LOWER BRUSHY CREEK WCID
BOARD APPROVED POLICY

(Approved December 15, 2025)

FINANCIAL INVESTMENT POLICY

The purpose of this document is to adopt a Financial Investment Policy pursuant to the Texas Government and Water Codes. This policy included that adoption of an Investment Policy and Investment Strategies; designation of qualified brokers authorized to engage in investment transactions with the District, and designates an Investment Officer to be responsible for the investment of Lower Brushy Creek Water Control and Improvement District ("District") funds.

Investment Policy:

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

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

Allowable Maturities - Unless otherwise stated in **Authorized Investments,** the maximum allowable stated maturity of any individual investment may not exceed two years, and the maximum dollar-weighted average maturity for pooled fund groups based on the stated maturity dated for the portfolio may not exceed 60 days. Settlement of all transactions, other than investment pool funds and mutual funds, must be consummated on a delivery versus payment basis.

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

- Safety of capital: The primary objective of the District is to ensure the preservation and safety of principal.
- Liquidity: The District will maintain sufficient liquidity to ensure the availability of funds necessary to pay obligations as they become due.
- Return on investment: The District will seek to optimize return on investments within the constraints of safety and liquidity.

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

Investment Officer and Quarterly Report - Purchases and sales of District Investments may only be initiated by an Investment Officer appointed by resolution of the Board. The District's Investment Officer will be required to attend training, in compliance with the Public Funds Investment Act, from an independent source approved by the Board that includes education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act. With Board approval, an Investment Officer may invest and reinvest funds of the District in accordance with the Policy.

The Investment Officer must submit a written report to the Board, on at least a quarterly basis, which sets forth all investment transactions during the previous quarter. The report must:

1. describe in detail the investment position of the District on the date of the report;
2. be prepared jointly by all investment officers of the District;
3. be signed by each investment officer of the District;
4. contain a summary statement prepared in compliance with generally accepted accounting principles 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;
    c) ending market value for the period; and
    d) fully accrued interest for the reporting period.
5. state the book value and market value of each separately invested asset at the beginning and 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 District for which each individual investment was acquired; and
8. state the compliance of the investment portfolio of the District as it relates to:
    a) the investment strategy expressed in the District’s investment policy; and
    b) relevant provisions of the Public Funds Investment Act.

The Investment Officer shall monitor the credit rating on all authorized investments in the District's portfolio based on independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this Policy, the Investment Officer shall immediately solicit bids for and sell the security, if possible, regardless of a loss of principal.

Acknowledgment Required - Any business that desires to sell investments to the District or otherwise engage in an investment transaction with the District must be given a copy of this policy, and a qualified representative of the Business Entity must execute a written instrument, in substantively the form attached as Exhibit "A" stating that he or she:

- Has received and thoroughly reviewed this Policy; and

- Acknowledges that his or her organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and his or her organization that are not authorized by this Policy, except to the extent that such authorization is dependent on analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards.

Collateralization - Funds held at a bank or trust company that are not invested must be collateralized by collateral security set forth in the Public Funds Collateral Act, to the extent not insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), their successors, or any other instrumentality of the United States. Any bank or trust company that is required to secure a deposit of District funds under this Policy or the Public Funds Collateral Act must enter into an agreement regarding the collateral securities in a form approved by the District.

Review - This Policy and investment performance and security will be reviewed and evaluated at least annually by the Board, or more frequently upon the request of any Director. Following its annual review, the Board will adopt a written resolution confirming its review of the Policy and the investment strategies contained in this Policy.

Authorized Investments:

1. The following obligations of governmental entities and obligations guaranteed by the governmental entities are allowed:
    a) Obligations of the United States or its agencies and instrumentalities;
    b) Direct obligations of the State of Texas or its agencies and instrumentalities;
    c) With prior approval of the Board, collateralized mortgage obligations directly issued by the federal government, the underlying security for which is guaranteed by the United States with certain exceptions set forth in the Public Funds Investment Act;
    d) Other obligations backed by the full faith and credit of the United States; and
    e) With prior approval of the Board, obligations of states, agencies, counties, cities, and other political subdivisions having not less than "A" rating from nationally recognized investment rating firm.
2. Certificates of deposit issued by a bank doing business in Texas guaranteed by the Federal Deposit Insurance Corporation or the obligations set for above.
3. With prior approval of the Board, repurchase agreements with a defined termination date; secured by obligations set for above and placed through a primary government securities dealer or financial institution doing business in Texas.
4. With prior approval of the Board, bankers' acceptance with stated maturity of 270 days or less that will be liquidated in full at maturity and meet other credit requirements established by the Board.
5. With prior approval of the Board, commercial paper with a stated maturity of 270 days or less and meeting other credit requirements established by the Board.
6. With prior approval of the Board, money market mutual funds that are no-load and
    a) Are regulated by the Securities and Exchange Commission (SEC);
    b) Have provided the District with prospectus and other information required by the Securities Exchange Act of 1934 and the Investment Company Act of 1940;
    c) Have an average weighted maturity of 90 days or fewer; and
    d) Have an investment objective of maintaining a stable net asset value of $1 per share.
7. Other types of mutual funds which are no-load and

a) Are registered with the SEC;

b) Have an average weighted maturity of less than 2 years;

c) Are invested exclusively in obligations approved by this Act;

d) Have a "AAA", or its equivalent rating; and

e) Meet certain requirements of investment pools, as set forth in the Public Funds Investment Act.

8. Local government investment pool which meets the criteria as set forth in the Texas Public Funds Investment Act, maintains a "AAA" rating and has an investment objective of maintaining a stable net asset value of $1 per share.

Investment Strategies in order of priority:

A. Investment requirements by fund.

1. Operating Funds. The District will maintain funds in the operating checking account at its depository, TexPool or any qualified money market fund to cover monthly operational expenses. The remaining operating funds will be invested in acceptable investments to meet the operating requirements of the District, as determined by the annual operating budget adopted by the Board, not to exceed a maximum maturity of two years.

2. Tax Collections. Tax collections will be deposited into the District's TexPool account. The balance will be checked monthly.

3. Rainy Day Funds. The District may maintain funds in a reserve account at its depository or TexPool, or those funds may be invested in acceptable investments not to exceed a maximum maturity of two years, to cover emergency expenses caused by storm, flood, drought, or other unforeseen occurrence.

B. Suitability. The District's Investment Officer(s) must understand the District's financial requirements. Appropriate investments will be made to meet the needs of the District. TexPool, Reserve Account, and future capital expenditures, or a qualified money market fund will be considered acceptable investments if approved by the District's Investment Officer in accordance with these strategies.

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

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

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

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

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

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

List of Authorized Brokers:

The following brokers may make investments for the District:

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- City National Bank of Taylor
- Citizens National Bank
- Frontier Bank of Texas
- Cadence Bank
- PNC Bank

Annual Financial Audit:

Annually, the District Auditor shall audit for compliance of this policy. Written result of that audit shall be presented to the full Board for review and approval.

APPROVED AND ADOPTED on this 15th **day of** December **2025.**

By: Edmond S. Komandosky
Edmond S. Komandosky
President, Board of Directors

ATTEST:

By: Monica P Masters
Monica P. Masters
Secretary/Treasurer, Board of Directors