

# **CASS COUNTY**



# **INVESTMENT POLICY**

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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. This policy will be reviewed and adopted by resolution at least annually according to Section 2256.005(e). (See Attachment F: Resolution to Adopt Investment Policy & Investment Strategies.)

### **Funds Included**

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

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

In accordance with (IAW) Sec.116.112 (a), Local Government Code and/or Chapter 2256, Sec. 2256.005 (f) and (g), the Cass County Investment Officer/County Treasurer, under the direction of Cass 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 the County Treasurer as the investment officer. (See Attachment G: Resolution to Adopt County Treasurer as Investment Officer.)

If the investment officer has a personal business relationship 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 Cass County Commissioners Court in accordance with Government Code 2256.005 (i).

In accordance with Chapter 2256.008 (a) of the Public Funds Investment Act, the investment officer shall attend at least one training session of no less than 10 hours of instruction relating to the responsibilities under subchapter (a) within 12 months after taking office or assuming duties. In addition, the investment officer shall attend an investment training session not less than once in a two-year period and receive at least 10 hours of instruction relating to investment responsibilities under subchapter (a) from an independent source.

## II. INVESTMENT OBJECTIVES

### General Statement

Funds of Cass County will be invested in accordance with federal and state laws, this investment policy and written procedures. The County will invest according to investment strategies for each fund in accordance with Sec. 2256.005(d).

### Safety and Maintenance of Adequate Liquidity

Cass 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 Cass County to diversify its portfolio to eliminate 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 Cass 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 Cass County first and then to achieve the highest return of interest, but at the same time provide for the necessary liquidity to meet the needs of the County. 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 sixty (60) months. However, the County Treasurer shall only invest funds with maturities not to exceed twenty-four (24) months and shall obtain written consent of the Commissioners Court for all investments over twenty-four (24) months up to the maximum allowable stated maturity of sixty (60) months.**

### Quality and Capability of Investment Management

It is Cass County's policy to provide training required by the Public Funds Investment Act (PFIA), Sec. 2256.008 of the Local Government Code, and periodic training in investments for the Cass County Investment Officer/County Treasurer through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the County Investment Officer/County Treasurer in making investment decisions.

## **Investment Strategy**

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 the control of Cass County. Each investment strategy must describe the investment objectives for the particular fund using the following priorities of importance that follows:

- (1) understanding of the suitability of the investment to the financial requirements of the County;
- (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;
- (7) maturity restrictions;
- (8) adhering to the guidance provided by the “prudent person rule”, which obligates a fiduciary to ensure that, “...investments shall be made with the exercise of that degree judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived”;
- (9) managing the investment portfolio, the County will specifically avoid any purchase of investments, or any investment practice of procedures not specifically authorized by the investment policy as approved by Commissioners’ Court; and
- (10) participants in the investment process shall seek to act responsibly as custodians of the public trust. The Investment Officer and any other officials involved shall avoid any transaction that might impair the public confidence in the County’s ability to govern effectively. The Investment Officer and officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

The Investment strategies will be reviewed and adopted by resolution at least annually in accordance with the Public Funds Investment Act, Section 2256.005(e). (See Attachment A: Investment Strategies.)

### III. INVESTMENT TYPES

#### Authorized – Section 2256.009

The Investment Officer for Cass County shall use any or all of the following authorized investment instruments consistent with Government Code Section 2256 of the Public Funds Investment Act and this policy:

#### **Obligations of, or Guaranteed by Governmental Entities**

(a) Except as provided by Government Code 2256.009 (b), the following are authorized Investments under this Subchapter:

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- (6) interest-bearing banking deposits that are guaranteed or insured by:
  - (A) the Federal Deposit Insurance Corporation or its successor; or
  - (B) the National Credit Union Share Insurance Fund or its successor;
- (7) Interest-bearing banking deposits other than those described by Subdivision (7) of Government Code, Chapter 2256.009 if:
  - (A) the funds invested in the banking deposits are invested through:
    - (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body adopts as required by Section 2256.025; or
    - (ii) a depository institution with its main office or branch office in this state that the investing entity selects;

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

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

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

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

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

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

(b) The following are **not authorized investments** and are prohibited by the Public Funds Investment Act, Section 2256.009 (b):

(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 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.

### **Certificates of Deposit and Share Certificates – Section 2256.010**

(a) A certificate of deposit or share certificated is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

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

(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 PFIA; or

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

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

(1) the funds are invested by the County through:

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

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

(2) the broker or the depository institution selected by Cass County 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 Cass County;

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

(4) Cass County appoints the depository institution selected by the county 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 Cass County with respect to the certificates of deposit issued for the account of Cass County.

#### **Mutual Funds and Money Market Mutual Funds – Section 2256.014**

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

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

(2) provides the County with a prospectus and other information required by the Securities Exchange Act of 1934; and

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

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

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

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

(3) either:



(A) has a duration of one year or more and is invested exclusively in obligations approved by Chapter 2256; or

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

**(b) Relative to Mutual Funds and Money Market Mutual Funds, the County May Not:**

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

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

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

**Investment Pools – Section 2256.016**

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

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

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

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

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

(4) the objective of the pool;

(5) the size of the pool;

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

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

(8) whether the intent of the pool is to maintain a net asset value of one dollar

and the risk of market price fluctuation;

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

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

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

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

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

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

(1) investment transaction confirmations; and

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

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

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

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

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

(E) the size of the pool;

(F) the number of participants in the pool;

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

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

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

(J) the portfolio manager of the pool; and

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

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

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

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this Chapter, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair results to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between .0095 and 1.005. In addition to the requirement of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

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

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

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

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

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

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

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

### **Existing Investments - Section 2256.017**

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

## **Rating of Certain Investment Pools – Section 2256.019**

A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an Equivalent rating by at least one nationally recognized rating service.

## **Effect of Loss of Required Rating – Sec. 2256.021**

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

**NOTE:** Cass County presently uses TexPool and Texas Class Investment Pools; however, the County may use any other pool authorized in the PFIA.

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

### **Investment Institutions Defined**

The Cass County Investment Officer/County Treasurer 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 or credit unions, or branches thereof, domiciled in the State of Texas that are insured by FDIC or NCUSIF, or their successors;
- (3) public funds investment pools, such as TexPool, Texas Class, etc. which are specifically authorized to manage, disburse, transfer, safe keep and invest public funds and securities more efficiently and economically; and
- (4) government securities brokers and dealers that has its main office or a branch office in this State; or
- (5) mutual fund companies.

### **Qualifications for Approval of a Business Organization (Broker/Dealer)**

In accordance with PFIA Sec. 2256.005 (k), a written copy of this investment policy shall be presented to any business organization (investment pool, discretionary investment advisor, investment management firm with discretionary authority to manage a portfolio, as defined in 2256.005(k)), offering to engage in an investment transaction with Cass County. The qualified representative of the business organization shall execute a written instrument to Cass County substantially to the effect that the business organization has:

- (1) received and thoroughly reviewed the investment policy of the county; and acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the County

and the organization that are not authorized by the county's investment policy, except to the extent that this authorization:

- (A) is dependent on an analysis of the makeup of the county's entire portfolio;
- (B) requires an interpretation of subjective investment standards; or
- (C) relates to investment transactions of Cass County that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The investment officer may not buy any securities from a business organization that has not delivered to Cass County an instrument in substantially the form provided in Attachment B and accordance with Section 2256.005(l).

To be recommended for approval, a business organization (broker/dealer) or any other investment organization must:

- (1) have public funds investment experience;
- (2) have an excellent overall reputation with other business organizations (broker/dealers), investors, other Public Fund Investment Officers;
- (3) proof of certification by the Financial Industry Regulatory Authority (FINRA);
- (4) be regulated by the State Securities and Exchange Commission (broker/dealers) and proof of current registration);
- (5) proof of being financially strong and capable to fulfill commitments;
- (6) proof of membership and good standing with the National Association of Securities Dealers, Inc. (brokers/dealers only);
- (7) have an understanding of Cass County's Investment Policy and Cass County's financial capabilities; and
- (8) completion of a County Broker/Dealer questionnaire.

(See Attachment B: Business Organization Acknowledgment & Certification)

## **Standards of Operation**

The County intends to pursue an active versus a passive portfolio management philosophy. That is, securities may be sold before they mature if market conditions present an opportunity for the County to benefit from the trade.

All investments will be made with the intent of pursuing, at the time of purchase, the best interest rate on securities held until maturity and not with the intent of speculative trading.

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

The **Investment Procedures** for the operation of the Investment Program, in addition to the above mentioned, also include the Investment Officer/County Treasurer:

- (1) determining the amount of funds which are available for investment;
- (2) determining the specific investment which will yield maximum income for a particular fund;
- (3) determining the length of time for which investments shall be made;
- (4) insuring that sufficient funds are available to meet immediate and short-term needs for the operation of the County;
- (5) making recommendations to the Commissioners' Court concerning new types of investment instruments which may require approval from the Court;
- (6) providing the Commissioners' Court with a monthly report of all investment transactions; and
- (7) receive and provide for the safekeeping of all pledged securities as collateral for invested funds.

## **Delivery vs. Payment**

It will be the policy of the County that all Treasury Bills, Notes and Bonds and Government Agencies' securities shall be purchased using the "Delivery vs. Payment" (DVP) method 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 Cass County's Investment Officer will establish liaison with Cass County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control. The Investment Officer is subject to audit by the County Auditor. In addition, Cass 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.

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

### **Quarterly Report**

Not less than quarterly, in accordance with Government Code 2256.023, 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. The report must:

- (1) describe in detail the investment position of the county on the date of the report;
- (2) be prepared and signed by the 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) ending market value for the period; and
  - (C) fully accrued interest for the reporting period;
- (4) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- (5) state the maturity date of each separately invested asset that has a maturity date;
- (6) state the account or fund or pooled group fund in the county for which each individual investment was acquired; and
- (7) 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 the PFIA.

An independent auditor shall formally review the reports at least annually, and the results reported to the Commissioners Court if the county invests in securities other than money market mutual funds, investment pools or accounts offered by the depository bank in the form of certificates of deposit, money market accounts or other similar accounts.

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

In accordance with Government Code 2256.005 (b)(4)(D), the County Investment Officer/County Treasurer 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 Cass County Investment Officer/County Treasurer to notify Cass County Commissioners Court of any significant changes in current investment methods and procedures prior to implementation, regardless of whether they are authorized by this policy or not.

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

### **Collateral or insurance**

The Cass County Investment Officer/County Treasurer 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 (Required Amount);
- (2) Federal Savings and Loan Insurance Corporation (FSLIC) (Required Amount);
- (2) Letters of Credit;
- (3) obligations of the United States Treasury or its agencies and instrumentalities;
- (4) direct obligations of the State of Texas or its agencies;
- (5) in any other manner allowed under Chapter 2257 of the Texas Government Code, Public Funds Collateral Act; and/or
- (6) any instrument that has been approved in this policy and that Cass County would be permitted to hold by state and federal law.



To anticipate possible market changes and ensure the security of Cass County funds, all deposits and investments of the County shall be secured by pledged collateral with a market value equal to no less than 110% of the funds on deposit less an amount insured by the FDIC or NCUSIF, and the collateral must be allowed under Chapter 2257 of the Texas Government Code, Public Funds Collateral Act.

The County Investment Officer/County Treasurer shall approve and release all pledged collateral.

### **Safekeeping**

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

All certificates of deposit insured by the FDIC or share certificates, insured by the NCUSIF, 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 certificates of deposit, insured by FDIC, pledged by the Depository Bank shall be held in custody of a Federal Reserve Bank in accordance with State Law.

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

### **NOTE:**

**Should the Investment Policy of Cass County conflict with any portion of the Texas Government Code - Chapter 2256 of the Public Fund Investment Act or Chapter 2257 of the Public Funds Collateral Act, the language of the Texas Government Code shall prevail.**

## **VII. MISCELLANEOUS PROVISIONS**

### **Electronic Funds Transfer**

According to the Local Government Code Section 2256.051, any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

## **INVESTMENT STRATEGIES**

Each major fund type has varying cash flow requirements and liquidity needs. The investment strategy of Cass County is to maintain safety of principal and allow immediate liquidity while returning the highest yield. Monitoring of account balances daily ensures that county funds are fully collateralized. County funds shall be invested according to the following major fund types:

(1) **General Operating Fund** – The general fund is the county's primary operating fund. The principal investment strategy is to ensure that anticipated cash needs are matched with adequate investment liquidity to meet the operating needs of the County during the year. The secondary objective is to structure a portfolio that will experience minimal volatility during economic cycles. This may be accomplished by matching maturities to cash needs. Any authorized investment may be utilized. (See Investment Types - Section III)

(2) **Road and Bridge Fund** – The primary purpose of the road and bridge fund is to allocate revenues to the various precincts of the County for maintenance of County infrastructure. These funds shall be invested to ensure funds are available to meet the operating needs of the Road and Bridge Department. To ensure liquidity, investment pools, bank money market, and other short-term investments will be used. (See Investment Types - Section III)

(3) **Debt Service Funds** – The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debts. Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligations on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date. Investment Pools and/or Bank Money Market Funds will be utilized to further ensure funds are available for debt service payments.

(4) **Capital Projects Fund** – The capital projects fund accounts for major construction in progress or special purpose projects. Investment strategies for construction projects or special purpose projects will have as their primary objective to ensure that anticipated cash flows are matched with adequate investment liquidity. The stated final maturity dates of securities held should not exceed the estimated project completion. (See Investment Types – Section III)

(5) **Special Revenue Funds** – The special revenue funds may be used to account for the proceeds of specific revenue sources that are legally restricted to, or designated for, expenditures for specific purposes by the county or a grantor. The primary investment strategy of special revenue funds is to invest in short-term securities unless the county or the grantor provides a cash flow that allows a longer investment period. (See Investment Types – Section III.)

**CASS COUNTY  
FIRM/BUSINESS ORGANIZATION (BROKER/DEALER)  
ACKNOWLEDGMENT & CERTIFICATION**

Firm/Business Name: \_\_\_\_\_

Firm/Business Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

I, \_\_\_\_\_, hereby certify that I am the registered principal of the above named business seeking to sell authorized investments to Cass County.

Furthermore, I hereby certify that I have received and thoroughly reviewed the current investment policy and objectives of Cass County, have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of investment transactions conducted between our firm (business organization) and Cass County.

Also, all Sales personnel assigned to your account will be routinely informed of your investment objectives, horizons, outlook, strategies and risk constraints whenever we are so informed. We will notify Cass County immediately by telephone and in writing in the event of a material adverse change in our financial condition. We pledge to exercise due diligence in informing the County of all foreseeable risks associated with financial transactions conducted with our firm (business organization). I attest to the accuracy of our responses to Cass County's questionnaire, and that this firm (business organization) is authorized to engage in investment transactions in the State of Texas.

I acknowledge that this instrument is executed in compliance with the Public Funds Investment Act, Chapter 2256, Government Code (the Act), as amended and effective September 1, 2017.

\_\_\_\_\_  
Signature of Registered Principal

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Firm/Business Name

\_\_\_\_\_  
FINRA Number

**CASS COUNTY  
APPROVED BROKER/DEALER LIST**

**Securities, Instrumentalities and Brokered Certificates of Deposits**

**Ameriprise Financial Services, LLC**

**Montandon & Associates**

**Samuel E. Vaughan**

10415 Morado Circle

Building 2, Suite 100

Austin, TX 78759

512-744-4805 Office

512-328-1921 Fax

512-550-7671 Cell

[Samuel.Vaughan@ampf.com](mailto:Samuel.Vaughan@ampf.com)

<https://www.ameripriseadvisors.com/team/montandon-associates/>

**Pool Funds**

**TexPool Participants Services (Public Funds Investment Pool)**

**Dianne Parker, Unit Manager**

**Federated Investors, Inc.**

1001 Texas Avenue, Suite 100

Houston, TX 77002

866-839-7665 Phone

866-839-3291 Fax

[dparker@federatedinv.com](mailto:dparker@federatedinv.com)

**Texas Class Government Fund**

**Karen A. Proctor – Regional Director**

**Cutwater Asset Management**

2435 North Central Expressway, Suite 1200

Richardson, TX 75080

214-473-4224 Direct

214-458-1835 Mobile

[karen.proctor@texasclass.com](mailto:karen.proctor@texasclass.com)

[www.texasclass.com](http://www.texasclass.com)

1700 Broadwax, Ste. 2050

Denver, CO 80290

800-707-6242 Phone

512-914-6104 Phone

877-311-0220 Fax

**CASS COUNTY  
APPROVED BROKER/DEALER LIST**

**Banks - Checking Accounts, Money Markets and (Bank & Court Ordered – Registry & Trusts) Certificates of Deposit**

**State Bank of DeKalb – Depository Bank**

Corey Graf, President – NMLS #834884, Atlanta Market  
209 W. Main  
Atlanta, TX 75551  
903-796-2200 Phone  
903-796-2204 Fax

=====  
4805 Texas Blvd.  
Texarkana, TX 75503  
903-791-0598 Phone  
903-791-0597 Fax  
903-826-8630 Cell  
[corey.graf@statebankofdekalb.com](mailto:corey.graf@statebankofdekalb.com)  
[www.statebankofdekalb.com](http://www.statebankofdekalb.com)

**Texana Bank, NA – Checking Accounts & CD**

**John Rountree, President**  
Vickie Morse, Vice President  
124 Rush St.  
P. O. Box 546  
Linden, TX 75563  
903-756-5573 Phone  
903-756-5790 Fax  
[www.texanabank.com](http://www.texanabank.com)

**First National Bank of Hughes Springs – Main Office – JP Checking Accounts Only**

**Robert Ellison – HS Branch Manager**

505 East First Street  
P. O. Box 188  
Hughes Springs, TX 75656  
903-639-2521 Phone  
903-639-2836 Fax

=====  
220 North Louise St.  
P. O. Box 1226  
Atlanta, TX 75551  
903-796-4444 Phone  
903-796-9258 Fax  
[www.fnbhs.com](http://www.fnbhs.com)

**CASS COUNTY  
APPROVED BROKER/DEALER LIST**

**Credit Unions – Certificates of Deposits Only**

**Domino Federal Credit Union**

901 West Main St.  
Atlanta, TX 75551  
903-796-0004 Phone  
903-796-0640 Fax

=====  
P. O. Box 7509  
Texarkana, TX 75505  
903-792-8651 Phone  
[www.dominofcu.com](http://www.dominofcu.com)

**Red River Employees Federal Credit Union**

**Kay Partee – Branch Manager**

105 Loop 59  
Atlanta, TX 75551  
903-735-3000 Phone

=====  
P. O. Box 5909  
Texarkana, TX 75505  
[www.rrfcu.com](http://www.rrfcu.com)

**Texar Federal Credit Union**

103 West Allday  
Atlanta, TX 75551  
903-223-0000 Phone  
903-796-7160 Fax

=====  
2301 Richmond Rd.  
Texarkana, TX 75503  
[www.gotexar.com](http://www.gotexar.com)

**CASS COUNTY  
Broker/Dealer Questionnaire**

1. Name of Firm \_\_\_\_\_  
(Business Organization)

2. Address \_\_\_\_\_

\_\_\_\_\_  
(Local)

\_\_\_\_\_  
(National)

Telephone \_\_\_\_\_

3. Primary Representative:

Name \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_

Email \_\_\_\_\_

4. Registered Principal:

Name \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_

Email \_\_\_\_\_

5. Are you a primary dealer in U.S. government securities?     Yes     No

6. What was your firm's (business organization) total volume in U.S. government and agency securities last year?

Firm (Business Organization) \_\_\_\_\_

Local Office \_\_\_\_\_

7. Identify which of the following instruments are offered by your local desk:

\_\_\_\_\_ T-Bills

\_\_\_\_\_ Agencies (specify below)

\_\_\_\_\_ Treasury Notes/Bonds

\_\_\_\_\_

\_\_\_\_\_ Bank CDs

\_\_\_\_\_

\_\_\_\_\_ S&L CDs

\_\_\_\_\_

\_\_\_\_\_ Others (specify)

\_\_\_\_\_

**CASS COUNTY  
Broker/Dealer Questionnaire**

8. Is your firm (business organization) FINRA certified? Is your firm (business organization) registered with the Texas Securities Commission?

9. Does your firm (business organization) come under SEC regulations and their Uniform Net Capital Rule (Rule 15c301)?

10. Identify all personnel who will be trading with or quoting securities to the Cass County Treasurer/Investment Officer.

Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone No. \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone No. \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone No. \_\_\_\_\_

11. Have all the above-listed people received Cass County's Investment Policies/Strategies and the Public Funds Investment Act of Texas, and have they signed the County-provided statement that certifies they have read the above information and will abide by the laws and policies regulating our County? This must be accomplished before Cass County can do business with them.

12. Please indicate which agents of your firm's (business organization) local offices currently are licensed, certified, or registered and by whom.

<u>Name</u>	<u>Licensed or Registered By</u>
_____	_____
_____	_____
_____	_____
_____	_____



**CASS COUNTY  
Broker/Dealer Questionnaire**

13. Please identify your public-sector clients in Cass County's geographical area who are most comparable to our County.

<u>Entity</u>	<u>Contact</u>	<u>Phone</u>	<u>Client Since</u>

14. Have any of your public-sector clients ever sustained a loss on a securities transaction arising from a misunderstanding or misrepresentations of the risk characteristics of the instruments? (If yes, attach an explanation with client and contact person.)

15. Has a public-sector client ever claimed in writing that your firm (business organization) was responsible for investment losses? (If yes, attach explanation with client and contact person.)

16. Has your firm (business organization) or any of your employees ever been subjected to a regulatory or state/federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of securities? (If yes, attach explanation with name of agency.)

17. How many and what percentage of your transactions failed last month? Last year? What were the reasons for failure? Please provide name, contact person and telephone number of client involved in failure.

18. Please explain your normal custody and delivery process. Who audits these fiduciary systems?

19. What reports, transactions, confirmations and paper trail will we receive?

20. Please include samples of research reports that your firm (business organization) regularly provides to public-sector clients.

21. What Training would your firm (business organization) offer for Cass County's investment officer and employees?

**CASS COUNTY  
Broker/Dealer Questionnaire**

- 22. What portfolio information do you require from your clients?
- 23. Describe the precautions taken by your firm (business organization) to protect the interest of the public when dealing with governmental agencies as investors.
- 24. Please provide certified financial statements and other indicators regarding your firm's (business organization) capitalization.
- 25. Describe the capital line and trading limits that support/limit the office that would conduct business with Cass County.
- 26. Does your firm (business organization) consistently comply with the Federal Reserve Bank's capital adequacy guidelines?
- 27. By what factor (1.5X, 2X, etc.) does your firm (business organization) presently exceed the capital adequacy guidelines? Include certified documentation of your capital adequacy as measured by the Federal Reserve standards.
- 28. Do you participate in the SIPC Insurance program? If no, attach explanation.
- 29. Please enclose a complete schedule of fees and charges for various transactions.
- 30. Do you clear through another firm (business organization)? If so, what firm (business organization)?
- 31. Please provide your delivery instructions:

Wires:

Physicals:

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**CASS COUNTY  
Broker/Dealer Questionnaire**

32. Is the Pool, Mutual Fund or Money Market continuously rated by at least one nationally recognized Investment Rating Firm (Business Organization)? If so, complete all that applies.

Moody's \_\_\_\_\_ Rating \_\_\_\_\_ Date \_\_\_\_\_

Standard and Poor's \_\_\_\_\_ Rating \_\_\_\_\_ Date \_\_\_\_\_

Fitch \_\_\_\_\_ Rating \_\_\_\_\_ Date \_\_\_\_\_

Other \_\_\_\_\_ Specify \_\_\_\_\_ Rating \_\_\_\_\_ Date \_\_\_\_\_

**CASS COUNTY**  
**Broker/Dealer Questionnaire**  
**Money Markets, Mutual Funds and Investment Pool Funds**

1. Name of Firm \_\_\_\_\_  
(Business Organization)

2. Address \_\_\_\_\_  
(Local) (National)

\_\_\_\_\_

Telephone \_\_\_\_\_ Email \_\_\_\_\_

3. Primary Representative/Manager/Partner-in-Charge:

Name \_\_\_\_\_ Telephone \_\_\_\_\_

Title \_\_\_\_\_ Email \_\_\_\_\_

4. Registered Principal:

Name \_\_\_\_\_ Telephone \_\_\_\_\_

Title \_\_\_\_\_ Email \_\_\_\_\_

5. Name of the Fund \_\_\_\_\_

Website: \_\_\_\_\_

6. Who regulates the Pool/Fund? Are regulations and findings available for public access? If so, how?

\_\_\_\_\_  
\_\_\_\_\_

**CASS COUNTY**  
**Broker/Dealer Questionnaire**  
**Money Markets, Mutual Funds and Investment Pool Funds**

7. How are the Pools insured? \_\_\_\_\_  
\_\_\_\_\_

8. What guarantees Cass County that you are only using government backed securities as collateralization on our funds?  
\_\_\_\_\_  
\_\_\_\_\_

9. Who would we report/complain to if we experience a loss with our funds in your Pool?  
\_\_\_\_\_  
\_\_\_\_\_

10. Can you provide a copy of your most recent annual report? Note: An external audit report is necessary in order to have credibility?

11. Please enclose a complete schedule of fees and charges for various transactions.

12. Is the Pool, Mutual Fund or Money Market continuously rated by at least one nationally recognized Investment Rating Firm (Business Organization)? If so, complete all that applies.

Moody's: \_\_\_\_\_ Rating: \_\_\_\_\_ Date: \_\_\_\_\_

Standard and Poor's: \_\_\_\_\_ Rating: \_\_\_\_\_ Date: \_\_\_\_\_

Fitch: \_\_\_\_\_ Rating: \_\_\_\_\_ Date: \_\_\_\_\_

Other: \_\_\_\_\_ Specify: \_\_\_\_\_ Rating: \_\_\_\_\_

Date: \_\_\_\_\_

**RESOLUTION OF THE COMMISSIONERS' COURT OF CASS COUNTY  
FOR THE ADOPTION OF THE  
INVESTMENT POLICY AND INVESTMENT STRATEGIES**

**STATE OF TEXAS     }**  
                                  **}**  
**CASS COUNTY        }**

**RESOLUTION FOR THE  
ADOPTION OF THE 2021 CASS COUNTY  
INVESTMENT POLICY AND INVESTMENT STRATEGIES**

**WHEREAS**, the Texas Legislature set forth the Public Funds Investment Act in Government Code Chapter 2256, and

**WHEREAS**, the Public Funds Investment Act, Section 2256.005 requires the governing body of each County to review and adopt by Resolution, no less than annually, the County Investment Policy and Investment Strategies.

**WHEREAS**, the Commissioners' Court of Cass County has found the Investment Policy and Investment Strategies to be satisfactory, in proper form, and in compliance with Chapter 2256 of the Public Funds Investment Act.

**NOW, THEREFORE, BE IT RESOLVED**, the Commissioners' Court of Cass County, in a regular meeting duly convened and acting in its capacity as the governing body of Cass County, hereby affirms and adopts the attached 2021 Cass County Investment Policy and Investment Strategies. This Resolution shall be in full force and effective from and upon its adoption.

**RESOLUTION OF THE COMMISSIONERS' COURT OF CASS COUNTY  
FOR THE ADOPTION OF THE  
INVESTMENT POLICY AND INVESTMENT STRATEGIES**

**STATE OF TEXAS     }**  
                                  **}**  
**CASS COUNTY        }**

**RESOLUTION FOR THE  
ADOPTION OF THE 2021 CASS COUNTY  
INVESTMENT POLICY AND INVESTMENT STRATEGIES**

**IN WITNESS WHEREOF**, the Commissioners' Court of Cass County has approved and adopted the 2021 Cass County Investment Policy and Investment Strategies in a duly posted meeting on this **14th** day of **February, 2023**,

\_\_\_\_\_  
Richard T. Ransom  
County Judge

\_\_\_\_\_  
James B. Fitts  
Commissioner, Precinct 1

\_\_\_\_\_  
Kevin Young  
Commissioner, Precinct 2

\_\_\_\_\_  
Paul Cothren  
Commissioner, Precinct 3

\_\_\_\_\_  
Darrell Godwin  
Commissioner, Precinct 4

ATTEST:

\_\_\_\_\_  
Amy Varnell, County Clerk  
Cass County

**RESOLUTION OF THE COMMISSIONERS' COURT OF CASS COUNTY  
FOR THE APPOINTMENT OF THE COUNTY TREASURER  
AS THE COUNTY'S INVESTMENT OFFICER**

STATE OF TEXAS }  
                                  }  
CASS COUNTY        }

**CASS COUNTY RESOLUTION FOR THE  
APPOINTMENT OF THE COUNTY TREASURER AS  
THE COUNTY'S INVESTMENT OFFICER**

**WHEREAS**, the Commissioners' Court of Cass of Cass desires to authorize and appoint the County Treasurer to administer the investment activities of the county, and

**WHEREAS**, pursuant to the Public Funds Investment Act (LGC Sec. 2256) and the County Investment Policy (the "Policy"), adopts by Resolution on this 14th day of February 2023, the County Treasurer is designated as the County's Investment Officer; and

**WHEREAS**, under the Policy, the Investment Officer administers and approves investment activities of the county, including transactions from the county's various investment accounts including banks, credit unions, pools, brokers/dealers, etc.; and

**WHEREAS**, the Commissioners' Court finds it to be in the County's interest to affirm the appointment of the County Treasurer to act as the County's Investment Officer.

**NOW, THEREFORE, BE IT RESOLVED**, the Commissioners Court of Cass County, in a regular meeting duly convened and acting in its capacity as the governing body of Cass County, hereby affirms, authorizes and appoints Cass County Treasurer, Melissa Shores, as Cass County Investment Officer to implement and carry out the stated investment policy and Investment Strategies and shall act only in strict accordance with such. This Resolution shall be effective and in full force from and upon its adoption until the expiration of the Treasurer's term(s) or rescinded by the Court.



**RESOLUTION OF THE COMMISSIONERS' COURT OF CASS COUNTY  
FOR THE APPOINTMENT OF THE COUNTY TREASURER  
AS THE COUNTY'S INVESTMENT OFFICER**

**STATE OF TEXAS }  
                                  }  
CASS COUNTY        }**

**CASS COUNTY RESOLUTION FOR THE  
APPOINTMENT OF THE COUNTY TREASURER AS  
THE COUNTY'S INVESTMENT OFFICER**

**IN WITNESS WHEREOF**, the Commissioners' Court of Cass County affirms, authorizes and appoints Cass County Treasurer, Melissa Shores, as the County's Investment Officer, until the expiration of the Treasurer's term(s) or rescinded by the Court, in a duly posted meeting on this **14th day of February, 2023.**

\_\_\_\_\_  
Richard T. Ransom  
County Judge

\_\_\_\_\_  
James B. Fitts  
Commissioner, Precinct 1

\_\_\_\_\_  
Kevin Young  
Commissioner, Precinct 2

\_\_\_\_\_  
Paul Cothren  
Commissioner, Precinct 3

\_\_\_\_\_  
Darrell Godwin  
Commissioner, Precinct 4

ATTEST:

\_\_\_\_\_  
Amy Varnell, County Clerk  
Cass County