

## Public Funds Investment Act Compliance Checklist

The following questionnaire is provided as a guide to the requirements of the Public Funds Investment Act (Chapter 2256, Government Code). This checklist does not imply that an Investment Policy or Investment Program is in compliance with the PFIA. Each entity should review its own investment program with its attorneys and auditors to determine its compliance with the Act.

[Section 2256.005(a)(b)] - Policy items		
Does your entity have a written investment policy approved by your governing body?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does your policy list the authorized investments for the investment of the entity's funds?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does your policy state the maximum stated maturity of any individual investment and, for pooled fund groups, the maximum dollar-weighted average maturity?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does your policy include methods to monitor the market price of investments and the requirement that all transactions, excluding investment pools and mutual funds, be settled on a delivery versus payment basis?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does your policy include methods to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(d)] - Strategy Items		
Has your entity adopted a written investment strategy for each fund or group of funds under its control?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the strategy describe the objectives for the fund using the priorities of suitability, preservation and safety of principal, liquidity, marketability, diversification, and yield in that order?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(e)] - Policy & Strategy Review		
Does your governing body review the investment policy and investment strategy at least annually?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the governing body adopt a written instrument stating that it has reviewed the policy and strategy?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(f-i)] - Investment Officers		
Has your entity designated one or more officers or employees as Investment Officers?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does your entity require its Investment Officer to disclose a personal business relationship with a business organization offering to sell investments to the organization?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does your entity require its Investment Officer to disclose whether he/she is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the entity?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(k-l)] - External Business Policy Certification - Although no longer a requirement under the 85th. Legislative session (HB-1701), we consider this to be a best practice to continue at the local level.		
Has a written copy of the investment policy been presented to every business organization offering to engage in an investment transaction with the entity, including investment pools, banks, and investment management firms?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Has a written instrument from each business organization been received acknowledging that the investment policy has been received and reviewed and that procedures and controls have been implemented to preclude unauthorized transactions?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Has a qualified representative as defined in Section 2256.002(10) of each business organization signed the written instrument?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.005(m-n)] - Compliance Audit		
Is a compliance audit of management controls on investments and adherence to the entity's established investment policies performed in conjunction with the annual financial audit?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
For state agencies, is a compliance audit performed at least once every two years, and are the results reported to the state auditor not later than January 1 of each even-numbered year?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
[Section 2256.007] - Investment Officer Training		
Have the applicable training requirements been met?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
For state agencies and institutions of higher education, has each governing board member and investment officer attended at least one training session within six months after taking office or assuming duties and attended a training session not less than once each state fiscal biennium?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Has each investment officer attended a training session at least once every two years based on the local government's fiscal year and received training from an independent source approved by the governing body?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>

## Public Funds Investment Act Compliance Checklist

Has the investment officer presented a report to the governing body on changes to the Public Funds Investment Act within six months after the end of each regular legislative session?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
--	----------------------------------	--------------------------------------

<b>[Section 2256.008] - Investment Officer Training (cont.)</b>		
For local governments, have the treasurer, the chief financial officer, and the investment officer attended at least one training session containing the required hours of instruction within 12 months after taking office or assuming duties?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Has each official attended a training session at least once every two years and received the required hours of instruction from an independent source approved by the governing body or a designated investment committee?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Has an independent source of investment training been approved by the governing body or a designated investment committee?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
This section does not apply to a district governed by Chapter 36 or 49 of the Water Code.	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
1. Investment officers of such districts should review the appropriate section of the Water Code for applicable investment training requirements. <i>[Subchapter E, Chapter 36 and 49 of the Water Code, as amended by HB 675, approved by the 77<sup>th</sup> Regular Session of the Texas Legislature]</i>		

Investment Type	Restrictions/Qualifications
Obligations Issued, Guaranteed, or Insured by the U.S. or its Agencies and Instrumentalities, including letters of credit <i>[Section 2256.009(a)(1)(4)]</i>	None
Obligations Issued, Guaranteed, or Insured by the State of Texas or its 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; <i>[Section 2256.009(a)(2)(4)]</i>	None
Interest Bearing Bank Deposits	insured by the FDIC or the FDIC or the National Credit Union Share Insurance Fund (NCUSIF)
Collateralized Mortgage Obligations <i>[Section 2256.009(a)(3) and (b)(1-4)]*</i>	10 yr. or less stated final maturity date Cannot be either an Interest-Only or Principal-Only CMO Cannot be an inverse floater
Obligations of States (other than Texas), Agencies, Counties, Cities and Other Political Subdivisions <i>[Section 2256.009(a)(5)]</i>	Rated not less than A or its equivalent by at least one nationally recognized investment rating firm
State of Israel Bonds <i>[Section 2256.009(a)(6)]</i>	None
Certificates of Deposit ( <i>Section 2256.010</i> ) & Brokered Certificates of Deposit	Issued by a depository institution that has its main office or a branch office in Texas. Must be guaranteed or insured by FDIC or National Credit Union Share Insurance Fund and secured as described in the PFIA or other applicable law.
	Issued by one or more federally insured depository institutions, wherever located, provided that the funds are invested through a depository institution that has its main office or branch office in Texas and that the full amount of the principal and accrued interest of each certificate of deposit is insured by the U.S. or an instrumentality of the U.S. The depository institution through which the entity's funds are invested shall receive an amount of deposits from customers of other federally insured depository institutions that is equal to or greater than the amount of funds invested.
Repurchase Agreements ( <i>Section 2256.011</i> )	Must be fully collateralized as described in the PFIA Must have a defined termination date
	Securities purchased must be pledged to the entity, held in the entity's name, and deposited with the entity or with a third party selected and approved by the entity
	Placed through a primary dealer or a financial institution doing business in Texas
	Reverse agreements must not exceed 90 days; securities held as collateral must not mature later than the agreement's expiration date
Securities Lending Program ( <i>Section 2256.0115</i> )	Must be collateralized at not less than 100%, including accrued income Loans may be terminated at any time Loans must be secured as described in the PFIA

## Public Funds Investment Act Compliance Checklist

	Securities held as collateral must be pledged to the entity, held in the entity's name and deposited with the entity or with a third party selected and approved by the entity
	Placed through a primary dealer or a financial institution doing business in Texas
	Securities lending agreement may not have a term greater than one year
<b>Bankers' Acceptances (Section 2256.012)</b>	270 day or less stated maturity from date of issuance
	Accepted by a bank rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized rating agency
<b>Commercial Paper (Section 2256.013)</b>	365 day or less stated maturity from date of issuance
	Rated not less than A-1 or P-1 or an equivalent by at least two nationally recognized rating agencies, <b>or</b> ;
	Rated not less than A-1 or P-1 or an equivalent by one nationally recognized rating agency plus fully secured by an irrevocable letter of credit issued by a domestic bank
<b>No-Load Money Market Mutual Fund including prime money market mutual funds [Section 2256.014 (a) and (c)]</b>	Registered with and regulated by the Securities and Exchange Commission
	Provide a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940
	Must comply with SEC Rule 2a-7
	Be aware they will now come with floating NAV as well as potential liquidity fees and redemption gates.
	Investing entity may not own more than 10% of the fund's total assets
<b>Mutual Fund [Section 2256.014 (b) and (c)]</b>	Registered with the Securities and Exchange Commission
	Must have an average weighted maturity of less than two years
	Can only invest in obligations approved by the Act
	Rated not less than AAA or its equivalent by at least one nationally recognized investment rating firm
	Comply with information and reporting requirements for investment pools as described in the Act
	Amount limited to 15% of investing entity's monthly average fund balance, excluding bond proceeds, reserves, and debt service funds.
	Ineligible for investment of bond proceeds, reserves, and debt service funds
	Investing entity may not own more than 10% of the fund's total assets
<b>Ultra-Short Bond Funds</b>	Duration of less than one year
	Investments are limited to investment grade securities, excluding asset-backed securities
<b>Obligations of the Federal Home Loan Bank</b>	None
<b>Guaranteed Investment Contracts (Section 2256.015)</b>	Authorized for bond proceeds investment only
	Must have a defined termination date
	Must be secured by U.S. Government direct or agency obligations approved by the Act in an amount equal to the bond proceeds
	Security must be pledged to the entity and deposited with the entity or a third party
	Term must be limited to five years from the date of bond issuance, excluding reserves and debt service funds
	Must comply with terms and conditions concerning eligibility as an authorized investment as specified in Section 2256.015(c) of the Act
<b>Investment Pools [Section 2256.016]</b>	Governing body must authorize investment in pool
	Can only invest in obligations approved by the Act
	Provide an offering circular containing information required by the Act
	Provide investment transaction confirmations

## Public Funds Investment Act Compliance Checklist

	Provide a monthly report containing information required by the Act
	Pool created to function as a money market mutual fund must mark its portfolio to market daily and stabilize at a \$1 net asset value.
	Must have an advisory board as specified by the Act
	May invest in corporate bonds.
	Rated not less than AAA or an equivalent rating by at least one nationally recognized rating service.

### [Section 2256.020] - Higher Education

For institutions of higher education, if your investment policy has been amended to include the additional investments permitted by the Act, do these investments meet the rating requirements specified by the Act?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
--	----------------------------------	--------------------------------------

### [Section 2256.0201] - Municipal Electric Utility - Hedging

For a municipality that owns a municipal electric utility, if your investment policy has been amended to include hedging contracts as permitted by the Act, does the hedging transaction comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
--	----------------------------------	--------------------------------------

### [Section 2256.0203] - Ports & Navigation Districts

For Ports & Navigation Districts, if your investment policy has been amended, may include 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.	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
---	----------------------------------	--------------------------------------

### [Section 2256.0204] - Independent School Districts

<p>For Independent School Districts, if your investment policy has been amended, may include corporate bonds with restrictions. <i>Criteria:</i> • 1371(4)(L) - an independent school district that has an average daily attendance of 50,000 or more as determined under Section 42.005, Education Code; • (P) an issuer, as defined by Section 1201.002, that has: a principal amount of at least \$100 million in outstanding long-term indebtedness, in long-term indebtedness proposed to be issued, or in a combination of outstanding or proposed long-term indebtedness; and Some amount of long-term indebtedness outstanding or proposed to be issued 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.</p>	<p><b>Restrictions/Qualifications</b> Minimum rating of at least AA- or the equivalent. Stated final maturity less than or equal to 3 years from the purchase date. Limited to invest up to 15% of its monthly average fund balance, excluding bond proceeds, reserves and debt service funds. Restricts investment of less than or equal to 25% of the corporate bond portion of the investment portfolio in any one issuer. Requires timely liquidation if issuer is placed on negative credit watch or losses the minimum credit rating. Investment pools are not allowed to invest in corporate bonds.</p>
---	--

### [Section 2256.0205] - Decommissioning Trust

If funds are held in a decommissioning trust as defined in the Act, has your investment policy been amended to authorize investment of the trust as permitted by Subtitle B, Title 9, of the Property Code?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
---	----------------------------------	--------------------------------------

### [Section 2256.023] - Investment Reports

Are investment reports submitted to the governing body at least quarterly?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Do the reports contain the information required by the Act?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Do all investment officers sign the reports?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Do the reports include a statement of compliance of the investment portfolio with the Act and the investment strategy?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does an independent auditor review the reports at least annually if your investments include obligations other than money market mutual funds, investment pools, or depository bank investment accounts?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>

### [Section 2256.003(b)] - Investment Management Firm

If the entity has contracted with an investment management firm to provide for the investment and management of its public funds or other funds under its control, is the investment management firm registered either under the Investment Advisers Act of 1940 or with the State Securities Board?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Is the contract with the investment management firm limited to a maximum term of two years with renewal or extension subject to approval of the governing body by order, ordinance, or resolution?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>

### [Section 2256.025] - Qualified Brokers List

Has the governing body or designated investment committee adopted a list of qualified brokers?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>
Does the governing body or designated investment committee review, revise, and approve the list at least annually?	Present <input type="checkbox"/>	Not Present <input type="checkbox"/>