

***LLANO COUNTY  
INVESTMENT POLICY  
2025***



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## I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

### **General Statement**

This policy serves to satisfy the statutory requirements of Local Government Code §116.112 and Government Code Chapter §2256 to define and adopt a formal investment policy. See attachment A: Resolution to Adopt Investment Policy. This policy will be reviewed and adopted by resolution at least annually according to Government Code §2256.005(e). (See Attachment - the approved Resolution)

### **Funds Included**

This investment policy applies to all financial assets of all funds of the County of Llano, Texas, at the present time and any funds to be created in the future and any other funds held in custody by the County Treasurer, unless expressly prohibited by law or unless it is in contravention of any depository contract between Llano County and any depository bank.

### **County's Investment Officer**

In accordance with Sec. §116.112(a), Local Government Code and/or Government Code Sec. §2256.005 (f) and (g), the County Investment Officer, under the direction of the Llano County Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County. The commissioners' court shall designate by resolution one or more officers or employees as investment officer(s).

The Investment Officers shall attend training sessions meeting the requirements of Government Code Section §2256.008 (a) and (b). Whereas investment officers shall 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 consist 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. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

If the investment officer has a personal business relationship (as defined in the Public Funds Investment Act) with an entity—or is related within the second degree by affinity or consanguinity to an individual—seeking to sell an investment to the county, the investment officer must file a statement disclosing that personal business interest—or relationship—with the Texas Ethics Commission and the Commissioners' Court in accordance with Government Code §2256.005 (i). (See Attachment B)

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 county retains ultimate responsibility as fiduciaries of the assets of the County. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the county.

## **II. INVESTMENT OBJECTIVES**

### **General Statement**

Funds of the County will be invested in accordance with federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each fund as they are adopted by commissioners' court resolution in accordance with Sec. §2256.005(d).

### **Safety and Maintenance of Adequate Liquidity**

Llano County is concerned about the return of its principal; therefore, safety of principal is a primary objective in any investment transaction. The County's investment portfolio must be structured in conformance with an asset/liability management plan which provides for liquidity necessary to pay obligations as they become due.

### **Diversification**

It will be the policy of Llano County to diversify its portfolio to manage the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments of the County shall always be selected that provide for stability of income and reasonable liquidity.

### **Yield**

It will be the objective of the County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest return of interest. When the County has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by the county is six months.

### **Maturity**

According to Government Code §2256.005 (b) (4), the policy must include the maximum stated maturity of any individual investment. For pooled funds, the policy must state the maximum average dollar-weighted maturity allowed. Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest return of interest. When the County has funds not needed to meet current-year obligations, maturity restraints based upon the investment strategy for each fund shall be considered. The maximum allowable stated maturity of any individual investment owned by the County is as follows:

Maintenance and Operation Funds – maximum allowable stated maturity of any individual investment owned by this class of funds is 3 years.

### **Quality and Capability of Investment Management**

It is the County's policy to provide training required by Government Code §2256.008 and periodic training in investments for the County Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality, capability and currency of the County Investment Officer in making investment decisions.

### **Investment Strategies**

In accordance with the Public Funds Investment Act, Section §2256.005(d), a separate written investment strategy will be developed for each of the funds under Llano County's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities 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;
  - (6) yield; and
  - (7) maturity restrictions
- (See Attachment C)

### III. INVESTMENT TYPES

The Llano County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code §2256):

- A. Except as provided by Government Code §2256.009 (b), the following are authorized investments:
  - (1) obligations of the United States or its agencies and instrumentalities;
  - (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; and
  - (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.
  
- B. Certificates of deposit if issued by a state or national bank domiciled in this state or a savings and loan association domiciled 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) of the Public Funds Investment Act, 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) of the Public Funds Investment Act; or
  - (3) secured in any other manner and amount provided by law for deposits of the county.
  
- C. A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, if it:
  - (1) has a defined termination date;
  - (2) is secured by obligations described by Section §2256.009(a)(1) of the Public Funds Investment Act; and
  - (3) requires the securities being purchased by the county to be pledged to the county, held in the county's name, and deposited at the time the investment is made with the county or with a third party selected and approved by the county; 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.

(5) Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the county 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.

D. A bankers' acceptance if it:

- (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.

E. Investment pools created to function as money market mutual fund (as discussed in the Public Funds Investment Act, Sec. §2256.016) if the Commissioners' Court, by resolution, executes an interlocal agreement with each pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. A county by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

## **Prohibited**

The Llano County Investment Officer has no authority to use any of the following investment instruments that are strictly prohibited:

- (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.

## **IV. INVESTMENT RESPONSIBILITY AND CONTROL**

### **Investment Institutions Defined**

The Llano County Investment Officer shall invest County funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

- (1) Depository bank;
- (2) Other state or national banks domiciled in Texas that are insured by FDIC
- (3) Public funds investment pools;

### **Standards of Operation**

The County Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

### **Audit Control**

The Llano County Investment Officer will establish liaison with the Llano County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control. The Investment Officer is subject to an audit by the Llano County Auditor. In addition, the Llano County Commissioners' Court, at a minimum, will have an annual financial audit of all County funds by an independent auditing firm, as well as an annual compliance audit of management controls on investments and adherence to the county's established investment policies in accordance with Gov. Code §2256.005(m).

### **Standard of Care**

In accordance with Government Code §2256.006, 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: preservation and safety of principal; liquidity; and yield.



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 county'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 county.

### **Investment Evaluation Committee**

Although not required by the Investment Act, Llano County has established an Investment Committee composed of the County Treasurer/Investment Office as Chairman, a representative of Llano Commissioners' Court and the County Auditor. The members of the committee will be approved annually by the Commissioners' Court. The County Treasurer/Investment Officer is the presiding officer of the committee and shall be present at all gatherings concerning investments for Llano County. It will be the responsibility of the committee to oversee the investments of the County's funds and the fiduciary funds that Llano County has the responsibility and authority to invest.

The Investment Committee derives its' authority and responsibility from the Llano County Commissioners' Court to recommend changes to the Court on investment policy, investment strategies and investment types and will review these annually or more frequently, if needed. Any recommendations to the Llano County Commissioners' Court require a majority vote by members of the investment committee prior to being presented.

The investment committee members may formally communicate through teleconference, physical meetings or by email.

### **Liability of Investment Officer or Investment Evaluation Committee**

The County Investment Officer and the Investment Evaluation Committee are not responsible for any loss of county funds through the failure or negligence of the depository. This policy does not release the investment officer or any other person for a loss resulting from an act of official misconduct, malfeasance, fraud, negligence, or for any misappropriation of such funds.

## **V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION**

### **Quarterly Report**

In accordance with Government Code §2256.023, not less than quarterly, the investment officer shall prepare and submit to the Commissioners' Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. An independent auditor, who will report findings to the Commissioners' Court, shall formally review the report annually if the county invests in securities other than money market mutual funds, investment pools or accounts offered by the depository bank. The report must:

- (1) describe in detail the investment position of the county on the date of the report;
- (2) be signed by each investment officer of the county;
- (3) contain a summary statement of each pooled fund group that states the:
  - (A) beginning market value for the reporting period;
  - (B) additions and changes to the market value during the period; and
  - (C) ending market value for the period; and
  - (D) fully accrued interest for the reporting period;
- (4) state the maturity date of each separately invested asset that has a maturity date

## **VI. INVESTMENT COLLATERAL**

### **Collateral or Insurance**

Pursuant to the requirements of Government Code §2256 and §2257, it is the policy of Llano County to require full collateralization of all County investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities. To anticipate possible market changes and insure the security of funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or NCUSIF. Llano County, at its discretion, reserves the right to require a higher level of collateralization for certain investment securities.

The Llano County Investment Officer shall insure that all county funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

- (1) FDIC insurance coverage;
- (2) Obligations of the United States or its agencies and instrumentalities

**A RESOLUTION OF THE COMMISSIONERS COURT,  
LLANO COUNTY, TEXAS ADOPTING THE INVESTMENT  
POLICY, APPOINTMENT OF COUNTY INVESTMENT  
OFFICER AND INVESTMENT EVALUATION COMMITTEE  
MEMBERS FOR THE YEAR 2025**

**WHEREAS,** The Court acknowledges that an investment policy must be adopted to comply with the Public Funds Investment Act, Government Code §2256, and as required by the Public Funds Investment Act, the Court must approve the investment policy on an annual basis appointment of county investment officer and investment evaluation committee members,

**NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE COMMISSIONERS' COURT OF THE COUNTY OF LLANO:**

The investment policy of Llano County has been duly reviewed and is approved as submitted.


Further, be it resolved that the County Investment Officer for Llano County shall be the Honorable Cheryl Regmund, Llano County Treasurer.

It is further resolved that the following individuals shall compose the 2025 Llano County Investment Evaluation Committee:

**Cheryl Regmund, Treasurer/Investment Officer;  
Kelly Eckhardt, County Auditor, and;  
Peter Jones, Precinct 1 County Commissioner.**

**DULY PASSED AND APPROVED BY THE COMMISSIONERS COURT OF LLANO COUNTY, TEXAS ON THE 13<sup>th</sup> Day of January 2025.**

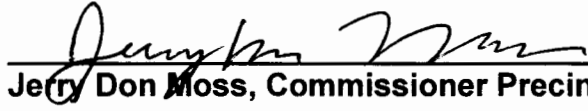
  
\_\_\_\_\_  
Ron Cunningham, County Judge

  
\_\_\_\_\_  
Peter Jones, Commissioner Precinct #1

  
\_\_\_\_\_  
Linda Raschke, Commissioner Precinct #2



**Brent Richards, Commissioner Precinct #3**



**Jerry Don Moss, Commissioner Precinct #4**

ATTEST Cecilia McClintock

**Cecilia McClintock, Llano County Clerk**

## LLANO COUNTY INVESTMENT DISCLOSURE POLICY 2025

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.

## LLANO COUNTY INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund type are as follow:

### **A. Maintenance & Operations funds: (General and Road & Bridge)**

**Suitability** – Any investment eligible in the investment Policy is suitable for the operating funds.

**Safety of Principal** - All investments shall be in high quality securities with no perceived default risk

**Marketability** - Securities with active and efficient secondary market are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security type of less than a quarter of a percentage point shall define an efficient secondary market.

**Liquidity** – The Maintenance and Operation Funds require the greatest short-term liquidity of any of the fund types. Short term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

**Diversification** – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County.

**Yield** – Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The yield of an equally weighted rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

## **B. Debt Service Funds**

**Suitability** – Any investment eligible in the investment Policy is suitable for the operating funds.

**Safety of Principal** - All investments shall be in high quality securities with no perceived default risk.

**Marketability** - Securities with active an efficient secondary market are not necessary, as the event of an unanticipated cash requirement is not probable.

**Liquidity** – Debt Service funds have predictable payment schedules. Therefore, longer investment maturities shall be allowed, but must not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments.

**Diversification** - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County.

**Yield** – Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The yield of an equally weighted rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

**C. Other Funds: (Library, Indigent Health Care, ARPA, Opioid, LC Child Advocacy and CCE Funds)**

**Suitability** – Any investment eligible in the investment Policy is suitable for the operating funds.

**Safety of Principal** - All investments shall be in high quality securities with no perceived default risk.

**Marketability** - Securities with active an efficient secondary market are not necessary, as the event of an unanticipated cash requirement is not probable.

**Liquidity** – The Other Funds do not require short term liquidity to meet the expenses paid by the fund. Therefore, longer investment maturities shall be allowed, but must not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments.

**Diversification** – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County.

**Yield** – Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The yield of an equally weighted rolling three-month Treasury Bill portfolio shall be the minimum yield objective.



#### **D. Capital Projects: (2021 and 2023 Tax Notes)**

**Suitability** – Any investment eligible in the investment Policy is suitable for the operating funds.

**Safety of Principal** - All investments shall be in high quality securities with no perceived default risk.

**Marketability** - Securities with active an efficient secondary market are not necessary, as the event of an unanticipated cash requirement is not probable.

**Liquidity** – The Capital Project funds do not require short term liquidity to meet the expenses paid by the fund. Therefore, longer investment maturities shall be allowed, but must not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments.

**Diversification** – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County.

**Yield** – Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The yield of an equally weighted rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

**E. Fiduciary Funds: (Commissary, Sheriff Office Donations, School Lands- Permanent and Available and County Attorney Hot Checks)**

**Suitability** – Any investment eligible in the investment Policy is suitable for the operating funds.

**Safety of Principal** - All investments shall be in high quality securities with no perceived default risk.

**Marketability** - Securities with active an efficient secondary market are not necessary, as the event of an unanticipated cash requirement is not probable.

**Liquidity** – The Fiduciary Funds do not require short term liquidity to meet the expenses paid by the fund. Therefore, longer investment maturities shall be allowed, but must not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments.

**Diversification** – – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County.

**Yield** – Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The yield of an equally weighted rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

## **F. Special Revenue Funds:**

**Suitability** – Any investment eligible in the investment Policy is suitable for the operating funds.

**Safety of Principal** - All investments shall be in high quality securities with no perceived default risk.

**Marketability** - Securities with active an efficient secondary market are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security type of less than a quarter of a percentage point shall define an efficient secondary market.

**Liquidity** – The Special Revenue Funds require short term liquidity to meet the expenses paid by the fund. Short term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

**Diversification** – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County.

**Yield** – Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The yield of an equally weighted rolling three month Treasury Bill portfolio shall be the minimum yield objective.