

**Fisher County  
Investment Policy  
Presented by:  
Jeanna Parks  
October 15, 2019**



# Investment Policy

## County of Fisher

### 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).

#### Funds Included

This investment policy applies to all financial assets of all funds of the County of Fisher, 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 the County of Fisher 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(s), under the direction of the County of Fisher 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). See Attachment B: Resolution Appointing County Investment Officer(s).

If the Investment Officer(s) has/have 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).

### 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

The County of Fisher 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 Fisher County to diversify its portfolio to manage the risk of loss resulting from over concentration of assets in a specific maturity (save and except zero duration funds), 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.

### **Maturity**

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 thirty-six (36) months.

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

Investment training is required for the treasurer and any other investment officer(s). Training must be received from an independent source, approved by the Commissioners Court or investment committee, and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with PFIA. Then hours of training must be completed within 12 months of taking office or assuming duties. Thereafter eight hours of training must be completed every two years in accordance with PFIA 2256.0008.

### **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 Fisher County's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance:

- (1) Understanding and matching the suitability of the investment to the financial requirements of the entity;
- (2) Preservation and safety of principal;
- (3) Maintaining the required 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

Attachment C includes investment strategies for all funds, while Attachment D is the Resolution of the Court adopting these strategies. In accordance with the Public Funds Investment Act, Section 2256.005(e), investment strategies will be reviewed and adopted by resolution at least annually.

### III. INVESTMENT TYPES

#### Authorized Types of Investments

The Fisher County Investment Officer(s) 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 or share certificates are an authorized investment 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) 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.
  - (4) 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:

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

- c) 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;
  - d) 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
  - e) 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.
- 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. Commercial paper, as defined in Government Code 2256, 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.
- F. Mutual funds and money market mutual funds with limitations described below:
- (1) A no-load money market mutual fund is authorized if it:
    - (A) Is registered with and regulated by the Securities and Exchange Commission;
    - (B) Provides the investment officer(s) a prospectus
    - (C) Has a dollar-weighted average stated maturity of 90 days or fewer; and
    - (D) Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
  - (2) A no-load mutual fund is authorized if it:
    - (A) Is registered with the Securities and Exchange Commission;
    - (B) Has an average weighted maturity of less than two years;
    - (C) Is invested exclusively in obligations approved by this subchapter;
    - (D) Is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
    - (E) Conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
  - (3) **The County may not:**
    - (A) 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 F(2) above;
    - (B) Invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in F(2) above;
    - (C) 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 or money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund or money market mutual fund.
- G. Investment pools created to function as a 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. The maximum dollar weighted average maturity will be 90 days.
- H. An entity is not required to liquidate investments that were authorized investments at the time of purchase.

### **Prohibited**

The Fisher County Investment Officer(s) has/have 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.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

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

##### **Investment Institutions Defined**

The Fisher County Investment Officer(s) 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) Any other institution or group consistent with federal or state regulation;
- (4) Public funds investment pools; or
- (5) Government securities brokers and dealers.

##### **Qualifications for Approval of Broker/Dealers**

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person offering to engage in an investment transaction with the County. The qualified representative of the business organization offering to engage in an investment transaction with the County shall execute a written instrument substantially to the effect that the business organization has:

- (1) Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- (2) Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties);
- (3) Proof of state registration;
- (4) Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties);
- (5) Certification of having read and understood and agreeing to comply with the Fisher County investment policy; and
- (6) Evidence of adequate insurance coverage.

The investment officer(s) may not buy securities from a person who has not delivered to the County an instrument in substantially the form provided above according to Section 2256.005(1). An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer(s).

##### **Standards of Operation**

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

### **Delivery vs. Payment**

According to Section 2256.005(b)(4)(E), it will be the policy of the County that all securities, except for investment pool funds and mutual funds, will settle using the "Delivery vs. Payment" (DVP) basis through the Federal Reserve System. By so doing, County funds are not released until the County has received, through the Federal Reserve wire, the securities purchased.

### **Audit Control**

The Fisher County Commissioners Court 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 Government 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.

### **Competitive Bids**

The investment officer shall obtain competitive bids from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market.

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

### **Quarterly Report**

In accordance with Government Code 2256.023, not less than quarterly, the investment officer(s) 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 prepared jointly by all investment officers of the County;



- (3) Be signed by each investment officer of the County;
- (4) 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;
  - (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 County for which each individual investment was acquired; and
- (8) State the compliance of the investment portfolio of the County as it relates to:
  - (A) The investment strategy expressed in the County's investment policy; and
  - (B) Relevant provisions of this chapter.

### **Methods to Monitor Market Value**

In accordance with Government Code 2256.005(b)(4)(D), the investment policy must include methods to monitor market value of County investments. The County Investment Officer(s) will obtain the market value for each security held in all portfolios and for collateral pledged to the County for bank deposits from recognized market pricing sources.

Market valuation of the County's investments shall be performed at least quarterly. Valuation of pledged collateral should be done at least monthly.

### **Notification of Investment Changes**

It shall be the duty of the County Investment Officer(s) of Fisher County, Texas to notify the Fisher County Commissioners Court of any significant changes in current investment methods and procedures prior to their implementation.

## **VI. INVESTMENT COLLATERAL AND SAFEKEEPING**

### **Collateral or Insurance**

The Fisher County Investment Officer(s) 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.

### **Safekeeping**

All purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank.

All certificates of deposit, insured by the FDIC, purchased outside the Depository Bank shall be held in safekeeping by either the County or a County account in a third party financial institution.

All pledged securities by the Depository Bank shall be held in safekeeping by the County, or a County account in a third party financial institution, or with a Federal Reserve Bank.

THE STATE OF TEXAS

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Attachment A

COUNTY OF FISHER

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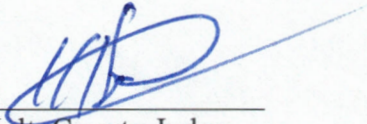
RESOLUTION

**WHEREAS**, the Public Funds Investment Act requires Commissioners Courts to annually adopt an Investment Policy; and

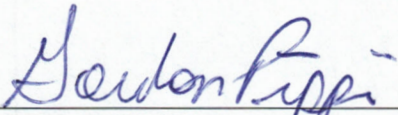
**WHEREAS**, the Commissioners Court of Fisher County wishes to comply with the Act and faithfully safeguard and properly invest the taxpayers' dollars;

**NOW THEREFORE BE IT RESOLVED**, that the Fisher County Commissioners' Court hereby adopts the attached Investment Policy for the County of Fisher.

**UNANIMOUSLY APPROVED** this the 15th day of October, 2019.



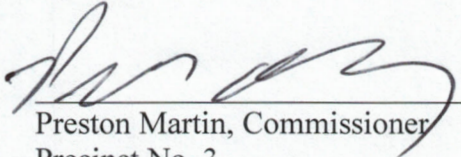
Ken Holt, County Judge



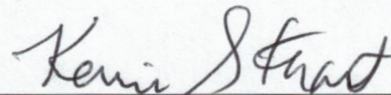
Gordon Pippin, Commissioner  
Precinct No. 1

Absent

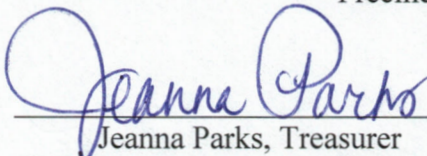
Dexter Elrod, Commissioner  
Precinct No. 2




Preston Martin, Commissioner  
Precinct No. 3



Kevin Stuart, Commissioner  
Precinct No. 4



Jeanna Parks, Treasurer

Attest:   
Pat Thomson, County Clerk



THE STATE OF TEXAS

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Attachment B

COUNTY OF FISHER

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RESOLUTION

WHEREAS, the Public Funds Investment Act requires Commissioners Courts to appoint one or more County Investment Officers; and

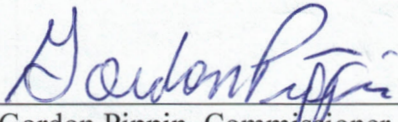
WHEREAS, the Commissioners Court of Fisher County wishes to comply with the Act and faithfully safeguard and properly invest the taxpayers' dollars;

NOW THEREFORE BE IT RESOLVED, that the Fisher County Commissioners' Court hereby appoints the County Treasurer, or their successor and the County Judge, or their successor as Co-County Investment Officers for the County of Fisher.

UNANIMOUSLY APPROVED this the 15th of October, 2019.



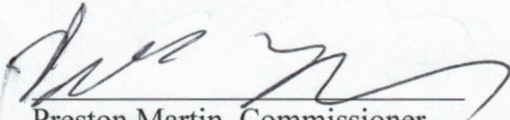
Ken Holt, County Judge



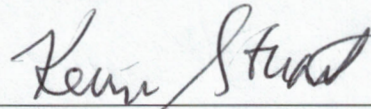
Gordon Pippin, Commissioner  
Precinct No. 1

Absent

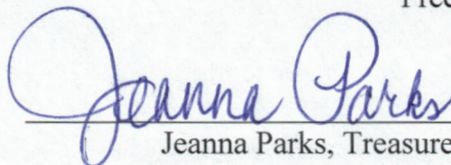
Dexter Elrod, Commissioner  
Precinct No. 2

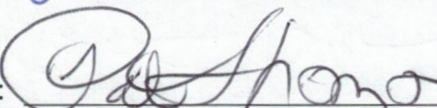


Preston Martin, Commissioner  
Precinct No. 3



Kevin Stuart, Commissioner  
Precinct No. 4

  
Jeanna Parks, Treasurer

Attest:   
Pat Thomson, County Clerk



## Fisher County Investment Strategy by Fund Type

**GENERAL FUNDS** account for all financial resources traditionally associated with local county government but are not required by legal directive to be accounted for in another fund. Maintain an adequate level of fund balance to meet ongoing obligations of the County. Investments will have a maturity of no longer than thirty-six (36) months and will be made consistent with cash flow projections.

**SPECIAL REVENUE FUNDS** are restricted by legal directive to expenditure for a particular purpose. Investments will have a maturity of no longer than thirty-six (36) months and will be made consistent with cash flow projections.

**DEBT SERVICE FUNDS** may be accumulated for payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in the same manner for payment. The funds will be invested in order to timely meet obligation payments. Investments will have a maturity of no longer than thirty-six (36) months.

**CAPITAL PROJECT FUNDS** are designated for the acquisition and construction of major capital facilities. The funds will be invested to meet the needs over the length of the project but not to exceed thirty-six (36) months maturity.

**TRUST AND AGENCY FUNDS** are funds held by the County in a trustee capacity for other governmental entities. Investments of these funds will be made so that funds are available for distribution as required. Investments will have a maturity of no longer than thirty-six (36) months.

THE STATE OF TEXAS

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Attachment D

COUNTY OF FISHER

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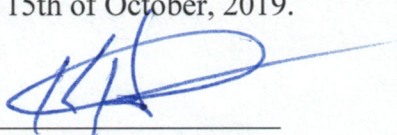
RESOLUTION

**WHEREAS**, the Public Funds Investment Act requires Commissioners Courts to adopt investment strategies for each fund by resolution; and

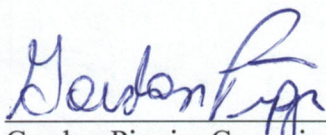
**WHEREAS**, the Commissioners Court of Fisher County wishes to comply with the Act and faithfully safeguard and properly invest the taxpayers' dollars;

**NOW THEREFORE BE IT RESOLVED**, that the Fisher County Commissioners' Court hereby adopts and orders implemented the attached "Fisher County Investment Strategy by Fund Type" for the County of Fisher.

**UNANIMOUSLY APPROVED** this the 15th of October, 2019.



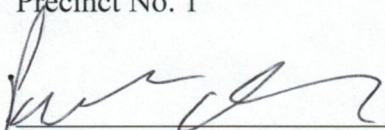
Ken Holt, County Judge



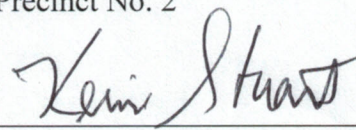
Gordon Pippin, Commissioner  
Precinct No. 1

Absent

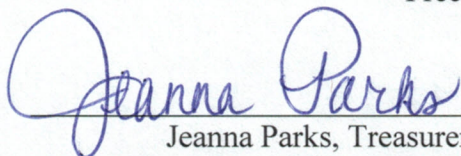
Dexter Elrod, Commissioner  
Precinct No. 2



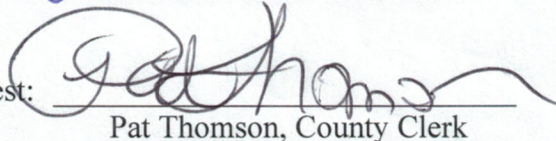
Preston Martin, Commissioner  
Precinct No. 3



Kevin Stuart, Commissioner  
Precinct No. 4

  
Jeanna Parks, Treasurer

Attest:

  
Pat Thomson, County Clerk

**Fisher County Authorized List of Broker/Dealers**

October 15, 2019

Financial Northeastern Companies  
8717 Ken Aaron Court  
Austin, Texas 78717

Telephone: (973) 396-1052  
Fax: (866) 328-3560

Jeffrey Zage	CEO	Financial Northeastern Companies (FNC)
Steven Zage	President	Financial Northeastern Companies (FNC)
Steve Azzato,	Vice President	Financial Northeastern Companies (FNC)
Samuel E. Vaughan	Assistant VP	Financial Northeastern Companies (FNC)

THE STATE OF TEXAS  
COUNTY OF FISHER

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Attachment F

RESOLUTION

**WHEREAS**, the Public Funds Investment Act requires Commissioners Courts to adopt a list of authorized broker/dealers; and

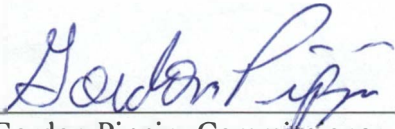
**WHEREAS**, the Commissioners Court of Fisher County wishes to comply with the Act and faithfully safeguard and properly invest the taxpayers' dollars;

**NOW THEREFORE BE IT RESOLVED**, that the Fisher County Commissioners' Court hereby adopts and orders implemented the attached "Fisher County List of Authorized Broker/Dealers" for the County of Fisher.

**UNANIMOUSLY APPROVED** this the 15th of October, 2019.



Ken Holt, County Judge



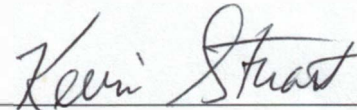
Gordon Pippin, Commissioner  
Precinct No. 1

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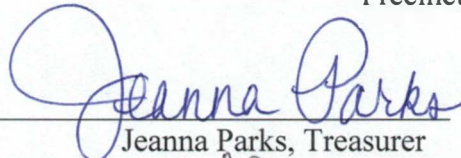
Dexter Elrod, Commissioner  
Precinct No. 2



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Precinct No. 3



Kevin Stuart, Commissioner  
Precinct No. 4



Jeanna Parks, Treasurer

Attest:



Pat Thomson, County Clerk

