



Investment Policy
Cooke County, Texas
2019

The purpose of this document is to establish and promote an understanding of the constraints that govern the conduct of the investment program of Cooke County, Texas, while establishing objectives / goals and policies for the program.

It being the desire of the County Commissioners' Court of Cooke County, Texas to establish a sound Investment Policy for funds belonging to Cooke County, and in accordance with Section 116.112 of the Local Government Code, and Government Code Chapter 2256 of the Public Funds Investment Act, the following Investment Policy is adopted. The Cooke County Commissioners' Court shall review and adopt or update annually the Investment Policy and, a private auditor will insure a compliance audit of management controls on investments and adherence to established law and investment policies once every two years according to Government Code Section 2256.005(e). The results of the audit will be reported to the Cooke County Commissioners' Court after completion of the audit.

I. Investment Authority and Scope of Policy

- A. In accordance with Government Code Section 2256.005(f), the Cooke County Commissioners' Court shall designate, by resolution or Commissioners' Court Order, one or more officers or employees as Investment Officer to be responsible for the investment of its funds as defined in this Investment Policy. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the County.

- B. Under Sec. 116.112, Local Government Code, the Cooke County Commissioners' Court may direct the Investment Officer to withdraw any county funds deposited in a county depository that are not immediately required to pay obligations of the county and invest those funds as provided herein unless such an investment or withdrawal is prohibited by law or the withdrawal is contrary to the terms of the depository contract.

- C. This policy applies to all financial assets of all funds of Cooke County, Texas, unless expressly prohibited by law or unless it is in dispute of any depository contract between Cooke County, Texas and any depository bank.

II. Investment Objectives

- A. Each investment strategy listed below describes the investment objectives for the particular fund or group of funds of Cooke County using the following priorities of importance:
1. Understanding the suitability of the investment to the financial requirements.
 2. Preservation and safety of principal.
 3. Maintain 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.
 7. Maturities controlled by the Investment Policy.
- B. Funds of the County will be invested in compliance 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 order of The Commissioners' Court in accordance with Government Code Section 2256.005(d) (1-6).
- C. Cooke County is concerned about the return of its principal; therefore, safety of principal is the primary objective in any investment transaction. The County's investment portfolio must be structured in conformance with an asset/liability management plan that provides liquidity necessary to pay obligations as they become due.
- D. It is the policy of Cooke County to diversify its portfolio to reduce 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.
- E. It is the policy of Cooke County to earn the maximum rate of return allowed on its investment within the policy imposed by safety and liquidity objectives, investment strategies for each fund or group of funds, and state and federal laws governing investment of public funds.

- F. Portfolio maturities will be structured to meet the obligations of Cooke County first and then to achieve the highest rate of return of interest. When the County has funds that exceed current year obligations, maturity restraints will be imposed based upon the investment strategy for each fund or group of funds. The maximum allowable maturity of any individual investment owned by the County is twenty-four months (2 years). Any other investment situation must be approved by Commissioners' Court.
- G. It is Cooke County's policy to provide training required by the Public Funds Act including additional periodic training in investments for the County Investment Officer(s), members of the Commissioners' Court and other county officials. In order to ensure current and continuing education and training, only courses and seminars offered by professional organizations and associations will be attended. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with Government Code Section 2256.008(c). The Investment Officer must complete this training within 12 months (or as soon as training is available) after taking office or assuming duties. A certificate indicating the completion of such training shall be provided to the Commissioners' Court upon completion of the required training.
- H. If an 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 the Commissioners' Court in accordance with Government Code Section 2256.005(i).

III. Investment Responsibility and Control

- A. Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
- B. The standard of prudence to be used by the Investment Officer shall be the "Prudent Person" standards and shall be applied in the context of managing an overall portfolio. The Investment Officer acting in the accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility of an individual security's credit risk or market

price changes, provided deviations from expectation are reported in a timely manner and appropriate action is taken to control adverse developments. This policy does not release the Investment Officer for loss resulting from any act of official misconduct, negligence, or for any misappropriation of funds. In determining whether the 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 has responsibility rather than a consideration as to the prudence of a single investment;
 2. Whether the investment decision was consistent with the written Investment policy of the County.
- C. The County Investment Officer shall invest County funds with any and all of the institutions or groups consistent with federal and state regulations approved by the Commissioners' Court.

IV. Standards of Operation

- A. The Investment officer shall deposit, withdraw or transfer funds in/out of an investment pool, or depository institution to meet the daily operational needs of the County, exercising good judgment and discretion to implement the policies herein set forth.
- B. It will be the policy of Cooke County that all investments except investment pool funds, shall be purchased using "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By doing so, the County funds are not released until the County has received, through the Federal Reserve wire, the securities purchased.

V. Investment Reporting and Performance Evaluation

- A. In accordance with Government Code Section 2256.023, not less than quarterly, the County Investment Officer shall prepare and submit to Commissioners' Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable period of time after the reporting period is over. The report must:

1. Describe in detail the investment position of the County on the date of the report;
2. Be signed by the Investment Officer of the County;
3. Contain a summary statement of each pooled fund group that states the:

Beginning market value for the reporting period;
Additions and changes to the market value during the period;
Ending market value for the period; and
Fully accrued interest for the period.

4. State the market value of each separately invested asset by 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 required;
7. Provide detail of the investments/securities held by the investment pool, as provided by the pool;
8. List the purchase date and original principal of each entity investment.

B. It shall be the duty of the County Investment Officer of Cooke County, Texas to notify and obtain approval from the Cooke County Commissioners' Court of any proposed investment methods and/or procedures that are not specifically listed in this policy prior to their implementation.

VI. Investment Collateral and Safekeeping

A. The Cooke County Investment Officer shall ensure that all county funds are fully collateralized or insured consistent with federal and state laws. To anticipate possible market changes and insure the security of funds, the collateralization level will be 110% of market value of principal and accrued interest on deposits or investments less an amount insured by the FDIC or NCUSIF. Cooke County shall accept the following securities as collateral:

1. FDIC insurance coverage;
 2. Letters of Credit;
 3. Obligations of the United States Treasury or its agencies and instrumentalities;
 4. Securities of federally-sponsored U. S. Agencies and instrumentalities of the United States Government, excluding Collateralized Mortgage Obligations and Strip Securities.
- B. All purchased securities, as well as pledged securities by the Depository Bank, shall be held in a safekeeping account subject to the control and custody of the County, specifically a third party financial institution with the Federal Reserve Bank or the Federal Home Loan Bank.
- C. A list of financial institutions authorized to provide investment services to Cooke County will be maintained by the Investment Officer. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1.

VII. Qualifications for Approval of Broker/Dealer

- A. The County Investment Officer shall present a written copy of this investment policy to all financial institutions and broker/dealers who desire to become qualified bidders for investment transactions with Cooke County. The qualified representative of the business organization seeking to sell an authorized investment shall execute a written instrument prepared by the Investment Officer of the County stating that the business organization has:
1. Received and thoroughly reviewed the Investment Policy of the County;
 2. Completed Broker/Dealer questionnaire;
 3. Completed Anti-Collusion Agreement;
 4. Acknowledged that Cooke County has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization, in accordance with 2256.005(k);

5. Provided audited financial statement(s) (to be provided annually);
 6. Provided proof of National Association of Securities Dealers (NASD) Certification;
 7. Provided proof of state registration;
 8. Provided original proof of insurance if it applies; and
 9. Acknowledged that they shall provide timely transaction confirmations and monthly activity reports.
- B. The Investment Officer may not buy any securities from a person or organization who has not delivered to the County the instrument signed by the qualified representative.
- C. A competitive bid process, utilizing a minimum of three bids (if available) shall be considered to place government security purchases. Investment bids may be solicited orally, in writing electronically, or in any combination thereof; and will be subsequently documented in writing if necessary.

VIII. Authorized and Suitable Investments

- A. Obligations of the United States or its agencies and instrumentalities. (Section 2256.009 Texas Government Code of the Public Funds Investment Act.)
- B. Direct obligations of the State of Texas or its agencies and instrumentalities.
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas 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.
- D. 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.

E. Certificates of Deposit issued by a depository institution must be:

1. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; and
2. Secured in any other manner and amount provided by law for deposits of Cooke County, Texas.

In addition to the authority to invest funds in certificates of deposit as listed above, an investment in certificates of deposit must be made in accordance with the following conditions:

1. The funds are invested by an investing entity through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by Cooke County as required by Section 2256.025; or
2. The broker or the depository institution selected by Cooke County 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 Cooke 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. Cooke County appoints the depository institution 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 Cooke County.

F. Fully collateralized Repurchase Agreements if it has the following:

1. A defined termination date;
2. Secured by a combination of cash and obligations described by Section 2256.009(a)(1);
3. Requires the securities being purchased by Cooke County to be pledged to Cooke County, held in Cooke County's name, and deposited at the time the investment is made with Cooke County or with a third party selected and approved by Cooke County; and
4. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.

G. Eligible Investment Pools if the Commissioners' Court by resolution authorizes investment in the particular pool. An Investment Pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. An Investment Pool may invest its funds in money market mutual funds to the extent permitted by and consistent with Section 2256.016 and the investment policies and objectives adopted by the Investment Pool. Cooke County, by contract, may delegate to an Investment Pool the authority to hold legal title as custodian of investments purchased with its local funds. 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.

H. Commercial Paper which has a stated maturity of 270 days or fewer from the date of its issuance. It must be rated not less than A-1 or P-1 or an equivalent rating by at least:

1. Two nationally recognized credit rating agencies;
2. 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.

IX. Unauthorized and Prohibited Investments

- A. Interest-Only Strips (IOs): Obligations whose payments represent the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- B. Principal-Only Strips (POs): Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest Collateralized Mortgage Obligations (CMOs): Obligations that have a stated final maturity date of greater than 10 years.
- C. Collateralized Mortgage Obligations (CMOs): Obligations that have an interest rate which is determined by an index that adjusts opposite to the change in a market index.

X. Investment Officer Authorization to Invest

In order to insure timely investment of county funds to obtain maximum earning benefit, within the constraints of this policy, the following investments may be made by the Investment Officer without prior Commissioners' Court approval:

- A. Investment Pools
- B. Obligations of the United States, its agencies and instrumentalities
- C. Direct Obligations of the State of Texas or its agencies
- D. Other obligations insured by the State of Texas or United States
- E. Bank Certificates of Deposit that are guaranteed

Prior to investing in any other asset classes, the Investment Officer will obtain approval from the Cooke County Commissioners' Court.

XI. Investment Committee

The County Treasurer, as the Investment Officer, together with the County Judge, the County Auditor and a Commissioner, which should rotate every two years, shall be members of the Investment Committee. The Investment Committee shall review the investment portfolio's status and performance, advise appropriate portfolio adjustments, and monitor compliance with the Investment Policy. The Investment Committee shall serve in an advisory capacity only. The Committee shall perform such duties assigned to it by this Policy and such other duties as may, from time to time, be assigned to it by the Commissioners' Court. The Investment Committee shall meet at least quarterly.

Members of the Investment committee shall attend at least 10 hours of instruction relating to investing of public funds within 12 months after assuming duties; and attend an investment training session not less than once in a two-year period and receive not less than 10 hours of instruction relating to investment responsibilities from an independent source approved by the Commissioners Court, and in compliance with Government Code Section 2256.008(c).

**Order Approving
Cooke County Investment Policy**

On this the _____ day of _____ 2019, the Commissioners' Court of Cooke County, Texas considered the following resolution:

WHEREAS, the Public Funds Investment Act of Texas, Section 2256.025 requires the governing body to annually review, revise, and adopt the Investment Policy; and

WHEREAS, the Cooke County Commissioners' Court has reviewed the policy and hereby support the objectives and strategies of the policy; now therefore,

BE IT RESOLVED, that the Cooke County Investment Policy 2019 be adopted.

Adopted this _____ day of _____ 2019.

Jason Brinkley, Cooke County Judge

Gary Hollowell, Commissioner, Pct. 1

Jason Snuggs, Commissioner, Pct. 2

John Klement, Commissioner, Pct. 3

Leon Klement, Commissioner, Pct. 4

ATTEST:

Pam Harrison, Cooke County Clerk