall monitor the financial condition of financial institutions where certificates of deposit are held. A qualified representative of the financial institution must sign the investment certification form (Appendix B) on the financial institutions letterhead and it must be kept on file with the City.

Collateral Securities for Certificates of Deposit and Demand Accounts
The City will accept as collateral for its Certificates of Deposit and demand accounts the following securities:

A. FDIC coverage

B. U.S. Treasury bills, notes and bonds

C. United States Agency and instrumentalities bills or notes

D. GNMA mortgage backed fully modified pass through securities

E. Texas state, city, county or school bonds with a remaining maturity of seven years or less and a rating of "A" or better by Moody's, Fitch Ratings, and Standard and Poor's.

F. Surety Bond

G. Federal Home Loan Bank Letter of Credit issued to the City

Collateral shall be "marked to market" monthly by the Finance Manager. The following percentages constitute the minimum market value for collateral instruments that are pledged for the City's Certificates of Deposit and demand deposits for amounts exceeding the FDIC coverage.

PledgedCollateral	Ratio
1. U.S. Treasury bills, notes, and bonds	
a. maturing within 1 year	102%
b. maturing in 1-5 years	105%
c. maturing in more than 5 years	110%
2. Actively traded U.S. Government Agency securities	
a. maturing in less than 1 year	103%
b. maturing in 1-5 years	107%
c. maturing in more than 5 years	115%
3. GNMA mortgage pass through securities	115%

4. Entities in the State of Texas bonds

General Obligation Bonds	
a. maturing in less than 1 year	102%
b. maturing in 1-5 years	105%
c. maturing in more than 5 years	107%
Revenue Bonds	
a. maturing in less than 1 year	105%
b. maturing in 1-5 years	110%
c. maturing in more than 5 years	115%

Collateral shall be audited annually be the City's independent auditor and may be audited by the City at anytime during normal business hours of the safekeeping bank.

Arbitrage

The Tax Reform Act of 1986 places limitations on the City's yield from investing certain tax-exempt bond proceeds, debt service funds and reserve funds. The rebate provisions require that the City compute earnings on investments from certain issues of bonds on a periodic basis to determine if rebate is required.

To determine the City's arbitrage position, the City is required to calculate the actual yield earned on the investment of the funds and compare it to the yield that would have been earned if the funds had been invested at a rate equal to the yield on the applicable bonds sold by the City. The rebate provisions state that periodically (not less than once every five years and not later than sixty days after maturity of the bonds), the City is required to pay the United States Treasury a rebate of any excess earnings. These restrictions require extreme precision in the monitoring and record keeping of investments, particularly in computing yields to ensure compliance. Failure to comply can dictate that the bonds become taxable, retroactively from the date of issuance.

The investment strategy for bond funds which fall under the arbitrage provisions of the Tax Reform Act of 1986, is that the City will attempt to earn maximum allowable bond yield with market conditions permitting.

Reporting Requirements

The Investment officers shall issue a written report quarterly to the Audit Committee and City Council concerning the City's investment transactions for the preceding quarter and describing in detail the investment position of the City as of the end of the quarter indicating the market values of all investments held during the quarter. The report shall list for each investment held during the quarter: the purchase price of the investment, the par value of the investment, the market value of the investment at the beginning of the quarter, market value of the investment at the end of the quarter, and fully accrued interest for the period. The portfolio shall be marked to market monthly and market pricing information is to be obtained through the use of appropriate external third party software, third party safekeeping service, or a third party independent pricing service. This report shall be in compliance with provisions of the Act, as amended. The report shall be signed by the investment officers and state its compliance with the Act and adopted investment policy strategy. The quarterly investment reports must be reviewed annually by the City's external audit firm as a part of the City's annual audit and reported to the City Council.

Training Requirements

In accordance with the Act (2256.005 and 2256.008), the Investment officers shall attend 10 hours of investment training within 12 months of assuming duties and 8 hours not less than once in a two-year period that begins on the first day of the City's fiscal year and consists of the two consecutive fiscal years after that date. The investment officers shall complete ten hours of training every two years as required by the Act. This training may be obtained from the a source approved by the Texas State Board of Public Accountancy including North Central Texas Council of Governments, Government Treasurer's Organization of Texas, Government Finance Officer's of Texas, Texas Municipal League and the University of North Texas Center for Professional Development. The training must include education in investment controls, security risks, strategy risks, market risks, and any other topics as required by the Act.

Review of Investment Policy

Annually the investment officers and city attorney shall review the policy and assess the need for any updates. All updates shall be approved by City council.

In September of each off year, the City Council shall formally review and approve the Investment Policy
Updated council approved investment policies should be provided to the city's authorized firms including the city's depository, investment pools, investment advisors, brokers and dealers the same week council approves the policy. Any changes to the Investment Policy will require re-certification by all authorized firms.

Restated and Revised Policy Adopted: Council meeting - XX/XX/XXXX

Previous Policy Approval Council Meeting Dates:
- **September 19, 2017 - Resolution R-17-4175**
- **September 6, 2016 - Resolution R-16-4029**
- **September 1, 2015 - Resolution R-15-3902**

GLOSSARY

AGENCIES - Federal agency securities and/or Government-sponsored entities.

BENCHMARK – A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER – A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT – A time deposit with a specific maturity evidenced by a certificate. Large- denomination CD's are typically negotiable.

COLLATERAL – Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

DEALER – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT – Delivery verses payment is the delivery of a security and there is an exchange of money after the delivery of the security.

DISCOUNT SECURITIES – Non-interest bearing money market instruments that are being issued at a discount and redeemed at maturity for full face value, e.g. Treasury Bills.

DIVERSIFICATION – Dividing instruments among securities offering independent returns.

FEDERAL CREDIT AGENCIES – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals e.g. savings and loans, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) – A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL HOME LOAN BANKS (FHLB) – Government sponsored regional wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. `The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. It is a federal corporation and the largest single provider of residential mortgage funds in the United States. FNMA's securities are highly liquid and widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations. Security holder is backed by the full faith and credit of the US Government.

LIQUIDITY – An asset that can be converted quickly and easily to cash.

LOCAL GOVERNMENT INVESTMENT POOL – An investment by local governments in which their money is pooled as a method for managing local funds.

MARKET VALUE – The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT – A written contract that establishes each party's rights in the transactions. A master agreement will specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY – The date upon which the principal or stated value of an investment becomes due and payable.

MUTUAL FUND – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange disclosure guidelines.

PORTFOLIO – Collection of securities held by an investor.

PRIMARY DEALER – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to informal oversight.

PRUDENT PERSON RULE – An investment standard outlining fiduciary responsibilities of public funds investors relating to investment practices.

RATE OF RETURN – The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

REVERSE REPURCHASE AGREEMENT – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

SAFEKEEPING – Holding of assets (e.g. securities) by a financial institution.

TREASURY BILLS – A non-interest bearing discount security issued by the US Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year. The yields on these bills are monitored closely for interest rate trends.

TREASURY BONDS – Long term US government debt securities with maturities of ten to thirty years.

TREASURY NOTES – Intermediate term US government debt securities with maturities of one to ten years.

YIELD – The current rate of return on an investment security generally expressed as a percentage of the securities current price.

Appendix A

CITY OF COLLEYVILLE BROKER/DEALER CERTIFICATION QUESTIONNAIRE

1. Name of Firm

2. Address

3. Telephone
   National Number -
   Local Number -

4. Primary Representative / Branch Manager

5. Is your firm a primary dealer in U.S. Government securities? If so, how long?

6. Identify all personnel who will be trading or quoting securities to our City's employees.

7. Identify which personnel have read the City of Colleyville's investment policy.

8. Please indicate the current licenses of your representative(s) and attach a copy of their registration.

Representative Name(s)	License(s)

9. Have any of your public sector clients ever reported to your firm, its officers or employees, orally or in writing, that they sustained a loss (in a single year) exceeding 10 percent of original purchase price on any individual security purchased through the firm?

10. Has your firm consistently complied with Federal Reserve Bank's capital adequacy guidelines?

As of this date, does your firm comply with the guidelines?

11. By what factor does your firm presently exceed the capital adequacy guidelines?

12. Please attach a sample of any confirmations or transactions reports that the City will receive after a transaction has occurred.

13. Does your firm participate in the S.I.P.C. insurance program? If not, what is the comparable alternative?

14. What percentage of your transactions failed last month? Last year?

15. Describe the precautions taken by your firm to protect the interests of the public when dealing with governmental agencies as investors.

16. Please attach a copy of your firm's most recent audited financial statements. (Condensed statements are acceptable)

Appendix B

(To be completed on your firm's letterhead)

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1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor (Note: 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 Investor 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 Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Investor's entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

<u>Signature</u>

<u>Name</u>

<u>Title</u>

<u>Date</u>

QUARTERLY INVESTMENT REPORT

FOR QUARTER ENDING March 31, 2018

THIS REPORT IS IN COMPLIANCE WITH THE PUBLIC FUNDS INVESTMENT ACT
AND ADOPTED INVESTMENT POLICY STRATEGY

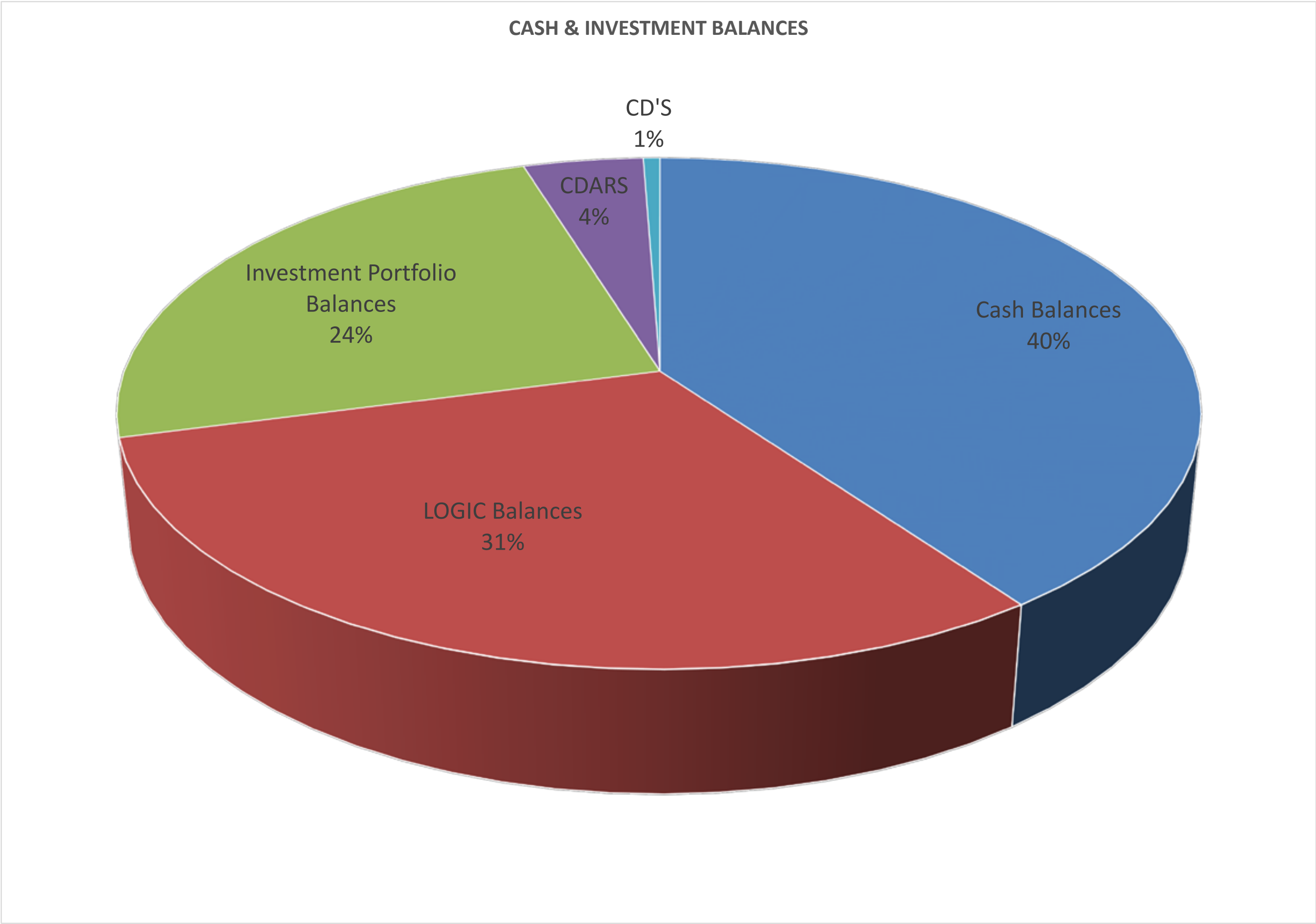
Shereen Gendy
Karen Hines

Portfolio Investment Report
for the Quarter Ending March 31, 2018
CONSOLIDATED INVESTMENT REPORT

Cash and Investment Balances	Current As of 3/31/2018	Last Quarter As of 12/31/2017
Cash Balances	$ 34,220,412	$ 29,516,598
LOGIC Balances	$ 26,279,886	$ 26,175,681
Investment Portfolio Balances	$ 20,782,071	$ 20,783,848
CDARS	$ 3,576,284	$ 4,591,089
CD'S	$ 496,000	$ -
Total Cash, Logic, & Other Investments	$ 85,354,654	$ 81,067,216

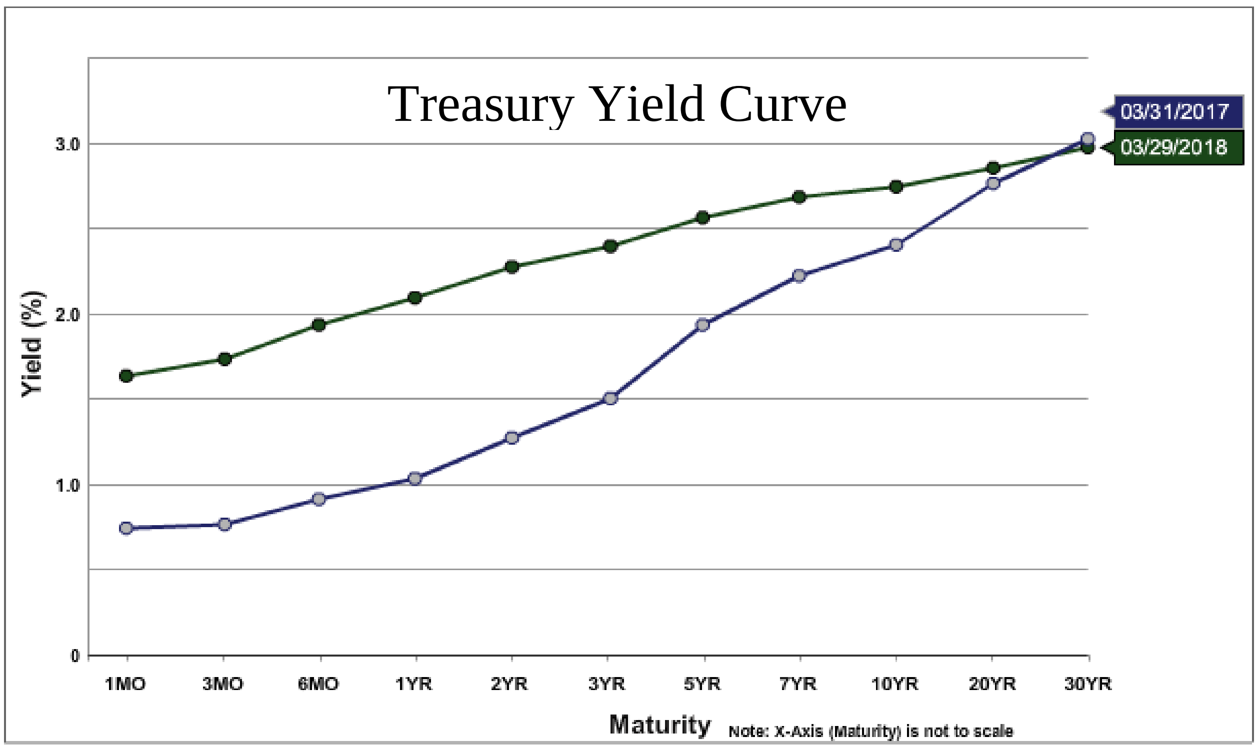
Investment Yields, Maturities, and Interest	Current As of 3/31/2018	Last Quarter As of 12/31/2017
Bank Earned Income Credit	1.45%	1.10%
13 Week Treasury Benchmark	1.56%	1.21%
Logic Average Quarterly Yield	1.61%	1.32%
Logic Quarter's Average Weighted Maturity	29	35
Average Weighted Yield: Agency	1.34%	1.21%
Average Weighted Maturity: Agency	373	393
Average Weighted Yield: CDARS	0.52%	0.50%
Average Weighted Maturity: CDARS	256	287
Average Weighted Yield: CD'S	2.53%	NA
Average Weighted Maturity: CD'S	730	NA
Investment Interest Earnings - Quarter	$ 188,306	$ 154,188
Bank Earnings Allowance	$ 20,917	$ 16,572
Interest Rate/Yield for the Quarter	1.48%	1.15%

Portfolio Investment Report
for the Quarter Ending March 31, 2018
CONSOLIDATED INVESTMENT REPORT



Portfolio Investment Report
for the Quarter Ending March 31, 2018
CONSOLIDATED INVESTMENT REPORT

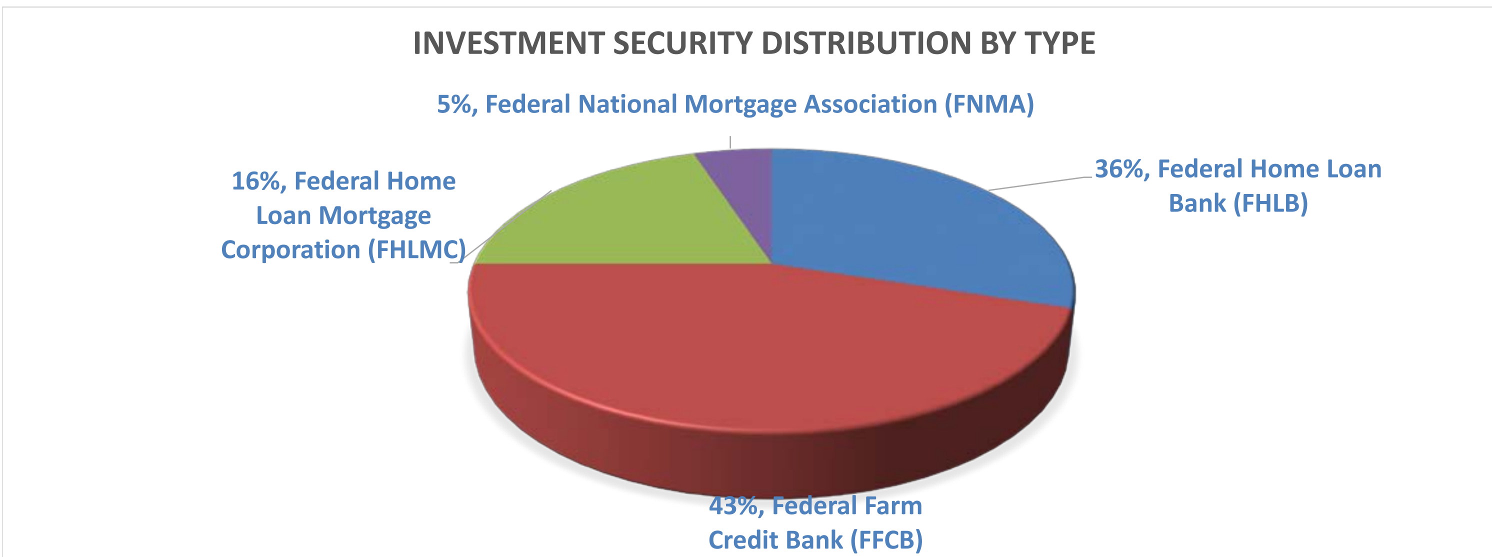
Outstanding Security Portfolio		Purchase Price		Percent (Value)	Market Value	
Distribution by Maturity	Number					
1 to 90 days	5	$	5,201,190	25.03%	$	5,188,727.60
91 to 180 days	1	$	999,300	4.81%	$	995,257.00
181 to 365 days	3	$	3,000,392	14.44%	$	2,982,691.00
Over 365 days	11	$	11,581,190	55.72%	$	12,619,354.10
Total	20	$	20,782,071	100%	$	21,786,030



Source: https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-Yield-Data-Visualization.aspx

Portfolio Investment Report
for the Quarter Ending March 31, 2018
CONSOLIDATED INVESTMENT REPORT

Outstanding Security Portfolio		Purchase Price	Percent (Value)	Market Value
Distribution by Type of Investment	Number			
Federal Home Loan Bank (FHLB)	6	$7,397,885	36%	$8,549,089
Federal Farm Credit Bank (FFCB)	9	$8,985,766	43%	$9,022,919
Federal Home Loan Mortgage Corporation (FHLMC)	4	$3,394,720	16%	$3,215,688
Federal National Mortgage Association (FNMA)	1	$1,003,700	5%	$998,334
Total	20	$ 20,782,071	100%	$ 21,786,030



	S&P	Moody's
Federal Home Loan Bank	AA+	Aaa
Federal Farm Credit Bank	AA+	Aaa
Federal Home Loan Mortgage Corporation	AA+	Aaa
Federal National Mortgage Association	AA+	Aaa

AA+ = high quality, very low credit risk
Aaa = highest quality, lowest level of credit risk

ALL FUNDS CASH & INVESTMENT REPORTS

ALL FUNDS CASH & INVESTMENTS REPORT BY TYPE
AS OF MARCH 31, 2018

		CASH	LOGIC	INVESTMENTS	CDARS	CD'S	TOTAL
	GOVERNMENTAL FUNDS						
001	GENERAL FUND	8,540,033	418,245	4,790,656	2,555,094	496,000	16,800,027
036	STRATEGIC INITIATIVES	39,482	495,497	0	0		534,979
004	DEBT SERVICE FUND	896,165	34,653	0	0		930,819
003	CAPITAL PROJECTS	12,424,832	1,886,848	2,493,119	508,787		17,313,587
012	PARK LAND DEDICATION	109,038	0	1,325,973	0		1,435,012
032	VEHICLE AND CAPITAL REPLACEMENT	903,337	83,773	514,300	0		1,501,410
034	COLLEYVILLE TOMORROW	254,988	1,706,844	475,442	0		2,437,274
035	PARKS TOMORROW	2,331	1,038,882	0	0		1,041,213
005	VOLUNTEER PARK FUND	258,553	0	750,000	0		1,008,553
007	DONATIONS FUND	54,780	0	0	0		54,780
011	LIBRARY FUND	70,187	0	359,643	0		429,829
015	POLICE ASSET FORFEITURE	8,735	0	0	0		8,735
016	TDPA GRANT	(1,527)	0	0	0		(1,527)
018	TREE PRESERVATION	318,198	0	0	0		318,198
019	LIBRARY DONATION	147,765	0	0	0		147,765
020	RECREATIONAL EVENT	12,501	0	0	0		12,501
023	LEOSE	3,733	0	0	0		3,733
027	CRIME DISTRICT	11,695	778,074	0	0		789,769
028	KIDSVILLE MAINTENANCE	5,813	0	0	0		5,813
029	COURT TECHNOLOGY	(14,753)	0	0	0		(14,753)
030	COURT SECURITY	61,512	0	0	0		61,512
033	PUBLIC ART	7,904	0	0	0		7,904
037	JUVENILE CASE MANAGER	23,445	0	0	0		23,445
038	HOTEL / MOTEL FUND	207,764	0	0	0		207,764
	ENTERPRISE FUNDS						
002	UTILITY FUND	1,330	2,702,713	2,698,792	512,403		5,915,237
039	UTILITY CAPITAL PROJECTS FUND	7,213,017	2,962,001	62,117	0		10,237,135
017	DRAINAGE FEE	484,369	1,506,200	400,000	0		2,390,570
	FIDUCIARY FUNDS						
006	SESQUICENTINIAL FUND	20,728	0	0	0		20,728
008	EMPLOYEE ACTIVITY	4,489	0	0	0		4,489
040	INSURANCE TRUST FUND	(5,283)	0	0	0		(5,283)
	COMPONENT UNIT						
026	TIF FUND	632,891	11,644,443	5,412,031	0		17,689,366
		32,698,054	**25,258,174**	**19,282,071**	**3,576,284**	**496,000**	**81,310,583**
	COLLEYVILLE ECON DEV CORP						
024	CEDC	1,521,656	956,621	1,500,000	0		3,978,276
025	CEDC - CAPITAL	703	65,091	0	0		65,794
		1,522,359	**1,021,712**	**1,500,000**	**0**	**0**	**4,044,070**
	GRAND TOTAL	**34,220,412**	**26,279,886**	**20,782,071**	**3,576,284**	**496,000**	**85,354,653**

COLOR CODE
DEBT SERVICE FUNDS
CAPITAL PROJECT FUNDS
SPECIAL REVENUE FUNDS
ENTERPRISE FUNDS
FIDUCIARY FUNDS

Cash and cash equivalents are just one aspect of the City's overall financial status, and it is necessary to look at the complete financial statements/CAFR for a comprehensive assessment.

CITY OF COLLEYVILLE
ALL FUNDS CASH & INVESTMENT REPORT - RESTRICTIONS BY FUND

		Available Unrestricted	Available for Restricted Purpose	CASH & INVESTMENTS Approved Projects	Restricted Unavailable	AS OF MARCH 31, 2018 Ran 4.12.18
GOVERNMENTAL FUNDS						
001	GENERAL FUND	16,682,566	32,548	-	84,913	**16,800,027**
036	STRATEGIC INITIATIVE	534,979	-	-	-	**534,979**
004	DEBT SERVICE FUND	-	930,819	-	-	**930,819**
003	CAPITAL PROJECTS	5,791,770	6,670,013	4,701,181	150,623	**17,313,587**
012	PARK LAND DEDICATION	-	1,435,012	-	-	**1,435,012**
032	VEHICLE AND CAPITAL REPLACEMENT	-	1,501,410	-	-	**1,501,410**
034	COLLEYVILLE TOMORROW	2,437,274	-	-	-	**2,437,274**
035	PARKS TOMORROW	1,041,213	-	-	-	**1,041,213**
005	VOLUNTARY PARK FUND	-	1,008,553	-	-	**1,008,553**
007	DONATIONS FUND	-	54,780	-	-	**54,780**
011	VOLUNTARY LIBRARY FUND	-	429,829	-	-	**429,829**
015	POLICE ASSET FORFEITURE		8,735			**8,735**
016	GRANTS	-	(1,527)	-	-	**(1,527)**
018	TREE PRESERVATION	-	318,198	-	-	**318,198**
019	LIBRARY DONATION	-	147,765	-	-	**147,765**
020	RECREATIONAL EVENT	-	12,501	-	-	**12,501**
023	LEOSE	-	3,733	-	-	**3,733**
027	CRIME DISTRICT	-	789,769	-	-	**789,769**
028	KIDSVILLE MAINTENANCE	-	5,813	-	-	**5,813**
029	COURT TECHNOLOGY	-	(14,753)	-	-	**(14,753)**
030	COURT SECURITY	-	61,512	-	-	**61,512**
033	PUBLIC ART	-	7,904	-	-	**7,904**
037	JUVENILE CASE MANAGER	-	23,445	-	-	**23,445**
038	HOTEL / MOTEL FUND	-	207,764	-	-	**207,764**
ENTERPRISE FUNDS						
002	UTILITY FUND	5,442,554	-	-	472,683	**5,915,237**
039	UTILITY CAPITAL PROJECTS FUND	5,120,800	3,897,185	1,157,033	62,117	**10,237,135**
017	DRAINAGE FEE	2,231,097	37,095	-	122,378	**2,390,570**
FIDUCIARY FUNDS						
006	SESQUICENTINIAL FUND	-	20,728	-	-	**20,728**
008	EMPLOYEE ACTIVITY	-	-	-	4,489	**4,489**
040	INSURANCE TRUST FUND				(5,283)	**(5,283)**
COMPONENT UNIT						
026	TIF FUND	15,685,674	115,813	1,887,878	-	**17,689,366**
		54,967,928	**17,704,644**	**7,746,092**	**891,920**	**81,310,583**
COLLEYVILLE ECON DEV CORP						
024	CEDC	$ 3,978,276	$ -	$ -	$ -	**$ 3,978,276**
025	CEDC - CAPITAL	-	65,794	-	-	**65,794**
GRAND TOTAL		**58,946,204**	**17,770,438**	**7,746,092**	**891,920**	**85,354,653**

COLOR CODE
DEBT SERVICE FUNDS
CAPITAL PROJECT FUNDS
SPECIAL REVENUE FUNDS
ENTERPRISE FUNDS
FIDUCIARY FUNDS

Cash and cash equivalents are just one aspect of the City's overall financial status, and it is necessary to look at the complete financial statements/CAFR for a comprehensive assessment.

CITY FUNDS - BACKGROUND

GOVERNMENTAL FUNDS	REVENUE SOURCE	PURPOSE/RESTRICTION
001 GENERAL FUND	M&O portion of tax rate, sales tax, charges for service, etc.	General government purposes
036 STRATEGIC INITIATIVES	Transfers from the General Fund	Programs/projects linked to the strategic plan; primarily used on eco. dev. incentives
004 DEBT SERVICE	Debt (I&S) portion of the tax rate	Payments on debt issued
003 CAPITAL PROJECTS	Transfers from the General Fund, street impact fees, escrows	Capital projects; some funding sources have restricted uses
012 PARK LAND DEDICATION	Fees on new residential & commercial development	Acquisition of land for new park sites or improvements/expansions of existing parks (no M&O)
032 VEHICLE AND CAPITAL REPLACEMENT	Transfers from the General Fund	Committed to server, equipment, and vehicle replacements
034 COLLEYVILLE TOMORROW	Gas leases on City property	Capital purchases/at Council discretion
035 PARKS TOMORROW	Gas leases on City park property	Parks capital projects
005 VOLUNTARY PARK FUND	Donations through utility bills	New or existing park capital costs (no M&O)
007 DONATIONS FUND	Donations	Only restricted if specified by donor
011 VOLUNTARY LIBRARY FUND	Donations through utility bills	Library activities- primarily purchase of books and materials (no M&O)
015 POLICE ASSET FORFEITURE	Seizures	Police operations as restricted by law
016 TDPA GRANT (EECBG GRANT)	U.S. Dept. of Energy	Energy efficiency projects
018 TREE PRESERVATION	Tree mitigation fees	Tree replanting on city-owned property
019 LIBRARY DONATION	Donations	Library needs or as specified by donor
020 RECREATIONAL EVENT	Event revenue (like sale of tables)	Special events expenses
023 LEOSE	State of Texas	Police training
027 CRIME DISTRICT (CCCPD)	0.5 cent sales tax	Public safety and crime control activities
028 KIDSVILLE MAINTENANCE	Remaining donations	Kidsville maintenance
029 COURT TECHNOLOGY	Municipal court technology fee	Court technology repairs, replacements, and upgrades
030 COURT SECURITY	Municipal court building security fee	Security-related expenses for the court (Bailiff)
033 PUBLIC ART	2008-9 Transfers from General, Utility, Drainage, CEDC Funds	Public Art
037 JUVENILE CASE MANAGER	Juvenile case manager fee	Staff who handle juvenile defendants and their training
038 HOTEL/MOTEL FUND	Hotel/Motel tax	Attract "heads in beds"; specific uses outlined in state law
ENTERPRISE FUNDS		
002 UTILITY OPERATING FUND	Water and wastewater base rates and volumetric rates	Utility operations and payments to TRA
039 UTILITY CAPITAL PROJECTS FUND	Transfers from Utility Operating Fund, impact fees, CIP base rate	Utility capital projects; water and wastewater impact fees have restricted uses
017 DRAINAGE FEE FUND	Monthly drainage fee	Operations and capital projects related to drainage maintenance and improvement
FIDUCIARY FUNDS		
006 SESQUICENTINIAL FUND	Currently, sale of the Colleyville History book	Created for fund raising for festivities related to 150th anniversary of Texas' independence from Mexico (1986)
008 EMPLOYEE ACTIVITY	Employee contributions	Employee luncheons and other employee activities; governed by by-laws
040 INSURANCE TRUST FUND	Payroll deductions and city's contributions	Pass through trust fund used to account for employee insurance costs. Created cost savings for the city.
COMPONENT UNIT		
026 TIF FUND	Incremental A/V revenue in the TIF District	Projects in the Project Plan approved by all TIF partners
COLLEYVILLE ECON DEV CORP		
024 CEDC	0.5 cent sales tax	For Library, Parks, and Colleyville Center; max. 10% on promotional expenses and special events
025 CEDC - CAPITAL	Bond proceeds	Bond projects: Library, City Park, McPherson Park, Colleyville Center capital projects

COLOR CODE
DEBT SERVICE FUNDS
CAPITAL PROJECT FUNDS
SPECIAL REVENUE FUNDS
ENTERPRISE FUNDS
FIDUCIARY FUNDS

LISTING OF INVESTMENTS

BY TYPE

CITY OF COLLEYVILLE INVESTMENT SECURITIES HELD JAN 1 - MAR 31, 2018

CUSIP	SECURITY	PURCHASE DATE	MATURITY DATE	PURCHASE PRICE	PAR VALUE	MARKET VALUE 12/31/2017	LESS MATURITY PROCEEDS	PLUS PERIOD PURCHASES	MARKET VALUE 3/31/2018	YIELD ON INVESTMENT	INTEREST	INTEREST RECEIVED TO MATURITY
3137EAEA3	FHLMC NOTE	4/12/2016	4/9/2018	$999,850	$1,000,000	$997,243			$998,159	0.758%	$1,869	$15,098
3136G0V57	FNMA NOTE	5/9/2016	4/30/2018	$1,003,700	$1,000,000	$998,448			$998,334	0.811%	$2,000	$16,020
3133EGAF2	FFCB NOTE	5/20/2016	5/16/2018	$997,400	$1,000,000	$997,520			$997,306	0.882%	$2,175	$17,543
3130A8EJ8	FHLB NOTE	6/10/2016	6/5/2018	$1,200,000	$1,200,000	$1,196,081			$1,196,338	0.850%	$2,515	$20,260
313379DT3	FHLB NOTE	7/5/2017	6/8/2018	$1,000,240	$1,000,000	$999,745			$998,591	1.224%	$3,018	$11,335
3133EGML6	FFCB NOTE	7/18/2016	7/18/2018	$999,300	$1,000,000	$995,725			$995,257	0.785%	$1,936	$15,700
3133EFX69	FFCB NOTE	10/17/2016	10/5/2018	$1,000,580	$1,000,000	$996,048			$994,049	0.930%	$2,293	$18,294
3133EG5Q4	FFCB NOTE	2/1/2017	2/1/2019	$1,000,000	$1,000,000	$997,081			$994,656	1.300%	$3,205	$26,000
3130AAS41	FHLB NOTE	3/24/2017	2/8/2019	$999,812	$1,000,000	$996,275			$993,986	1.280%	$3,156	$24,057
3133EHHN6	FFCB NOTE	3/5/2017	5/2/2019	$1,000,000	$1,000,000	$996,128			$993,425	1.350%	$3,329	$29,145
3137EAEH8	FHLMC NOTE	7/31/2017	8/15/2019	$500,000	$500,000	$498,499			$495,710	1.375%	$1,695	$14,033
313380FB8	FHLB NOTE	8/29/2017	9/13/2019	$1,000,000	$1,000,000	$996,975			$990,732	1.375%	$3,390	$28,065
3137EADM8	FHLMC NOTE	9/14/2017	10/2/2019	$998,788	$1,000,000	$996,011			$832,538	1.250%	$3,082	$25,616
3137EADM8	FHLMC NOTE	10/13/2017	10/2/2019	$896,082	$900,000	$889,282			$889,282	1.475%	$6,147	$26,150
3130ACLS1	FHLB NOTE	10/11/2017	10/11/2019	$2,200,000	$2,200,000	$2,184,721			$2,184,721	1.550%	$15,974	$68,195
3133EHP98	FFCB NOTE	11/6/2017	11/6/2019	$1,000,000	$1,000,000	$993,668			$993,668	1.600%	$6,356	$32,000
3133EGJ30	FFCB NOTE	12/29/2017	11/18/2019	$1,238,775	$1,255,000	$1,235,061			$1,235,061	1.800%	$5,694	$42,642
3133EHV75	FFCB NOTE	12/8/2017	11/21/2019	$749,711	$750,000	$746,713			$746,713	1.750%	$4,063	$25,639
PURCHASED DURING THIS QUARTER												
3133EJCN7	FFCB NOTE	2/14/2018	2/14/2020	$1,000,000	$1,000,000			$1,000,000	$1,072,785	2.070%	$2,552	$41,400
3130ADN32	FHLB NOTE	3/7/2018	2/11/2020	$997,834	$1,000,000			$997,834	$2,184,721	2.240%	$1,473	$43,327
OUTSTANDING SECURITIES AT THE END OF THE QUARTER				**20,782,071**	**20,805,000**	**18,711,223**	**-**	**1,997,834**	**21,786,030**		**75,923**	**540,519**
MATURED DURING THIS QUARTER												
3133EFZR1	FFCB NOTE	2/17/2016	2/12/2018	$1,000,580	$1,000,000	$999,539	$1,004,000			0.771%	$908	$15,336
3137EADP1	FHLB NOTE	3/23/2016	3/7/2018	$999,030	$1,000,000	$999,135	$1,004,375			0.925%	$1,673	$18,095
SECURITIES MATURED DURING THE QUARTER				**1,999,610**	**2,000,000**	**1,998,674**	**2,008,375**				**2,581**	**33,430**
GRAND TOTAL				**22,781,681**	**22,805,000**	**20,709,897**	**2,008,375**	**1,997,834**	**21,786,030**		**78,504**	**573,949**

ACCOUNT	ALLOCATION OF INVESTMENT								
INVESTMENT		FHLMC NOTE	FNMA NOTE	FFCB NOTE	FHLB NOTE	FFCB NOTE	FFCB NOTE	FFCB NOTE	FHLB NOTE
DATE ACQUIRED		12-Apr-16	09-May-16	20-May-16	10-Jun-16	18-Jul-16	17-Oct-16	01-Feb-17	24-Mar-17
MATURITY DATE		09-Apr-18	30-Apr-18	16-May-18	05-Jun-18	18-Jul-18	05-Oct-18	01-Feb-19	08-Feb-19
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.520%	0.370%	0.450%	0.410%	0.430%	0.480%	0.640%	0.870%
YIELD TO MATURITY		0.758%	0.811%	0.882%	0.850%	0.785%	0.930%	1.300%	1.280%
CUSIP#		**3137EAEA3**	**3136G0V57**	**3133EGAF2060**	**3130A8EJ8**	**3133EGML6**	**3133EFX69**	**3133EG5Q4**	**3130AAS41**
001-1172	GENERAL FUND OPERATING	999,850.00	0.00	997,400.00			0.00	1,000,000.00	500,000.00
002-1166	UTILITY DEBT SERVICE RESERVE								
002-1172	UTILITY FUND OPERATING								
002-1178	CUSTOMER DEPOSITS								
039-1186	UTILITY LINE RENEWAL								
039-1557	THE RESERVE LIFT STATION								
003-1121	INV-PERIMETER FEES								
003-1307	INV-ROAD RECONSTRUCTION		203,903.34						
003-1340	CASTLETON MANOR								
005-1172	VOLUNTARY PARK FUND								
011-1172	LIBRARY DONATIONS FUND						359,642.52		
012-1172	PARK LAND DEDICATION FUND						115,973.26		
017-1172	DRAINAGE FUND OPERATING					200,000.00			
024-1172	CEDC OPERATING								
026-1172	TIF OPERATING		799,796.66		849,650.00	549,300.00	499,872.46		499,811.73
032-1519	CAPITAL EQUIPMENT RESERVE					150,000.00			
034-1172	COLLEYVILLE TOMORROW				350,350.00	100,000.00	25,091.76		
PER GENERAL LEDGER		$999,850.00	$1,003,700.00	$997,400.00	$1,200,000.00	$999,300.00	$1,000,580.00	$1,000,000.00	$999,811.73
MARKET VALUE		$995,870.00	$1,000,731.00	$0.00	$1,199,263.20	$0.00	$0.00	$0.00	$0.00
VALUE AT MATURITY		$1,000,000.00	$1,000,000.00	$1,000,000.00	$1,200,000.00	$1,000,000.00	$1,000,000.00	$1,000,000.00	$1,000,000.00
INTEREST RECEIVED TO MATURITY		15,089.51	16,015.09	17,546.43	20,260.23	15,706.88	18,296.88	26,000.00	24,056.99
DATE OF LAST INTEREST PAYMENT		43,018.00	43,038.00	43,055.00	43,074.00	43,118.00	43,013.00	43,132.00	43,139.00
INTEREST TO ACCRUE FOR PERIOD		3,787.38	5,000.00	3,750.00	5,100.00	3,750.00	4,800.00	6,500.00	6,350.00
TOTAL DAYS OUTSTANDING/OR INTEREST PERIOD		182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00
DAYS OUTSTANDING IN FISCAL YEAR/INTEREST PERIOD	#	182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00
ACCRUED INTEREST		$3,750.00	$5,000.00	$3,750.00	$5,100.00	$3,750.00	$4,800.00	$6,500.00	$6,350.00

INVESTMENT		FFCB NOTE	FHLB NOTE	TREASURY NOTE	FHLB NOTE	FHLMC NOTE	FHLMC NOTE	FHLB	FFCB NOTE
DATE ACQUIRED		03-May-17	05-Jul-17	31-Jul-17	29-Aug-17	14-Sep-17	13-Oct-17	26-Oct-17	06-Nov-17
MATURITY DATE		02-May-19	08-Jun-18	15-Aug-19	13-Sep-19	02-Oct-19	02-Oct-19	11-Oct-19	06-Nov-19
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.980%	1.130%	1.110%	1.130%	1.170%	1.250%	1.260%	1.280%
YIELD TO MATURITY		1.350%	1.250%	1.475%	1.375%	1.250%	1.475%	1.550%	1.600%
CUSIP#		**3133EHHN6**	**313379DT3**	**3137EAEH8**	**313380FB8**	**3137EADM8**	**3137EADM8**	**3130ACLS1**	**3133EHP98**
ACCOUNT	**ALLOCATION OF INVESTMENT**								
001-1172	GENERAL FUND OPERATING		0.00						
002-1166	UTILITY DEBT SERVICE RESERVE								
002-1172	UTILITY FUND OPERATING				2,465.01		18,422.28	500,000.00	250,985.36
002-1178	CUSTOMER DEPOSITS								194,005.33
039-1186	UTILITY LINE RENEWAL								
039-1557	THE RESERVE LIFT STATION				62,116.76				
003-1121	INV-PERIMETER FEES				712,932.38	998,788.00			253,649.76
003-1307	INV-ROAD RECONSTRUCTION				222,485.85				101,359.55
003-1340	CASTLETON MANOR								0.00
005-1172	VOLUNTARY PARK FUND							500,000.00	
011-1172	LIBRARY DONATIONS FUND								
012-1172	PARK LAND DEDICATION FUND							300,000.00	200,000.00
017-1172	DRAINAGE FUND OPERATING							200,000.00	
024-1172	CEDC OPERATING	1,000,000.00		500,000.00					
026-1172	TIF OPERATING		1,000,240.00				513,360.00	700,000.00	
032-1519	CAPITAL EQUIPMENT RESERVE						364,300.00		
034-1172	COLLEYVILLE TOMORROW								
PER GENERAL LEDGER		$1,000,000.00	$1,000,240.00	$500,000.00	$1,000,000.00	$998,788.00	$896,082.28	$2,200,000.00	$1,000,000.00
MARKET VALUE		$0.00	$996,640.00	$497,207.00	$995,886.00	$996,011.00	$893,386.80	$1,189,263.60	$993,135.00
VALUE AT MATURITY		$1,000,000.00	$1,000,000.00	$500,000.00	$1,000,000.00	$1,000,000.00	$900,000.00	$2,200,000.00	$1,000,000.00
INTEREST RECEIVED TO MATURITY		26,962.89	11,575.34	15,053.08	28,065.07	25,616.44	26,149.93	66,793.50	32,000.00
DATE OF LAST INTEREST PAYMENT		43,041.00	43,077.00	43,146.00	43,172.00	43,192.00	43,021.00	43,034.00	43,045.00
INTEREST TO ACCRUE FOR PERIOD		6,749.97	6,250.00	3,934.03	6,875.00	6,242.43	6,608.61	17,048.69	8,000.00
TOTAL DAYS OUTSTANDING/OR INTEREST PERIOD		182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00
DAYS OUTSTANDING IN FISCAL YEAR/INTEREST PERIOD		182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00
ACCRUED INTEREST		$6,750.00	$5,486.11	$3,704.86	$6,875.00	$11,875.00	$6,264.86	$17,048.69	$8,000.00

INVESTMENT		FFCB NOTE	FFCB NOTE	FFCB NOTE	FHLB NOTE
DATE ACQUIRED		08-Dec-17	29-Dec-17	14-Feb-18	07-Mar-18
MATURITY DATE		21-Nov-19	18-Nov-19	14-Feb-20	11-Feb-20
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		1.420%	1.500%	1.770%	1.830%
YIELD TO MATURITY		1.750%	1.800%	2.070%	2.240%
CUSIP#		**3133EHV75**	**3133EGJ30**	**3133EJCN7**	**3130ADN32**
ACCOUNT	**ALLOCATION OF INVESTMENT**				
001-1172	GENERAL FUND OPERATING	0.00	255,571.93	1,000,000.00	37,833.62
002-1166	UTILITY DEBT SERVICE RESERVE		0.00		
002-1172	UTILITY FUND OPERATING	503,143.19	951,092.86		
002-1178	CUSTOMER DEPOSITS	246,567.66	32,110.05		
039-1186	UTILITY LINE RENEWAL				
039-1557	THE RESERVE LIFT STATION				
003-1121	INV-PERIMETER FEES				
003-1307	INV-ROAD RECONSTRUCTION				
003-1340	CASTLETON MANOR				
005-1172	VOLUNTARY PARK FUND				250,000.00
011-1172	LIBRARY DONATIONS FUND				
012-1172	PARK LAND DEDICATION FUND				710,000.00
017-1172	DRAINAGE FUND OPERATING				
024-1172	CEDC OPERATING				
026-1172	TIF OPERATING				
032-1519	CAPITAL EQUIPMENT RESERVE				
034-1172	COLLEYVILLE TOMORROW				
PER GENERAL LEDGER		$749,710.85	$1,238,774.84	$1,000,000.00	$997,833.62
MARKET VALUE		$750,300.00	$1,198,252.80	$1,000,673.00	$1,000,261.00
VALUE AT MATURITY		$750,000.00	$1,255,000.00	$1,000,000.00	$1,000,000.00
INTEREST RECEIVED TO MATURITY		25,638.70	42,642.49	41,400.00	43,327.12
DATE OF LAST INTEREST PAYMENT		43,077.00	43,098.00	43,145.00	43,166.00
INTEREST TO ACCRUE FOR PERIOD		6,559.97	11,148.97	10,350.00	11,175.74
TOTAL DAYS OUTSTANDING/OR INTEREST PERIOD		182.00	182.00	182.00	182.00
DAYS OUTSTANDING IN FISCAL YEAR/INTEREST PERIOD		182.00	182.00	182.00	182.00
ACCRUED INTEREST		$6,559.97	$11,148.97	$10,350.00	$11,175.74

CDARS CERTIFICATES OF DEPOSIT

FUND ALLOCATION	CDAR#	BANK	AMOUNT	PURCHASE DATE	MATURITY DATE	INTEREST RATE	INTEREST EARNED DURING QUARTER	INTEREST RECEIVED TO MATURITY
UTILITY FUND	1020424784	INDEPENDENT BANK	$512,403	7/27/2017	7/25/2019	0.40%	$505	$4,088
GENERAL FUND	1019169355	INDEPENDENT BANK	$510,929	6/23/2016	6/21/2018	0.40%	$504	$4,076
GENERAL FUND	1019453738	WORTHINGTON BANK	$1,534,117	9/21/2017	9/20/2018	0.60%	$2,263	$9,152
GENERAL FUND	1019452073	INDEPENDENT BANK	$510,048	9/22/2016	9/20/2018	0.50%	$629	$5,087
CAPITAL PROJECTS	1020604677	INDEPENDENT BANK	$508,787	9/21/2017	9/19/2019	0.58%	$728	$5,886
PURCHASED DURING THIS QUARTER								
NA							$0	$0
OUTSTANDING CDARS AS OF THE END OF THE QUARTER			**3,576,284**				**$4,629**	**$28,289**
MATURED DURING THIS QUARTER								
GENERAL FUND	1020009477	INDEPENDENT BANK	$509,806	3/23/2017	3/22/2018	0.30%	$339	$1,525
GENERAL FUND	1018875612	INDEPENDENT BANK	$504,999	3/24/2016	3/22/2018	0.50%	$560	$5,036
CDARS MATURED DURING THE QUARTER			**1,014,805**				**$900**	**$6,561**
GRAND TOTAL			**4,591,089**				**5,528**	**34,850**

CERTIFICATES OF DEPOSIT (CD's)

FUND ALLOCATION	CUSIP#	BANK	PRINCIPAL	PURCHASE DATE	MATURITY DATE	INTEREST RATE	INTEREST EARNED DURING QUARTER	INTEREST RECEIVED TO MATURITY
NA							$0	$0
PURCHASED DURING THIS QUARTER								
GENERAL FUND	17312QH51	CITIBANK	$248,000	3/29/2018	3/30/2020	2.50%	$34	$12,434
GENERAL FUND	61747MR78	MORGAN STANLEY BANK	$248,000	3/29/2018	3/30/2020	2.55%	$35	$12,683
OUTSTANDING CD'S AS OF THE END OF THE QUARTER			**$496,000**				**$69**	**$25,117**
MATURED DURING THIS QUARTER								
NA							$0	$0
CD'S MATURED DURING THE QUARTER			**$0**				**$0**	**$0**
GRAND TOTAL			**496,000**				**69**	**25,117**

LOCAL GOVERNMENT INVESTMENT COOPERATIVE / "LOGIC"
ACCOUNT ALLOCATION AT MARCH 2018

DESCRIPTION	BALANCE
GENERAL FUND	
LOGIC POOL- OPERATING CASH	$418,245
UTILITY FUND	
LOGIC POOL- OPERATING CASH	$2,702,713
UTILITY FUND - CAPITAL PROJECTS	
LOGIC POOL- WATER IMPACT FEES	$2,284,119
LOGIC-RES CASH-UTILITY LINE RE	$1,174
LOGIC - WW IMPACT FEES	$676,708
CAPITAL PROJECTS FUND	
LOGIC POOL-ROADS SA I CASH	$21,688
LOGIC-CAPITAL PROJ/STREET RESU	$1,865,160
DEBT SERVICE FUND	
LOGIC POOL- OPERATING CASH	$34,653
DRAINAGE FUND	
LOGIC POOL- OPERATING CASH	$1,381,442
LOGIC- I&S FUND/DRAINAGE	$122,378
LOGIC-2001 DRAINAGE BONDS	$2,380
TIF FUND	
LOGIC POOL- OPERATING CASH	$11,529,448
LOGIC-2001 TIF BONDS/CITY HALL	$114,995
CCCPD FUND	
LOGIC POOL- OPERATING CASH	$777,992
LOGIC - 99 CO BONDS	$83

LOCAL GOVERNMENT INVESTMENT COOPERATIVE / "LOGIC"
ACCOUNT ALLOCATION AT MARCH 2018

CAPITAL EQUIPMENT REPLACEMENT FUND	
LOGIC POOL- OPERATING CASH	$83,773
COLLEYVILLE TOMORROW FUND	
LOGIC POOL- OPERATING CASH	$1,706,844
PARKS TOMORROW FUND	
LOGIC POOL- OPERATING CASH	$1,038,882
STRATEGIC INITIATIVES FUND	
LOGIC POOL- OPERATING CASH	$495,497
Subtotal - LOGIC balances excluding CEDC	**$25,258,174**
CEDC Logic Balance	
LOGIC POOL- OPERATING CASH	$956,621
LOGIC - 97 BONDS	$65,091
Total LOGIC Balance	**$26,279,886**
INTEREST EARNED THIS QUARTER	**$104,205**

LOGIC Newsletter

March 2018

Performance

As of March 31, 2018

Current Invested Balance	**$6,902,175,938.22**
Weighted Average Maturity (1)*	**27 Days**
Weighted Average Maturity (2)*	**69 Days**
Net Asset Value	**0.999705**
Total Number of Participants	**563**
Management Fee on Invested Balance	**0.0975%**
Interest Distributed	**$10,861,177.82**
Management Fee Collected	**$582,576.15**
% of Portfolio Invested Beyond 1 Year	**0.00%**
Standard & Poor's Current Rating	**AAAm**

March Averages:

Average Invested Balance	**$7,027,703,959.40**
Average Monthly Yield, on a simple basis	**1.7228%**
Average Weighted Average Maturity (1)*	**28 Days**
Average Weighted Average Maturity (2)*	**71 Days**

*Definition of Weighted Average Maturity (1) & (2)

(1) This weighted average maturity calculation uses the SEC Rule 2a-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This Rule specifies that a variable rate instrument to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the pool.

Rates reflect historical information and are not an indication of future performance.

News

In Memoriam

We are saddened at the passing of LOGIC Board member Judd Sanderson. Judd served as a LOGIC Governing Board member since 2002 and was the Deputy Director for the North Texas Municipal Water District. Judd attended Abilene Christian University and Harding University receiving a Bachelor of Business Administration in Accounting. He had previously been employed by Dallas Market Center and Upper Trinity Regional Water District. Judd was a dedicated board member and good friend who will be greatly missed. Our thoughts and prayers are with his family.

Conferences

LOGIC Representatives look forward to visiting with those of you attending these upcoming conferences.

- ★ GFOAT 2018 Spring Conference - April 15-17, Austin
- ★ County Treasurers Continuing Education Conference - April 17-19, San Marcos

Economic Commentary

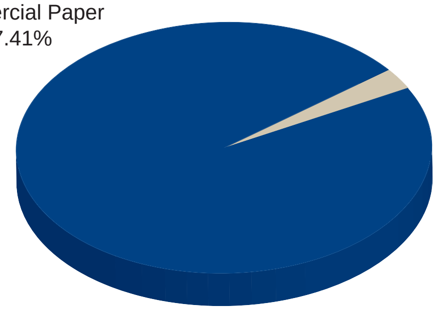
Synchronized global growth continued in the first quarter, but with the added excitement of increased market volatility. In spite of the generally positive economic backdrop, fears of runaway inflation, rising interest rates, and continued political noise from Washington led to a sharp selloff in global equities. The quarter closed as one of the weaker starts to the year for both credit and equities. During the course of the quarter, fears of a trade war came into focus. Potential tariffs by the US, first on steel and aluminum imports caused the Chinese to respond by announcing potential tariffs on $3BN worth of goods ranging from agricultural products to steel pipes, as well as the EU to respond by announcing potential tariffs on US imports Harley Davidson, Levi's and bourbon whiskey. Later, the US exempted several allies from the steel and aluminum tariffs, but suggested it may impose quotas. Following the initial steel and aluminum tariffs, the US continued by announcing potential tariffs on as much as $50 billion of Chinese imports in a wide variety of categories which were countered by the Chinese announcing 25% tariffs on $50 billion of various US goods.

In Washington, Congress approved a federal budget incorporating substantial fiscal stimulus, which would add $300 billion to the deficit over the next two years. The increase in U.S. government debt issuance needed to fund the tax cuts and increase in spending, combined with the unwinding of the Fed's balance sheet, is expected to put upward pressure on rates. The front end of the curve was hit by a large issuance of Treasury bills as well as the likelihood that there would be four rate hikes this year by the Federal Reserve Open Market Committee (FOMC), rather than the three previously telegraphed, increased as expansionary fiscal policy in a late-stage business cycle builds a stronger case for higher inflation going forward. Jay Powell became Chair of the Federal Reserve (Fed) and in his first official FOMC meeting in March raised rates by 25 bps to 1.50%-1.75%, a move that widely expected by market participants. The Fed increased expectations to three rates hikes in 2019 and two hikes in 2020. Growth forecasts were upgraded for both 2018 and 2019 to reflect the impact of fiscal stimulus, unemployment rate estimates were brought down through 2020, while inflation forecasts were revised higher in 2019 and 2020. Firming U.S. inflation along with strong growth, U.S. fiscal expansion, as well as less accommodative policy stance from central banks caused Treasury yields to steadily rise.

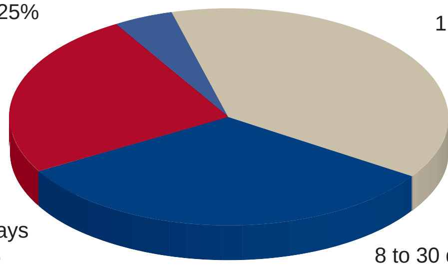
This information is an excerpt from an economic report dated March 2018 provided to LOGIC by JPMorgan Asset Management, Inc., the investment manager of the LOGIC pool.

Information at a Glance

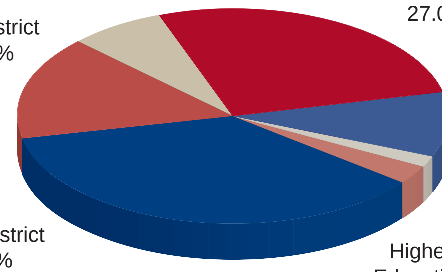
Portfolio by Type of Investment As of March 31, 2018



Portfolio by Maturity As of March 31, 2018



Distribution of Participants by Type As of March 31, 2018



History

Historical Program Information

Month	Average Rate	Book Value	Market Value	Net Asset Value	WAM (1)*	WAM (2)*	Number of Participants
Mar 18	1.7228%	$6,902,175,938.22	$6,900,336,026.44	0.999705	28	71	563
Feb 18	1.5898%	7,170,298,263.14	7,170,001,932.73	0.999958	29	78	563
Jan 18	1.5224%	7,365,857,458.60	7,365,850,519.17	0.999999	29	80	561
Dec 17	1.3784%	6,465,455,192.00	6,464,452,719.35	0.999820	29	76	559
Nov 17	1.2913%	6,037,285,391.70	6,037,616,463.25	1.000054	35	75	557
Oct 17	1.2845%	6,047,571,709.48	6,047,976,206.51	1.000066	42	75	556
Sep 17	1.2827%	5,995,123,374.79	5,995,667,106.47	1.000070	40	77	551
Aug 17	1.2660%	5,912,248,825.24	5,912,933,387.09	1.000115	32	70	548
Jul 17	1.2408%	6,097,733,914.84	6,098,596,876.56	1.000141	29	71	543
Jun 17	1.1333%	5,904,028,106.60	5,904,946,555.34	1.000122	25	75	539
May 17	1.0761%	6,257,671,308.91	6,259,334,715.43	1.000265	27	71	535
Apr 17	1.0739%	6,573,201,990.89	6,574,453,965.11	1.000190	32	69	528

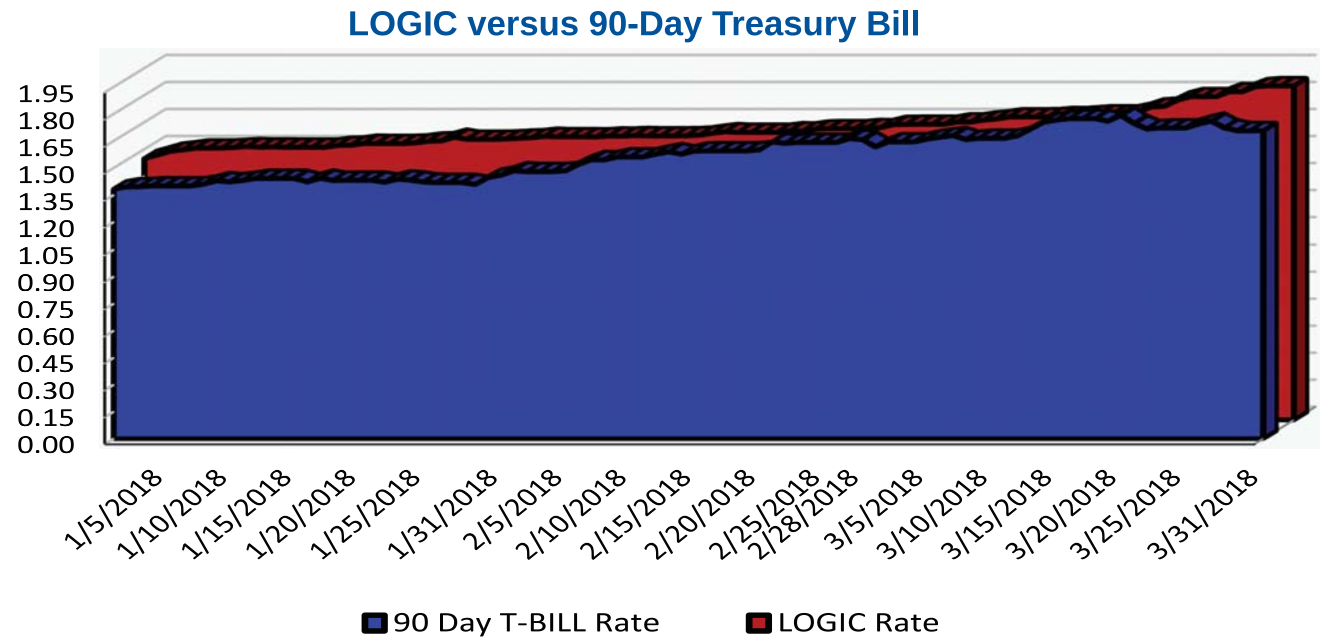
Assets

Portfolio Asset Summary as of March 31, 2018

	Book Value	Market Value
Uninvested Balance	$ (593,715.48)	$ (593,715.48)
Accrual of Interest Income	2,836,135.59	2,836,135.59
Interest and Management Fees Payable	(10,969,352.72)	(10,969,352.72)
Payable for Investment Purchased	0.00	0.00
Receivable for Investment Sold	0.00	0.00
Repurchase Agreements	178,930,000.00	178,930,000.00
Commercial Paper	6,731,972,870.83	6,730,132,959.05
Government Securities	0.00	0.00
Total	**$ 6,902,175,938.22**	**$ 6,900,336,026.44**

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of LOGIC. The only source of payment to the Participants are the assets of LOGIC. There is no secondary source of payment for the pool such as insurance or guarantee. Should you require a copy of the portfolio, please contact LOGIC Participant Services.

Daily Rates



This material is for information purposes only. This information does not represent an offer to buy or sell a security. The above rate information is obtained from sources that are believed to be reliable; however, its accuracy or completeness may be subject to change. The LOGIC management fee may be waived in full or in part at the discretion of the LOGIC co-administrators and the LOGIC rate for the period shown reflects waiver of fees. This table represents historical investment performance/return to the customer, net of fees, and is not an indication of future performance. An investment in the security is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in the security. Information about these and other program details are in the fund's Information Statement which should be read carefully before investing. The yield on the 90-Day Treasury Bill ("T-Bill Yield") is shown for comparative purposes only. When comparing the investment returns of the LOGIC pool to the T-Bill Yield, you should know that the LOGIC pool consist of allocations of specific diversified securities as detailed in the respective Information Statements. The T-Bill Yield is taken from Bloomberg Finance L.P. and represents the daily closing yield on the then current 90-day T-Bill. The LOGIC yield is calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940 as promulgated from time to time by the federal Securities and Exchange Commission.

Daily Summary

Daily Summary for March 2018

Date	Mny Mkt Fund Equiv. [SEC Std.]	Daily Allocation Factor	LOGIC Invested Balance	Market Value Per Share	WAM Days (1)*	WAM Days (2)*
3/1/2018	1.6370%	0.000044849	$7,191,414,505.64	0.999956	28	75
3/2/2018	1.6381%	0.000044880	$7,150,876,896.59	0.999879	28	72
3/3/2018	1.6381%	0.000044880	$7,150,876,896.59	0.999879	28	72
3/4/2018	1.6381%	0.000044880	$7,150,876,896.59	0.999879	28	72
3/5/2018	1.6510%	0.000045234	$7,140,328,720.59	0.999950	29	73
3/6/2018	1.6506%	0.000045221	$7,121,475,234.78	0.999966	30	73
3/7/2018	1.6609%	0.000045505	$7,103,294,264.43	0.999966	30	73
3/8/2018	1.6673%	0.000045679	$7,107,714,115.05	0.999985	31	73
3/9/2018	1.6783%	0.000045982	$7,055,342,953.60	0.999926	30	73
3/10/2018	1.6783%	0.000045982	$7,055,342,953.60	0.999926	30	73
3/11/2018	1.6783%	0.000045982	$7,055,342,953.60	0.999926	30	73
3/12/2018	1.6799%	0.000046025	$7,052,713,710.20	0.999966	29	72
3/13/2018	1.6863%	0.000046199	$7,054,181,173.76	0.999966	29	72
3/14/2018	1.6854%	0.000046175	$7,038,738,716.75	0.999952	28	72
3/15/2018	1.6904%	0.000046312	$7,001,575,366.79	0.999967	28	71
3/16/2018	1.6954%	0.000046449	$6,998,375,950.75	0.999919	25	69
3/17/2018	1.6954%	0.000046449	$6,998,375,950.75	0.999919	25	69
3/18/2018	1.6954%	0.000046449	$6,998,375,950.75	0.999919	25	69
3/19/2018	1.7100%	0.000046849	$6,983,531,560.91	0.999958	27	69
3/20/2018	1.7334%	0.000047491	$6,950,599,203.40	0.999943	27	70
3/21/2018	1.7377%	0.000047608	$6,957,325,055.81	0.999921	27	69
3/22/2018	1.7721%	0.000048551	$7,043,611,465.72	0.999892	26	68
3/23/2018	1.7912%	0.000049073	$6,994,807,927.79	0.999801	28	69
3/24/2018	1.7912%	0.000049073	$6,994,807,927.79	0.999801	28	69
3/25/2018	1.7912%	0.000049073	$6,994,807,927.79	0.999801	28	69
3/26/2018	1.8186%	0.000049825	$6,966,978,521.55	0.999837	28	71
3/27/2018	1.8181%	0.000049811	$6,964,962,346.04	0.999813	28	71
3/28/2018	1.8461%	0.000050577	$6,875,639,779.09	0.999804	30	73
3/29/2018	1.8510%	0.000050713	$6,902,175,938.22	0.999705	27	69
3/30/2018	1.8510%	0.000050713	$6,902,175,938.22	0.999705	27	69
3/31/2018	1.8510%	0.000050713	$6,902,175,938.22	0.999705	27	69
Average	1.7228%	0.000047200	$7,027,703,959.40		28	71

LOGIC Participant Services
Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, TX 75270

LOGIC Board

LOGIC Board Members

Philip G. Roberson	Arlington ISD	Board President
Fred L. Werner	Municipal Finance Director	Board Vice President
Judd R. Sanderson	North Texas Municipal Water District	Board Treasurer / Investment Officer
Sandra Newby	Tarrant Regional Water District	Board Member
Greg Jordan	City of Grapevine	Board Member

Contacts

For more information contact LOGIC Participant Services ★ 1-800-895-6442 ★ www.logic.org

HilltopSecurities
A Hilltop Holdings Company.

J.P.Morgan
Asset Management

EYE ON THE ECONOMY

Dallas–Fort Worth Economic Indicators

Federal Reserve Bank of Dallas

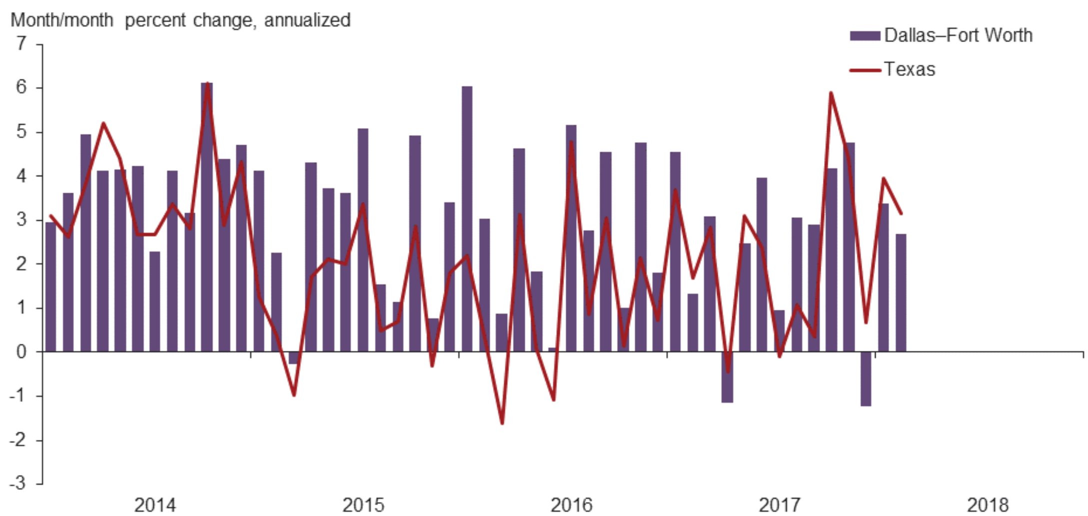
March 28, 2018

DFW economic growth continued in February, with payroll employment expanding and unemployment staying low. Looking at the two-month period, employment growth has been strong at 3.0 percent. The Dallas and Fort Worth business-cycle indexes expanded last month. Housing affordability remained low in Dallas but improved slightly in Fort Worth in the fourth quarter. DFW house price gains outstripped those nationally last year, and home inventories remained very tight in February.

Labor Market

DFW employment continued to post strong growth in February, expanding an annualized 2.7 percent (8,000 jobs) following an upwardly revised 3.4 percent increase in January (*Chart 1*). Payrolls rose 2.2 percent (4,750 jobs) in Dallas and 3.9 percent (3,300 jobs) in Fort Worth last month.

Chart 1
Employment Growth



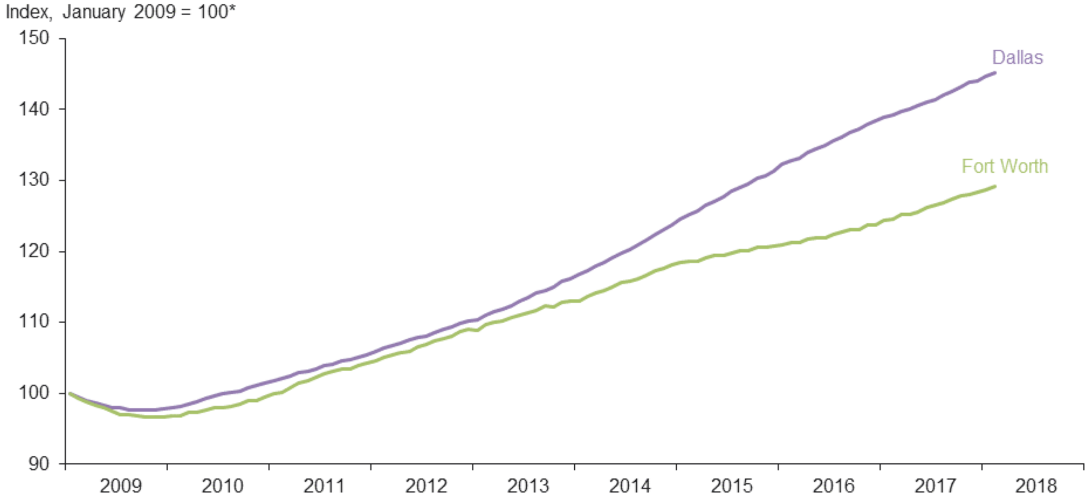
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

The labor market continued to be tight. Unemployment in February edged up to 3.6 percent in Dallas and in Fort Worth; however, the jobless rate in both metros remains near historic lows and is lower than the state and U.S. rates.

Business-Cycle Indexes

The business-cycle indexes for Dallas and Fort Worth continued to expand in February (*Chart 2*). The Dallas index rose 4.1 percent, and growth in the Fort Worth index accelerated to 4.4 percent in February following January's 2.9 percent increase. The Dallas index was up 4.3 percent and the Fort Worth index was 3.6 percent higher from year-ago levels, in part due to continued healthy job creation in the metroplex.

Chart 2
Business-Cycle Indexes

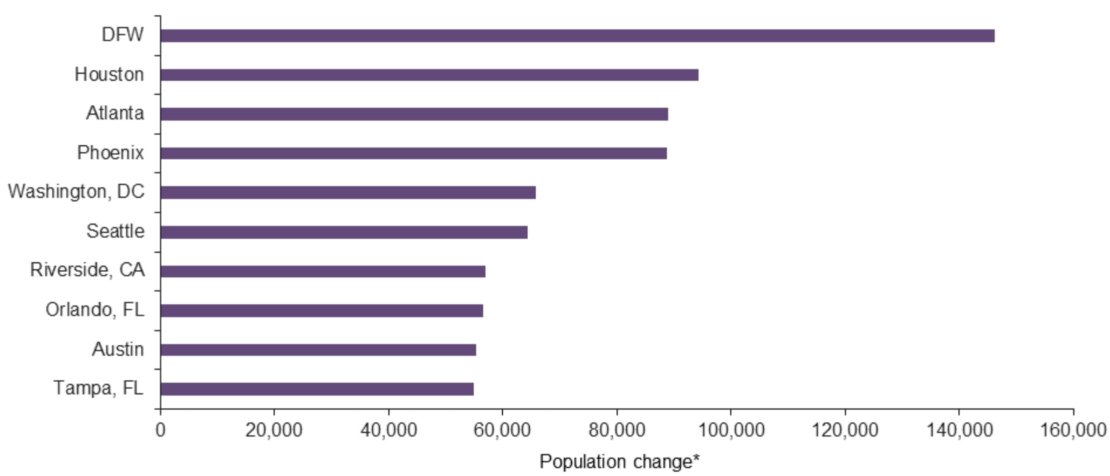


*Monthly, seasonally adjusted.
SOURCE: Dallas Fed.

Population

The Dallas–Fort Worth population continued to climb in 2017. Recently released census data show that from July 2016 to July 2017, the metroplex grew by 146,000 people—the largest numerical increase among metro areas in the U.S. (*Chart 3*). DFW's 2 percent gain was ahead of Texas' 1.4 percent increase last year. Net domestic migration accounted for 41 percent of the growth in DFW's population in 2017, and international migrants made up nearly 18 percent. This means that approximately 235 people moved to DFW every day last year. Collin, Dallas, Denton and Tarrant counties placed among the nation's top 10 counties with the largest numerical increase. DFW is the fourth-largest metropolitan statistical area in the U.S., with a population of 7.4 million in 2017.

Chart 3
Major U.S. Metro Areas with Largest Population Gains, 2016–17

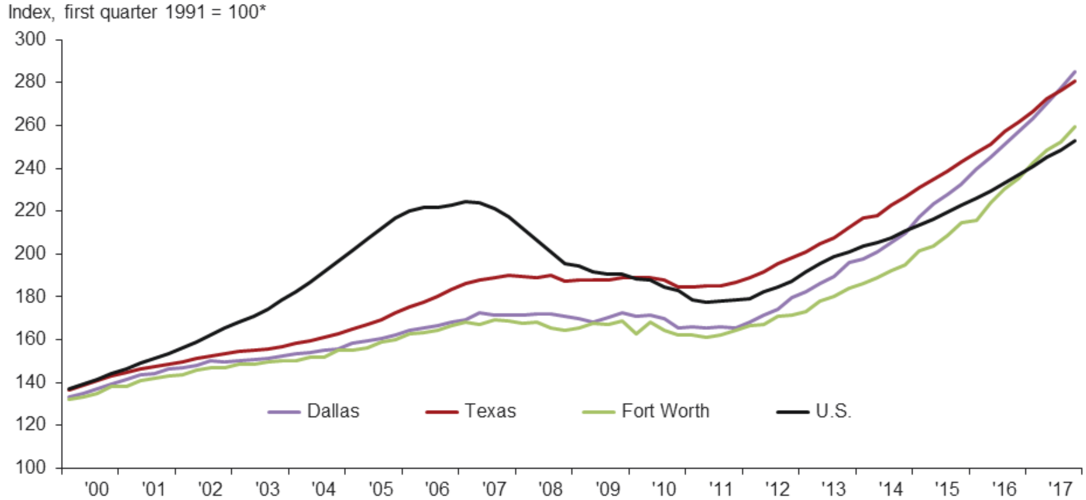


*July 1, 2016, to July 1, 2017.
NOTE: Data for each city cover the broader metropolitan statistical area.
SOURCE: Census Bureau.

Home Prices Climb Further

Home price gains in the metroplex continue to outpace those in the U.S. (*Chart 4*). Prices rose 2.7 percent in both Dallas and Fort Worth in fourth quarter 2017, faster than the state's 1.7 percent gain and the nation's 1.6 percent increase, according to the most recent Federal Housing Finance Agency purchase-only house price index. On a year-over-year basis, prices rose 10.8 percent in Dallas and 10.3 percent in Fort Worth—both faster than the Texas rate of 7.3 percent and the nation's 6.7 percent figure. Continued healthy job creation and tight home inventories have propelled price increases in the area.

Chart 4
House Price Indexes

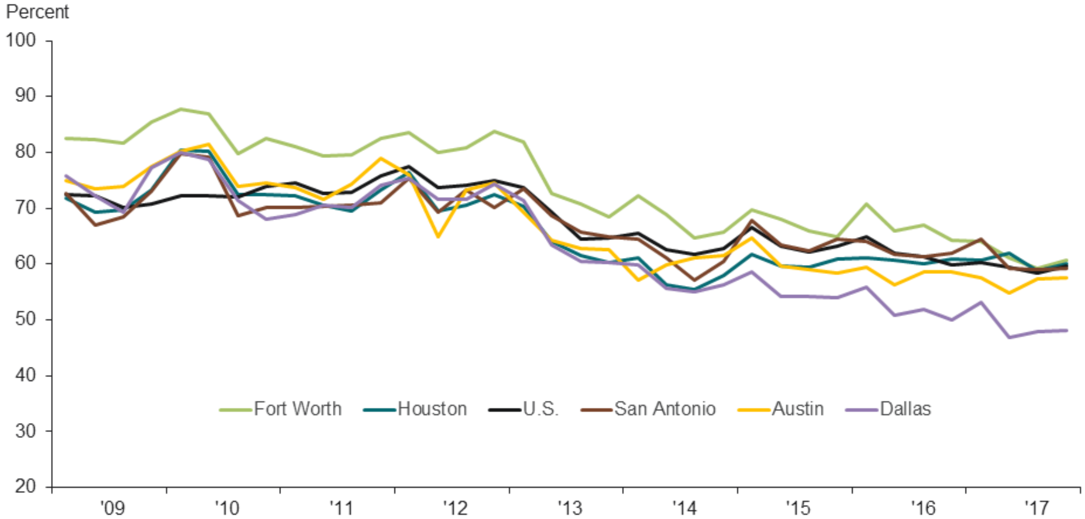


*Quarterly; seasonally adjusted.
SOURCE: Federal Housing Finance Agency.

Affordability in Dallas Remains Low

Record home-price appreciation following the Great Recession has eroded housing affordability in the metroplex. According to the National Association of Home Builders/Wells Fargo Housing Opportunity indexes, 48.2 percent of the homes (new and existing) sold in Dallas in fourth quarter 2017 were affordable for a median-income family (*Chart 5*). This is well below the national figure of 59.6 percent. Affordability has been declining in Dallas since 2010, and the index has dropped markedly from its peak, set in first quarter 2010. Despite having a lower median home sales price than Austin, Dallas has the lowest affordability among major Texas metros. Affordability in Fort Worth improved slightly to 60.7 percent in the fourth quarter.

Chart 5
Housing Opportunity Indexes

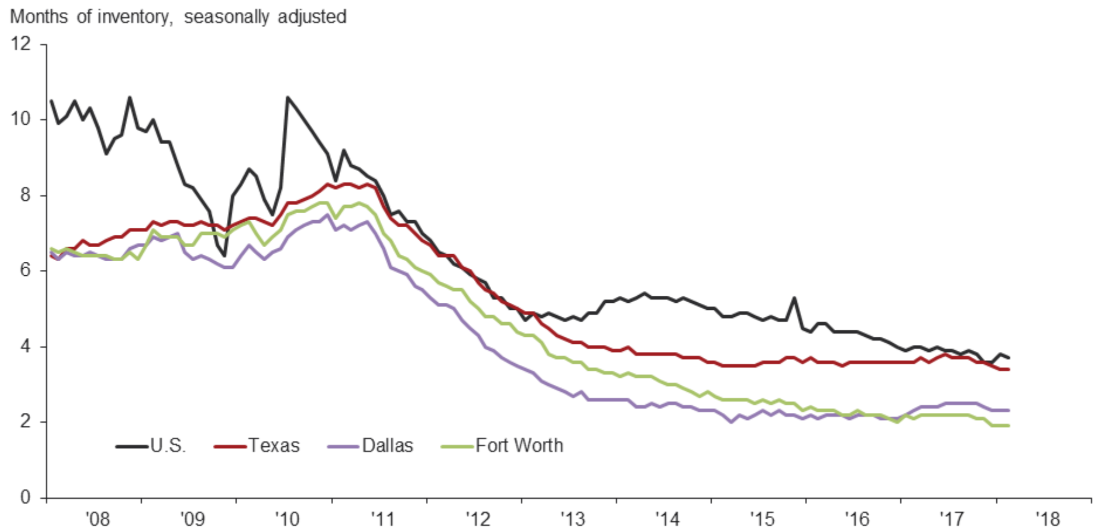


SOURCE: National Association of Home Builders/Wells Fargo.

Existing-Home Inventories Still Very Tight

DFW existing-home inventories remain tight at around two months, well below the six months' supply typically associated with a balanced market. In February, inventories were at 2.3 months in Dallas and 1.9 months in Fort Worth (*Chart 6*). Inventories in both Dallas and Fort Worth are the lowest among Texas' major metros and have been under three months since late 2014.

Chart 6
Existing-Home Inventories



SOURCES: Real Estate Center at Texas A&M University; Multiple Listing Service; seasonal adjustments by the Dallas Fed.

NOTE: Data may not match previously published numbers due to revisions.

About Dallas–Fort Worth Economic Indicators

Questions can be addressed to Laila Assanie at laila.assanie@dal.frb.org. *Dallas–Fort Worth Economic Indicators* is published every month on the Tuesday after state and metro employment data are released.

Texas Economic Indicators

Federal Reserve Bank of Dallas

March 26, 2018

Texas economic growth remained robust in February. The state posted strong job gains, and unemployment remained low. The Texas Leading Index ticked down following several months of strong growth. Home inventories remained low, and home sales rose in the month, while indicators of residential construction were mixed.

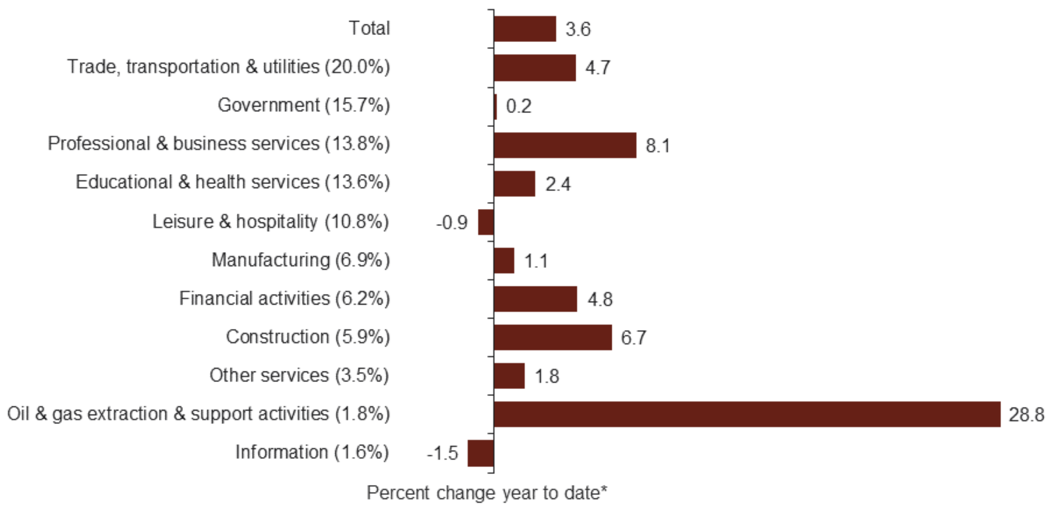
Labor Market

Employment Growth Solid

Texas employment expanded an annualized 3.2 percent in February after posting an upwardly revised 4.0 percent growth rate in January. The Dallas Fed's Texas Employment Forecast suggests 3.4 percent job growth in 2018 (December/December).

Employment in almost all sectors has expanded through February *(Chart 1)*. Payrolls in the energy sector skyrocketed 42.3 percent in February following 16.6 percent growth in January. The industry has grown an annualized 28.8 percent so far this year, up from 12.7 percent expansion in 2017. The leisure and hospitality, government and information sectors all shed employment by more than 3 percent in February after expanding in January.

Chart 1
Employment Growth



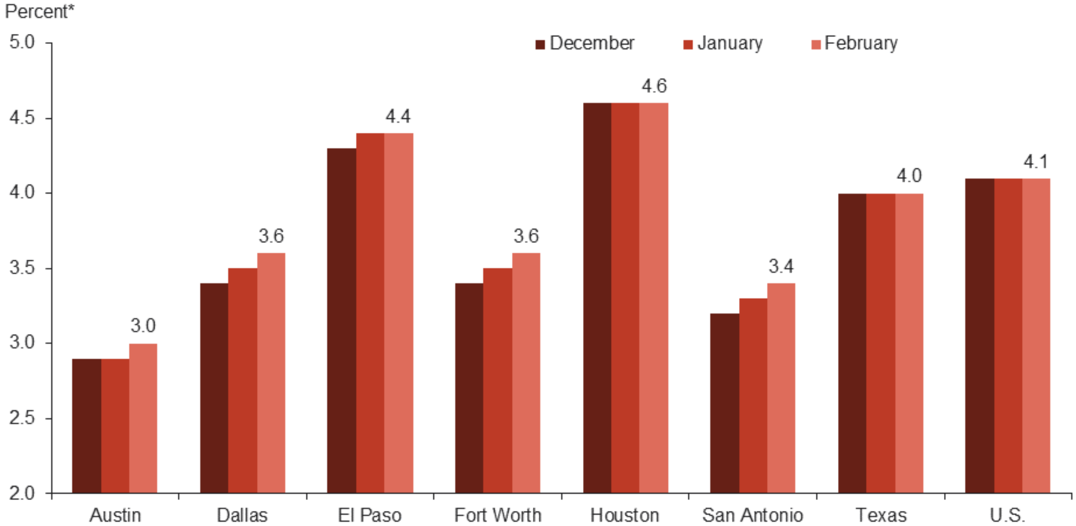
*Seasonally adjusted, annualized rate.
NOTES: Year-to-date growth is December 2017–February 2018. Numbers in parentheses represent share of total employment in February 2018.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Payrolls expanded in all major metros in both January and February. Jobs in Austin soared 7.2 percent in February, the strongest increase among the major metros. San Antonio posted 1.6 percent job growth in the month, the slowest among the major metros.

Unemployment Remains Low

The Texas unemployment rate held steady at 4.0 percent for the third consecutive month in February, near a four-decade low (*Chart 2*). Unemployment ticked up in Austin, Dallas, Fort Worth and San Antonio last month but was stable in El Paso and Houston.

Chart 2
Unemployment

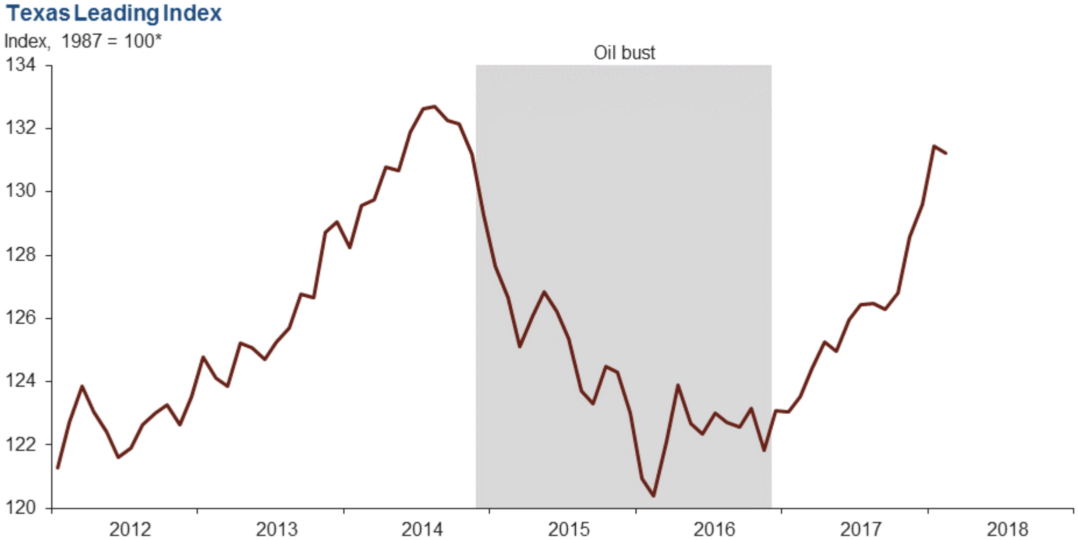


*Seasonally adjusted.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Texas Leading Index

The Texas Leading Index, a composite of eight indicators that tend to change direction before the overall economy does, sheds light on the future of the state's economy. In February, the estimated value of the index dipped 0.2 percent following four months of expansion, but its three-month growth was 2.1 percent (*Chart 3*). The Texas Leading Index is 1.1 percent below its oil-boom peak in August 2014.

Chart 3
Texas Leading Index

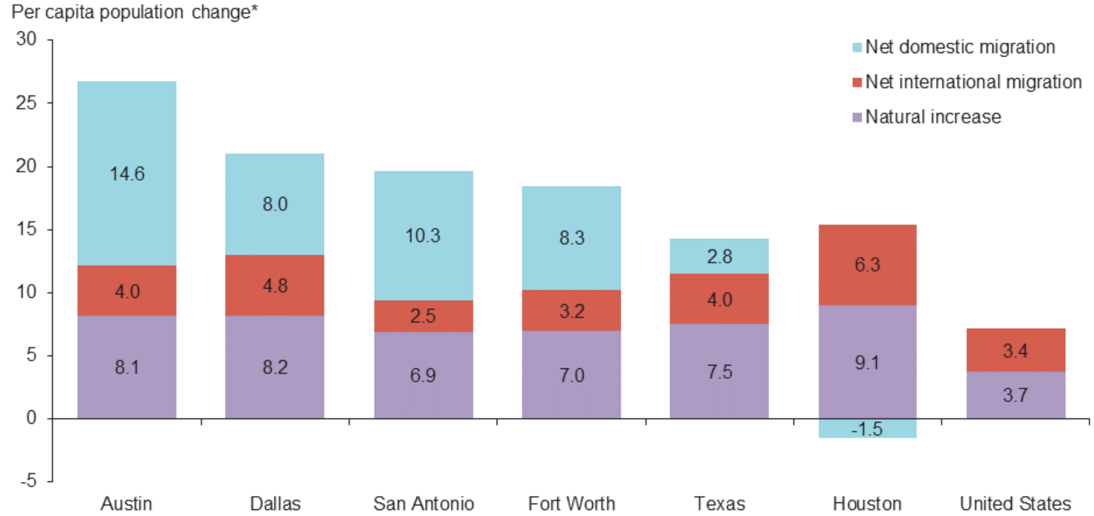


*Seasonally adjusted.
NOTES: Oil-bust shading represents Texas energy-sector employment peak to trough, December 2014 to November 2016.
SOURCE: Dallas Fed.

Population Change

For every 1,000 Texas residents in 2016, there were an additional 14.3 residents in 2017 (*Chart 4*). Natural increase, measured as births minus deaths, accounted for 7.5 of these new residents, net international migration accounted for 4.0 residents, and net domestic migration accounted for 2.8 residents.

Chart 4
Population



*July 1, 2016, to July 1, 2017, per 1,000 residents in previous year.
SOURCE: Census Bureau, 2016 and 2017 American Community Survey 1-Year Estimates.

Austin's population growth of 26.8 new residents per 1,000 existing residents was the highest per capita population increase among the major Texas metros in 2017. The increase was driven by strong net domestic migration. Houston had the highest per capita natural increase and net international migration among the major metros, though it lost domestic migrants on net during the year. All the major Texas metros had higher rates of natural increase than the U.S., and all but San Antonio and Fort Worth had higher rates of net international migration.

Housing Market

Home Inventories Hold Steady at Record-Low Levels

Texas and U.S. home inventories are both at historic lows, well below the six months of inventory considered balanced (*Chart 5*). Texas home inventories reached a new low of 3.4 months' supply in January and held steady in February. U.S. home inventories reached a low point of 3.6 months in November and ticked up to 3.7 months in February. Among major Texas metros, Fort Worth had the lowest supply at 1.9 months, while Houston had the highest at 3.6 months.

Chart 5
Housing Inventory

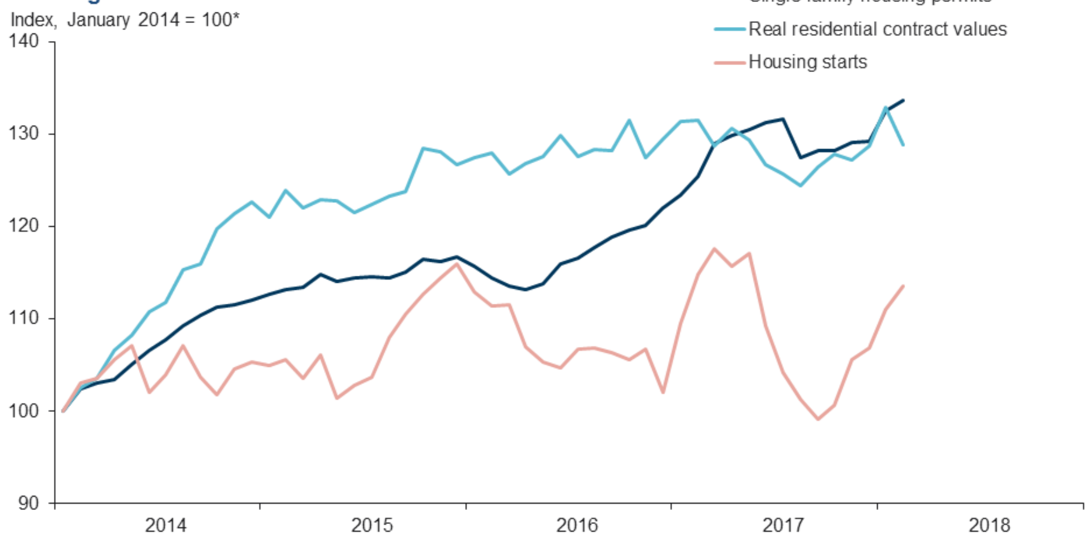
*Seasonally adjusted.
SOURCES: Real Estate Center at Texas A&M University; Multiple Listing Service.

Texas' existing-home sales rose 2.7 percent in February and have grown 2.1 percent year to date compared with the same period in 2017. The median existing-home sales price in Texas inched up 0.3 percent and was 2.9 percent above year-ago levels in February.

Residential Construction Activity Mixed

Indicators of Texas housing construction activity varied in February (*Chart 6*). The five-month moving average of single-family housing permits edged up 0.9 percent in the month, and total permits issued so far in 2018 are 5.2 percent higher than the same period in 2017. The five-month moving average of housing starts expanded 2.2 percent in the month; however, year to date, there have been 11.9 percent fewer housing starts than the same period in 2017. The five-month moving average of residential construction contract values dropped 3.1 percent in the month; year to date, the total value is 1.3 percent lower than the same period last year.

Chart 6
Housing Construction



*Seasonally adjusted, five-month moving average.
SOURCES: Bank of Tokyo–Mitsubishi UFJ; F.W. Dodge; Census Bureau.

NOTE: Data may not match previously published numbers due to revisions.

About Texas Economic Indicators

Questions can be addressed to Stephanie Gullo at stephanie.gullo@dal.frb.org. *Texas Economic Indicators* is published every month on the Monday after Texas employment data are released.

U.S. Economic Outlook Improves in First Quarter

March 23, 2018

The U.S. economic outlook has slightly improved since January, owing to strong gross domestic product (GDP) and employment growth. Forecast GDP growth has ticked higher as recent changes to federal tax law have provided fiscal stimulus. Inflation expectations have remained firmly anchored, with inflation gradually rising in recent months.

Real GDP Continues Expansion at Year-End 2017

The second release of real (inflation-adjusted) GDP growth in fourth quarter 2017 stood at 2.5 percent, down from the initial release of 2.6 percent. Improving personal consumption expenditures (PCE) and residential/nonresidential investment contributed the most to overall GDP growth, while private inventories and net exports were restraining influences (*Chart 1*).

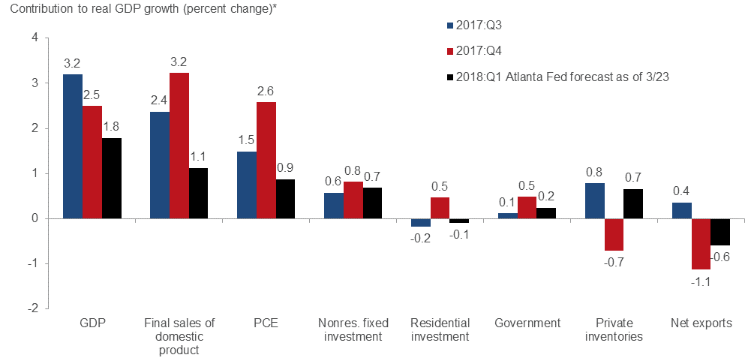
Of concern for first-quarter growth are relatively weak releases of real PCE and real retail sales. Real PCE declined 1.7 percent on an annualized basis during January, a sharp contrast from a 3 percent gain in December, while real retail sales growth slumped to 0.1 percent in February, below consensus estimates. This weakness explains why the Atlanta Fed's GDP Nowcast for first-quarter growth is low. However, both PCE and retail sales are likely to improve in February and March as some consumers begin receiving tax refunds.

Survey-based indicators for investment and consumption remain buoyant. The Institute for Supply Management (ISM) manufacturing composite index rose from 59.1 in January to 60.8 in February, while the nonmanufacturing composite index declined from 59.9 to 59.5. A reading above 50 indicates expansion. Chart 2 shows ISM nonmanufacturing values since 2014, with the last two months (highlighted in red) at relatively high levels. The three-month moving average is also rising.

The Conference Board's Consumer Confidence Index continues increasing, reaching 130.8 in February from 124.3 in January. February's value is the highest since November 2000. The University of Michigan's Consumer Sentiment Index also increased, from 99.7 in February to 102.0 in March, both relatively high readings. Overall, these indicators point to optimism about future growth.

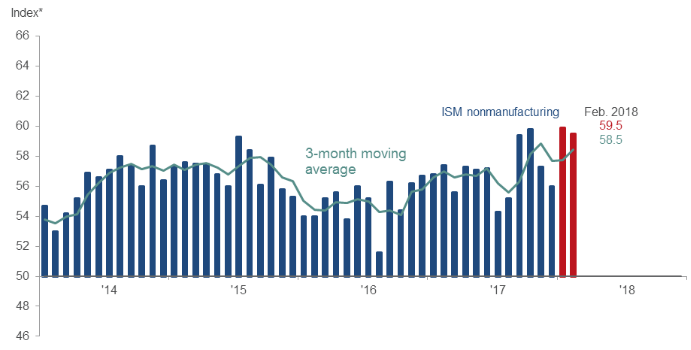
Looking forward, real GDP growth is expected to increase each quarter this year, with forecasts moving higher. Chart 3 shows recent GDP growth on a yearly basis and comparisons to recent Survey of Professional Forecasters (SPF) releases. The SPF's latest release in February of 2.8 and 2.5 percent year-over-year growth in 2018 and 2019, respectively, reflects an upward revision from November's 2.5 and 2.1 percent.

Chart 1
Consumption and Investment Contribute to GDP Growth



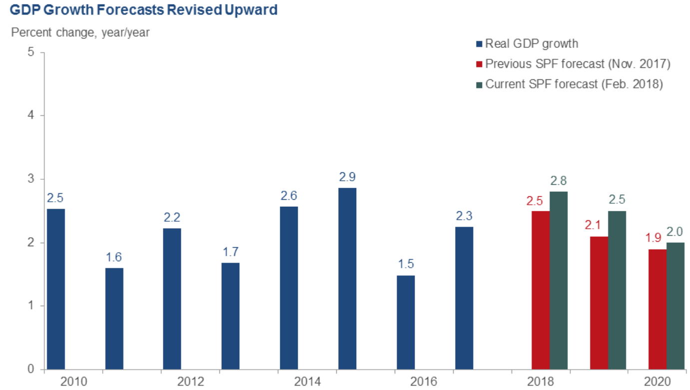
*Quarter/quarter, seasonally adjusted annual rate.
NOTE: PCE refers to personal consumption expenditures.
SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Atlanta.

Chart 2
ISM Nonmanufacturing Index Remains in Expansionary Territory



*Values above 50 indicate expansion.
SOURCE: Institute for Supply Management (ISM).

Chart 3
GDP Growth Forecasts Revised Upward



NOTE: SPF is the Survey of Professional Forecasters.
SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Philadelphia.

On a quarterly basis, the SPF's latest report in February predicts real GDP growth will reach 3.0 percent in first quarter 2018 and 2.9 percent in second quarter 2018.

Solid Employment Growth

Payrolls increased by 313,000 in February, the latest employment report shows (*Chart 4*). The result exceeds consensus estimates, with the headline unemployment (the U-3 rate) remaining at 4.1 percent.

The broader U-6 rate, which includes discouraged workers, other marginally attached workers and those working part time for economic reasons, remained at 8.2 percent. The labor force participation rate ticked upward, from 62.7 percent to 63 percent, but demographic developments imply a gradual softening in coming years. The latest SPF release forecasts unemployment to decline further to 3.8 percent in 2019—levels last seen in early 2000.

Despite the strong employment report, wage growth is still only softly trending upward. Both the Atlanta Fed's wage growth tracker and the noisier average-hourly-earnings measure have moved slightly higher but remain below pre-Great Recession rates. On a year-over-year basis, the wage growth tracker increased from 2.9 percent in December to 3.0 percent in January, while average hourly earnings declined slightly, from 2.8 percent in January to 2.6 percent in February. In contrast, the wage growth tracker grew 4.3 percent in March 2007, prior to the Great Recession, while average hourly earnings increased 3.4 percent.

Inflation Bottoming Out

Although most inflation measures remain below the Federal Reserve's 2 percent target, recent releases have suggested that inflation has bottomed out and will trend toward the target rate. Core Consumer Price Index (CPI) inflation, which excludes food and energy, was little changed at 1.9 percent on a year-over-year basis in February (*Chart 5*).

Core PCE inflation was unchanged at 1.5 percent in January on a year-over-year basis. Meanwhile, the Federal Reserve Bank of Dallas' Trimmed Mean PCE year-over-year inflation measure was also unchanged, at 1.7 percent. Overall, Chart 5 shows that inflation will likely increase.

Inflation expectations remain largely unchanged since January's Federal Open Market Committee meeting. The SPF forecasts core PCE inflation to reach the Fed's 2 percent target by 2019, while the implied five-year/five-year-forward (expected average inflation over the five-year period that begins five years from now) CPI inflation rate stands at 2.3 percent, up from the previous forecast of 2.2 percent in November. The five-year/five-year-forward Treasury inflation-protected securities (TIPS) breakeven inflation rate, a market-based measure of expected inflation, stood at 2 percent as of March 19, little changed from January.

—Daniel Chapman

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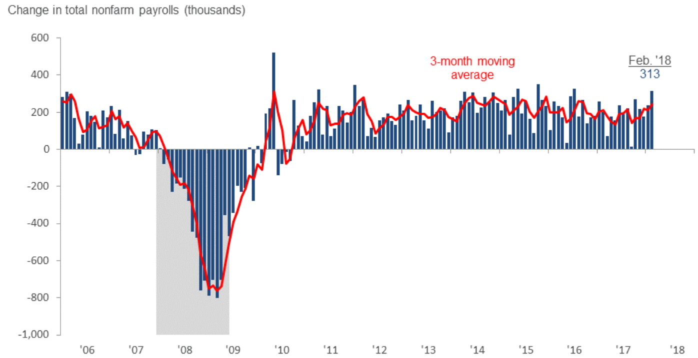
About the Author

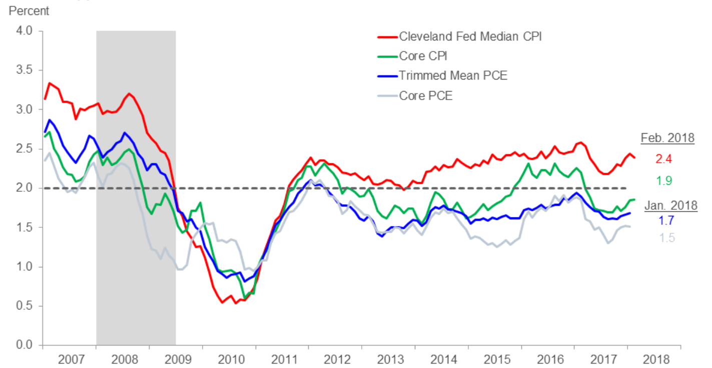
Chapman is a research assistant in the Research Department at the Federal Reserve Bank of Dallas.

Chart 4
Payroll Growth Shows Employment Strength



NOTE: Shaded area indicates recession.
SOURCE: Bureau of Labor Statistics.

Chart 5
Inflation Appears to Have Bottomed Out



NOTE: Shaded area indicates National Bureau of Economic Research-designated recession.
SOURCES: Bureau of Labor Statistics; Bureau of Economic Analysis; Federal Reserve Banks of Cleveland, Dallas and New York; National Bureau of Economic

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
www.colleyville.com

Agenda Number 4a **Agenda Date** 06/05/2018 **Number** 4a
Type Presentation and Discussion
Department City Manager

Title
Discussion of of the City of Colleyville first Popular Annual Financial Report (PAFR) for Fiscal Year 2017

Strategic Plan
F1- Protect and preserve the City's top financial ratings

Explanation
John Manning, Partner with Pattillo, Brown & Hill, L.L.P., will meet with the Audit Committee to discuss the draft of the Fiscal Year September 30, 2017 audit and SAS 114 Letter.

Attachments

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
www.colleyville.com

Agenda Number 4b **Agenda Date** 06/05/2018 **Number** 4b
Type Presentation and Discussion
Department City Manager

Title
Discussion of of the City of Colleyville Popular Annual Financial Report (PAFR) for Fiscal Year 2017

Strategic Plan
1.1 Actively involve and engage stakeholders
1.4 Communicate thoroughly and strategically
2.4 Demonstrate stewardship of public resources
6.2 Establish a culture of mutual trust and respect

Explanation
The Government Finance Officers Association (GFOA) established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991 to encourage and assist state and local governments to extract information from their Comprehensive Annual Financial Report (CAFR) to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal.

Fiscal year 2017 is the first year the City of Colleyville has participated in the program. More than 30 Texas organizations receive that award including the Texas Municipal retirement System (TMRS), City of Arlington, City of Frisco, City of Southlake, City of Burleson, City of Waco and City of Plano.

Attachments
1. FY17 PAFR

City of Colleyville

Popular Annual Financial Report

For the fiscal year ended September 30, 2017

Dear Citizens of Colleyville,

The City Council and Staff are pleased to present the City's first Popular Annual Financial Report (PAFR) for the year ended September 30, 2017. The PAFR represents another indication of the City's commitment to financial transparency and accountability. This report is intended to convey a selection of the primary government's information contained in the City's Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) in a simplified, more comprehensible format. The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was independently audited by Pattillo, Brown & Hill, LLP. The audit received an unmodified opinion, the most favorable audit opinion an entity can receive. For a complete set of City financials, please refer to the CAFR, which is available on the City of Colleyville's website at https://www.colleyville.com/finance.html.

Colleyville City Hall

We hope you find the information herein useful. The City is committed to maintaining a strong financial position and acting as good stewards of public funds as evidenced by the City's AAA credit ratings, numerous public infrastructure improvements, and providing services that improve the quality of life of our residents.

If you have questions about this report or need any additional information, contact the Finance department at 100 Main Street, Colleyville, Texas 76034 or call 817-503-1014.

Thank you for this opportunity to serve the City of Colleyville.

Sincerely;

Jerry Ducay
City Manager

Shereen Gendy
Chief Financial Officer

Karen Hines
Accounting Manager

TABLE OF CONTENTS

Mayor and Council

Richard Newton, Mayor

Bobby Lindamood, Mayor Pro Tem

Tammy Nakamura, Place 1

Kathy Wheat, Place 3

George W. Dodson, Place 4

Nancy Coplen, Place 5

Mike Tavlor. Place 6

The City of Colleyville has a Council-Manager form of government with policy making and legislative authority vested in a governing body consisting of a Mayor and six Council members. The Mayor and Council are responsible for passing ordinances, adopting the budget, appointing board and committee members, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Mayor and Council, overseeing the day-to-day operations of the City, and appointing department directors upon confirmation by the City Council. The Mayor and six Council members are elected on an at large, non-partisan basis for three year terms. The three year terms are staggered so that the Mayor and City Council persons from Place 1 and 2 are elected in year one, City Council persons from Places 3 and 4 are elected in year two, and City Council persons from Places 5 and 6 are elected in year three. Per the City Charter, no one person can serve as a council member or mayor for more than two consecutive three year terms.

Our City

Downtown Colleyville

The City of Colleyville is a residential-oriented community located 11 miles northeast of the City of Fort Worth, 22 miles northwest of Dallas and 5 miles west of Dallas/Fort Worth International Airport in Northeast Tarrant County. Colleyville's city limits are contiguous with those of Grapevine and Euless on the east, Bedford and Hurst on the south, Keller and North Richland Hills on the west and Southlake on the north.

Situated in the heart of the Dallas/Fort Worth area, within minutes of DFW International Airport, Colleyville offers the best of both worlds—big city amenities and sophistication, coupled with the laid-back, friendly atmosphere of a small town. It's a combination that has made Colleyville a premier destination in which to live, work or play. This small community's big attributes have not gone unnoticed; Money magazine named Colleyville to its list of "100 Best Towns in America." The choice is easy to understand. Colleyville Center, the heart of the city's cultural community, boasts an array of artistic programs, while the city's extensive trail system is a beacon for those that like to hike or bike. And Colleyville's impressive amateur sports parks match any found outside a major league field. In addition, the city's shopping options are some of the best in the area. From upscale boutiques or luxurious spas to an epicurean oasis or a familiar farmers market, Colleyville has something for everyone. Proximity to Dallas and Fort Worth, providing easy access to world-class museums, bustling business centers and professional sports of every kind, completes the list of the city's attributes.

Our Strategic Plan

In January 2017, the City Council held a Visioning Workshop and created a new Strategic Plan, with support from an outside facilitator and senior staff. The Strategic Plan included an updated Vision, Mission, and Values. The Strategic Plan also articulated six overall goals and several strategies to achieve each, as shown below. For each strategy identified, one or more objectives were assigned. This included incorporating the original consensus priorities into the new Strategic Plan objectives.

Our Goals	Our Strategy
Operate Transparently	1.1 Actively involve and engage stakeholders
	1.2 Develop future community leaders
	1.3 Assure convenient access to public information
	1.4 Communicate thoroughly and strategically
Deliver High Quality Core Services	2.1 Provide responsive, efficient city services
	2.2 Recruit and retain a highly-qualified workforce
	2.3 Effectively leverage information technology
	2.4 Demonstrate stewardship of public resources
Assure Adequate Infrastructure	3.1 Upgrade the condition of major roads and neighborhood streets
	3.2 Ensure regular repair and replacement of water and wastewater facilities
	3.3 Mitigate stormwater runoff and flooding risks
	3.4 Thoroughly plan for future capital investments and associated costs
Enable Responsible Development	4.1 Protect Colleyville's semi-rural residential character
	4.2 Encourage compatible commercial growth
	4.3 Adopt best-practice planning and development processes
Safeguard Colleyville's Identity	5.1 Create and sustain an identifiable Colleyville brand
	5.2 Support a variety of community events, concerts and celebrations
	5.3 Provide attractive facilities for leisure and recreation
	5.4 Actively seek public / private partnerships
Govern Effectively	6.1 Articulate a compelling vision and direction for the community
	6.2 Establish a culture of mutual trust and respect
	6.3 Ensure clarity of City Council and staff roles and responsibilities
	6.4 Foster our shared values

City Wide Finances

The purpose of this report is to convey a selection of the primary government's information contained in the City's Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) in a simplified, more comprehensible format. The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was independently audited by Pattillo, Brown & Hill, LLP. The audit received an unmodified opinion, the most favorable audit opinion an entity can receive. For a complete set of City financials, please refer to the CAFR, which is available on the City of Colleyville's website at https://www.colleyville.com/finance.html.

The **citywide financial statements** are designed to provide readers with a broad overview of the finances of the City in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

Key Terminology

Net position represents the City's assets less liabilities.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position is the remaining net position of the City after subtracting net investment in capital assets and restricted net position.

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represents an acquisition of fund that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Governmental activities are activities that are generally financed through taxes and other non-exchange revenues. It includes the general fund, debt service, capital projects and special revenues like grants and donations.

Business type activities are activities financed in whole or in part by fees charged to external customers for goods or services like water, wastewater and drainage and the related capital projects.

Main Street

City-Wide Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 44,138,502	$ 44,128,921	$ 20,613,149	$ 18,131,916	$ 64,751,651	$ 62,260,837
Capital assets	112,067,401	111,178,574	44,698,792	45,067,040	156,766,193	156,245,614
Total assets	156,205,903	155,307,495	65,311,941	63,198,956	221,517,844	218,506,451
Deferred outflow of resources	3,354,608	4,730,558	496,362	723,084	3,850,970	5,453,642
Total deferred outflow of resources	3,354,608	4,730,558	496,362	723,084	3,850,970	5,453,642
Other liabilities	3,565,444	3,997,794	1,960,547	1,862,421	5,525,991	5,860,215
Long-term liabilities	13,393,803	15,158,243	534,348	780,000	13,928,151	15,938,243
Total liabilities	16,959,247	19,156,037	2,494,895	2,642,421	19,454,142	21,798,458
Deferred inflow of resources	28,414	38,650	3,783	5,171	32,197	43,821
Total deferred inflow of resources	28,414	38,650	3,783	5,171	32,197	43,821
Net position:						
Net investment in capital assets	99,881,334	97,982,160	44,123,735	44,010,618	144,005,069	141,992,778
Restricted	23,269,209	22,064,007	-	-	23,269,209	22,064,007
Unrestricted	19,422,307	20,797,199	19,185,890	17,263,830	38,608,197	38,061,029
Total net position	$ 142,572,850	$ 140,843,366	$ 63,309,625	$ 61,274,448	$ 205,882,475	$ 202,117,814

This year's net position increased by $3,764,661. That represents the revenues collected over expenses in fiscal year 2017.

City-Wide Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 4,296,470	$ 4,459,223	$ 16,941,965	$ 16,453,801	$ 21,238,435	$ 20,913,024
Operating grants and contributions	507,616	514,845	-	-	507,616	514,845
Capital grants and contributions	1,302,174	319,541	481,413	43,104	1,783,587	362,645
General revenues:						
Ad valorem taxes	14,548,461	13,790,347	-	-	14,548,461	13,790,347
Sales taxes	7,304,507	7,252,963	-	-	7,304,507	7,252,963
Franchise taxes	2,105,881	2,206,890	-	-	2,105,881	2,206,890
Other taxes	263,587	106,607	-	-	263,587	106,607
Investment earnings	148,933	142,343	100,525	76,014	249,458	218,357
Miscellaneous	168,865	150,630	-	-	168,865	150,630
Gain on sale of capital assets	17,000	51,849	-	71,003	17,000	122,852
Total revenues	30,663,494	28,995,238	17,523,903	16,643,922	48,187,397	45,639,160
Expenses:						
General government	4,881,741	4,449,317	-	-	4,881,741	4,449,317
Community development and engineering	1,672,823	1,558,750	-	-	1,672,823	1,558,750
Fire and rescue	5,524,975	4,783,421	-	-	5,524,975	4,783,421
Leisure services	4,987,965	4,701,443	-	-	4,987,965	4,701,443
Maintenance	1,243,614	689,861	-	-	1,243,614	689,861
Municipal court	606,269	448,420	-	-	606,269	448,420
Police	6,093,309	5,734,116	-	-	6,093,309	5,734,116
Streets and drainage	3,578,365	5,150,390	-	-	3,578,365	5,150,390
Water and wastewater	-	-	14,779,262	13,995,038	14,779,262	13,995,038
Drainage	-	-	646,145	563,268	646,145	563,268
Interest on long-term debt	408,268	614,159	-	-	408,268	614,159
Total expenses	28,997,329	28,129,877	15,425,407	14,558,306	44,422,736	42,688,183
Increases in net position before transfers	1,666,165	865,361	2,098,496	2,085,616	3,764,661	2,950,977
Transfers	63,319	895,668	(63,319)	(895,668)	-	-
Change in net position	1,729,484	1,761,029	2,035,177	1,189,948	3,764,661	2,950,977
Net position, beginning	140,843,366	139,082,337	61,274,448	60,084,500	202,117,814	199,166,837
Prior period adjustments	-	-	-	-	-	-
Net position, ending	$ 142,572,850	$ 140,843,366	$ 63,309,625	$ 61,274,448	$ 205,882,475	$ 202,117,814

2017 Revenues:

In fiscal year 2017, the general fund revenues was more than $900,000 above budget. The city wide revenues increased by $2,548,237 from last year. Colleyville benefits from a strong residential base which helps mitigate the negative effects of economic fluctuations. Property values have experienced a 9.14% growth over the prior year's certified values. In 2017, the City's first hotel opened for business and the City collected about $150,000 in hotel occupancy taxes. There was also an increase in capital contributions of about $1 million primarily due to an increase in the street developer's contributions over the last year due to new construction.

Revenue Category	2017 Activity
Charges for services	$21,238,435
Grants and contributions	2,291,203
Ad valorem taxes	14,548,461
Sales taxes	7,304,507
Franchise taxes	2,105,881
Other taxes*	263,587
Investment earnings*	249,458
Miscellaneous*	168,865
Gain on sale of capital assets*	17,000
TOTAL REVENUES	**$48,187,397**

*Shown on the pie chart as "Other general revenues"

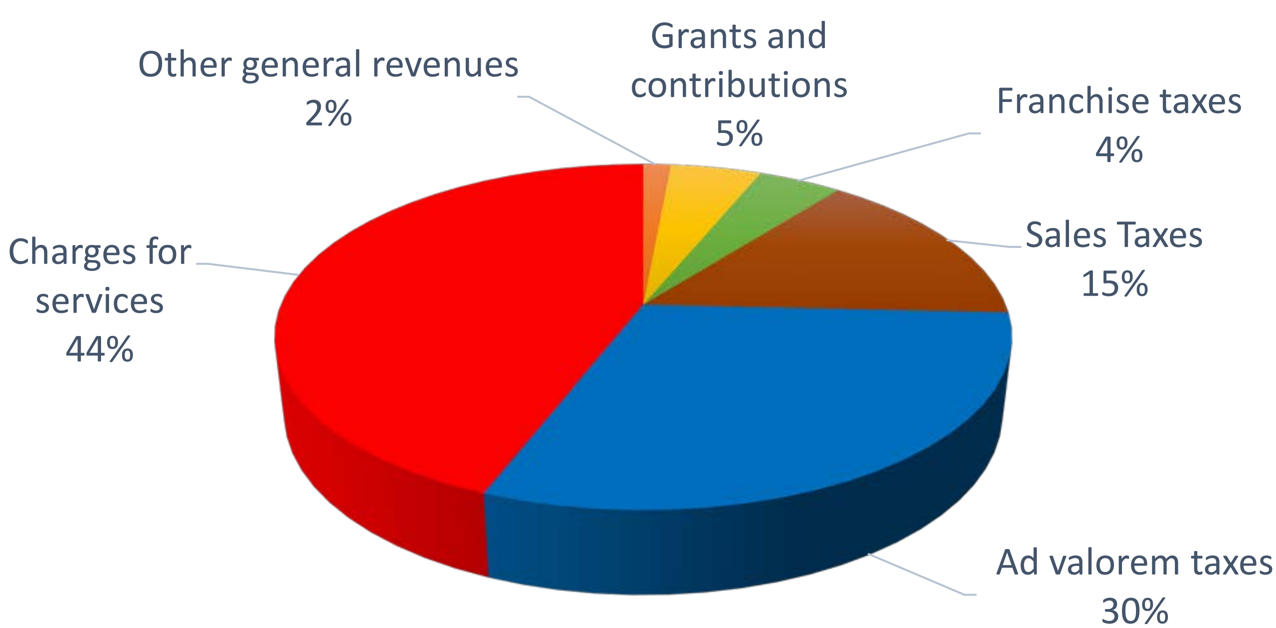
Key Terminology

Program Revenue: Revenue derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole. Program revenues reduce the net cost of the function to be financed from the City's general revenues.

General Revenue: All revenue that is not required to be reported as program revenue. All taxes, even those that are levied for specific purpose, are general revenues and should be reported by type of tax.

Ad valorem taxes: Property taxes Taxes collected from property owners based upon an assessed valuation and tax rate.

Franchise Taxes: Taxes imposed on corporations or business for using public property for private purposes.



2017 Expenses:

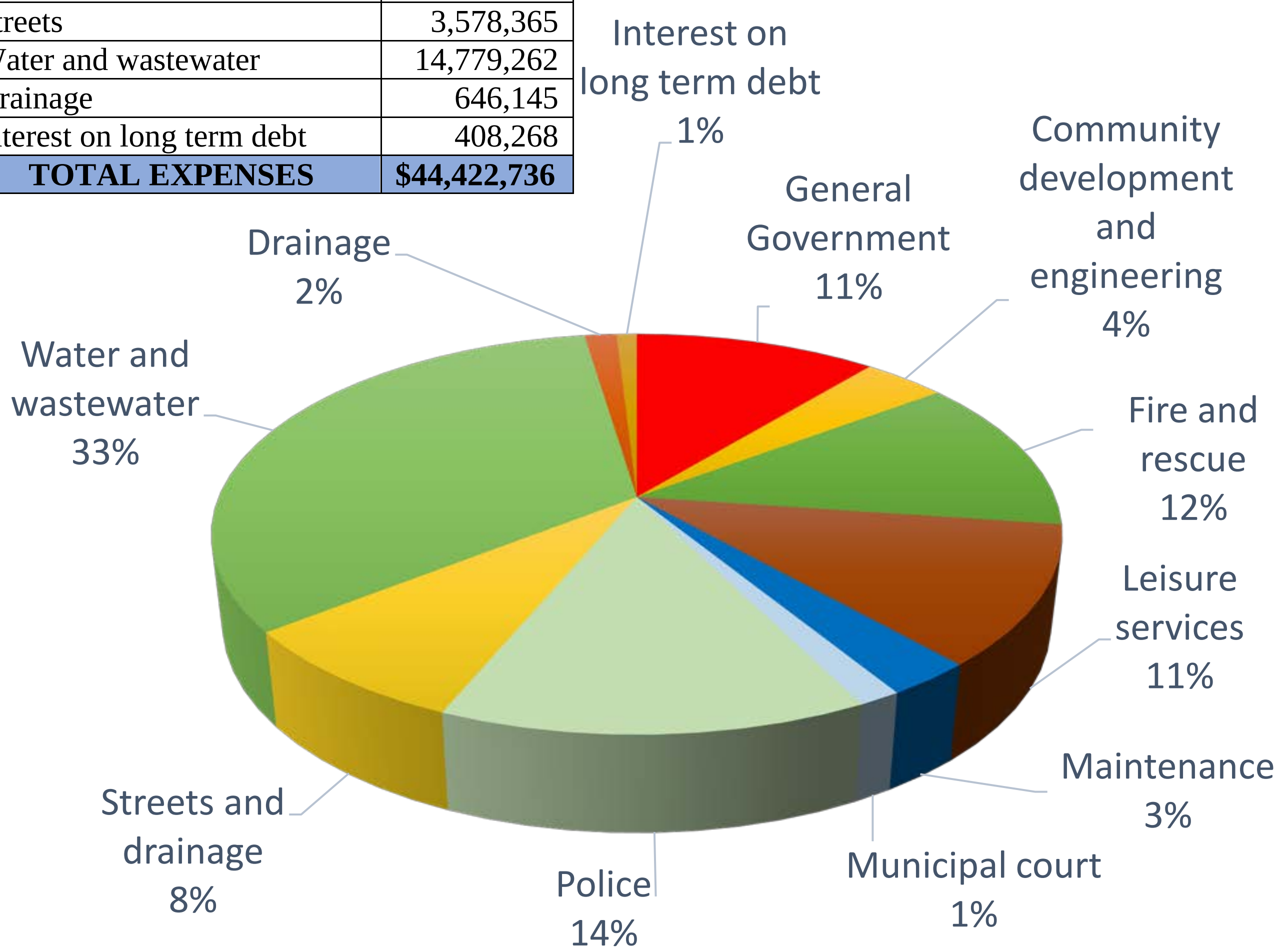
In fiscal year 2017, the general fund revenues exceeded the expenditures resulting in a $1,033,100 increase in the general fund's fund balance and eliminated the need to use the budgeted strategic draw down of the general fund's fund balance of $1,000,000. Due to the city's continuous efforts to cut down on expenditures and conduct business in the most efficient way, the city wide revenues exceeded its expenditures by $3,764,661.

Expense Category	2017 Activity
General Government	$4,881,741
Community development and engineering	1,672,823
Fire and rescue	5,524,975
Leisure services	4,987,965
Maintenance	1,243,614
Municipal court	606,269
Police	6,093,309
Streets	3,578,365
Water and wastewater	14,779,262
Drainage	646,145
Interest on long term debt	408,268
TOTAL EXPENSES	**$44,422,736**

Key Terminology

Fund balance: represents the fund's assets less liabilities.

Colleyville Justice Center



Statistical Information

Fiscal year 2017 principal employers:

Employer	Number of employees
Grapevine Colleyville ISD	611
Market Street	345
Lifetime fitness	250
City of Colleyville	206
Covenant Christian Academy	130
Whole Foods Market	125
Albertsons	118
La Hacienda Ranch	100
Walmart Neighborhood Market	72
US Memory Care	60

Fiscal year 2017 principal property tax payers:

Tax Payer	Percent of taxable assessed value
Colleyville Downs (KRG Colleyville LLC)	0.75%
Town Center (Velocis Colleyville)	0.75%
Toll Dallas TX LLC	0.45%
Oncor Electric Delivery	0.36%
Lifetime Fitness Real Estate	0.30%
Standard Pacific of Texas Inc	0.27%
Memory Care Facility (Welltower Inc)	0.24%
Colleyville Lofts Venture LLC	0.21%
Mainvue TX LLC	0.17%
Atmos Energy/Mid Tex	0.16%
Walmart Real Estate Trust	0.16%

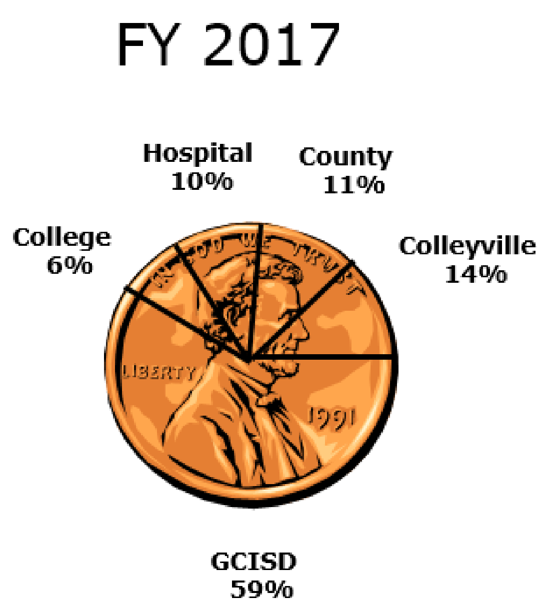
Income and population growth:

Year	Population	Personal Income
2008	22,500	$173,853
2013	23,090	$199,168
2017	24,630	$207,438

Average residential property value: $492,188

Overlapping property tax rate:

Taxing entity	Rate
City of Colleyville	**$0.33913**
Grapevine Colleyville ISD	**1.3967**
Tarrant County	**0.2540**
Tarrant County College	**0.14473**
Tarrant County Hospital	**0.227897**
TOTAL	**$2.36**



Shop, Dine, Play, and Stay

Huge milestone for Colleyville!

On December 2, 2016, Colleyville's first hotel, the Hampton Inn & Suites, located at 5300 State Highway 121, opened its doors for business. The hotel features 91 rooms, meeting space for up to 80 guests, a 10-guests boardroom, indoor pool, and fitness center. A modern design is carried throughout the hotel from the open-space lobby area, where complementary hot breakfast is served daily, and into the details of every room.

Before this hotel, people visiting Colleyville would stay in neighboring cities, but now they can shop, dine, play, and stay in Colleyville!

Give to the Community…Shop Colleyville!

Shopping locally gives back to the community! Every time you shop or dine in Colleyville, not only are you supporting local business, you are investing in your community. The sales tax generated by shopping local helps finance important community projects and programs that support a high quality of life for the community and the people who live here. Check out our business directory at http://colleyvilleclosebuy.com/business-directory.htm

Two pennies for every dollar spent on sales taxable goods purchased in Colleyville go towards funding community needs, including public safety, road repairs, park improvements and community events.

General Fund

Receives One Penny - Helps fund general operations of the city.

Colleyville Economic Development Corporation Fund (CEDC)

Receives Half-a-Penny - Promotes economic development programs and initiatives in the city and pay for park maintenance, Library programs, and special events.

Colleyville Crime Control & Prevention District Fund (CCPD)

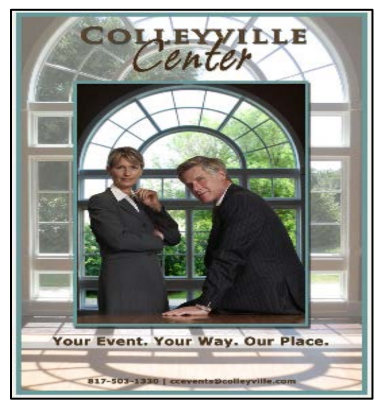
Receives a Half-a-Penny - Assists in funding programs that help with policing and safety efforts in the community.

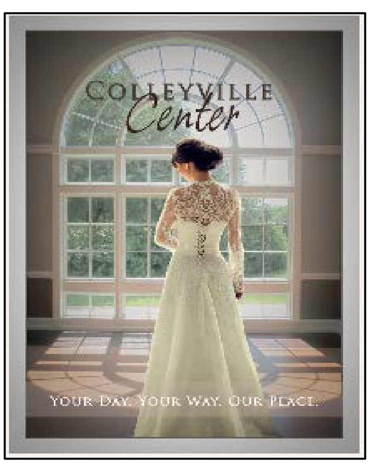
Your Day. Your Way. Our Place.

The City of Colleyville is proud to present an exceptional venue with the Colleyville Center. The Center opened January 10, 1998. A unique facility where you can create memories with the wedding or social event of your dreams or host an impressive business meeting. Choose your own vendors from caterers to coordinators and design an experience to fit your personality and budget. From the eight-acres of landscaped grounds with a garden plaza and ponds to the light-filled gallery which extends to a Grand Hall with four signature Palladian windows - it is all about the feel of the space.

With flexible meeting space and a full slate of amenities, Colleyville Center is the perfect site for business meetings, training seminars, luncheons and retreats.

- Flexible Meeting Space
- Free Parking
- Audio/Visual Equipment - Giant high definition rear screen projection system operable through your laptop
- Continental Breakfast, Lunch & Break Service Available
- Affordability and Efficiency





With beautifully arched windows and a landscaped plaza, Colleyville Center's grace and elegance make the perfect backdrop for your wedding or reception.

The landscaped grounds of the Center include a Garden Plaza "Balustrada" structure of cast stone which graces the front of the facility. The beds surrounding the Plaza bloom year-round with flowers and shrubs and the stately newel columns host climbing roses. Over 2,000 square feet of pavestone walkways can accommodate garden chairs for a ceremony. The nine-acres of grounds include two ponds with illuminated fountains and stunning plaza ground lighting for that special sparkle after dark!

Colleyville Community Events 2018

Red White Sousa 2017

Date	Event Name	Location	Time
Jan 26	**Winter Ball**	Colleyville Center	7:00 – 9:00 p.m.
Mar 16	**Movies in the Village**	The Village at Colleyville	8:00 – 10:00 p.m.
Mar 24	**Farmer's Market**	The Village at Colleyville	Saturdays
Mar 24	**Bunny Brunch**	Colleyville Center	10:00 a.m. – 12:00 p.m.
Apr 12	**Concerts in the Village**	The Village at Colleyville	7:00 p.m.
Apr 21	**Texas Junior Anglers**	Colleyville Nature Center	9:00 a.m. – 12:00 p.m.
Jun 15	**Movies in the Village**	The Village at Colleyville	8:45 – 11:45 p.m.
Jun 22	**Red, White & Sousa**	Colleyville Center	6:30 – 10:00 p.m.
Sep 7	**Senior Health Fair**	Senior Center	9:00 - 11:30 a.m.
Sep 13	**Concerts in the Village**	The Village at Colleyville	7:00 p.m.
Oct 2	**National Night Out**	City Park	6:00 – 9:00 p.m.
Oct 20	**Haunted Trail Fest**	Colleyville Nature Center	6:00 – 9:00 p.m.
Nov 30	**Christmas Tree Lighting Celebration**	City Hall / Library	5:00 – 8:00 p.m.
Dec 12	**Senior Holiday Party**	Senior Center	6:00 – 9:00 p.m.

Check out our visitor's guide at https://www.colleyville.com/colleyville-visitors-guide.html

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
www.colleyville.com

Agenda Number 4c **Agenda Date** 06/05/2018 **Number** 4c
Type Presentation and Discussion
Department City Manager

Title

Discussion of of the City of Colleyville first Popular Annual Financial Report (PAFR) for Fiscal Year 2017

Strategic Plan

F1- Protect and preserve the City’s top financial ratings

Explanation

John Manning, Partner with Pattillo, Brown & Hill, L.L.P., will meet with the Audit Committee to discuss the draft of the Fiscal Year September 30, 2017 audit and SAS 114 Letter.

Attachments