

FISHER COUNTY INVESTMENT POLICY

FY 2018

PRESENTED BY

SHANA HAAS
Fisher County Treasurer

**COUNTY OF FISHER
INVESTMENT POLICY**

ARTICLE I

Purpose and Need for Policy

Chapter 2256 of the Government Code, as amended from time to time by the Texas State Legislature ("Public Funds Investment Act") requires each government entity to adopt rules governing its investment practices and to define the authority of the investment official. The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of the County of Fisher funds. It is the policy of the Fisher County Treasurer to invest public funds in a manner which will provide the highest investment return with the maximum security statutes governing the investment of public funds.

Article II

Scope

The Investment Policy applies to investment and management of all funds under direct authority of Fisher County.

- A. These funds are accounted for in the County's Annual Financial Report and include the following:
- (1) General Fund
 - (2) Airport Enterprise Fund
 - (3) Road & Bridge
 - (4) Lateral Road

- (5) Special Revenue Funds
- (6) Trust and Agency Funds
- (7) General Fixed Assets

This investment policy shall apply to all transactions involving the financial assets and related activity of all the foregoing funds.

- B. This policy excludes:
 - (1) Employee Retirement and Pension Funds administered or sponsored by the County
 - (2) Deceased bond funds held in trust escrow accounts
- C. Review and Amendment

The Fisher County Commissioners are required by state statute and by this investment policy to review this investment policy and investment strategies not less than annually and to adopt a resolution or an ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements

Article III

Prudence

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence 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.

In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made

taking into consideration the probable safety of capital and the probable income to be derived.

In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or fund under the entity'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.

All participants in the investment program will act responsibly as custodians of the public trust. Investment officials will avoid any transaction that might impair public confidence in the County's ability to govern effectively. Investment 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 which is worthy of the public trust. Nevertheless, the County recognizes that in a marketable, diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment rate of return.

Investment officials acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for market price changes, provided that these deviations from expectations are reported immediately to the County Judge and the Commissioner's Court of Fisher County and that appropriate actions is taken by the investment officials and their oversight to control adverse developments

Article IV

Objectives

A. Preservation and Safety of Principal

Preservation of capital is the foremost objective of the County. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of a security or from erosion of market value.

B. Liquidity

The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which can be reasonably anticipated. Liquidity will be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

C. Yield

The investment portfolio of the County shall be designed to meet or exceed the average rate of return on 91-day U.S. treasury bills throughout budgetary and economic cycles, taking to account the County's investment risk constraints and the cash flow characteristics of the portfolio. Legal constraints on debt proceeds that are not exempt from federal arbitrage regulations are limited to the arbitrage yield of the debt obligation. Investment officials will seek to maximize the yield of these funds in the same manner as all other County funds. However, if the yield achieved by the County is higher than the arbitrage yield, positive arbitrage income will be averaged over a five year period, netted against any negative arbitrage income and the new amount shall be rebated to the federal government as required by federal regulations.

Article V
Responsibility and Control

A. Delegation of Authority

Authority to manage the County's Investment program is derived from the order of the Commissioner's Court. Management responsibility for the investments program is hereby delegated to the County Treasurer, who shall establish procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer. The County Treasurer shall be responsible for all transaction undertaken and shall establish system of controls to regulate the activities of the subordinate officials.

B. Internal Controls

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by investment officials. Controls deemed most important would include: control of collusion, separation of duties, third-party custodial safekeeping, avoidance of bearer-form securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, and documentation of and rational for investment transactions.

In conjunction with the annual independent audit, a compliance audit of management controls on investments and adherence to the Investment Policy and the Investment Strategy shall be performed by the County's Independent Auditor.

C. Ethics and Conflicts of Interest

An Investment Officer of the County who has a personal business relationship with a business organization offering to engage in an investment transaction with the County shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the County shall file a statement disclosing that relationship with the Texas Ethics Commission and the County Commissioners. For purposes of this section, an Investment Officer has a personal business relationship with a business organization if:

1. The Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000.00 or more of the fair market value of the business organization.
2. Funds received by the Investment Officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
3. The Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500.00 or more for the personal account of the Investment Officer.

Investment Officials of the County shall refrain from personal and business activities involving any of the County's custodians, depositories, broker/dealers or investment advisors which may influence the officer's ability to conduct his duties in an unbiased manner. Investment officials will not utilize advice concerning specific securities or classes of securities obtained in the transaction of the County's business for personal investment decisions, will in all respects subordinate their personal investment transactions to those of the County, particularly with regard to the timing of purchase and sales and will keep all investment advice obtained on behalf of the County and all transactions contemplated and completed by the County confidential, except when disclosure is required by law.

D. Investment Training Requirements

The Investment Officer shall attend at least one ten hour training session relating to their investment responsibilities within 12 months after assuming their duties. In addition to this ten hour requirement, the investment officer shall receive not less than ten hours of instruction in their investment responsibilities at least once during each two year period. The investment training session shall be provided by an independent source. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a Business Organization with whom the County may engage in an investment transaction. Such training shall include education in investment controls, credit risk, market risk, investment strategies, and compliance with investment laws, including the Texas State Public Funds Investment Act. A list will be maintained of the number of hours and conferences attended by the investment officer.

**Article VI
Authorized Investments**

The County Treasurer will maintain a list of financial institutions authorized to provide investment services. No public deposits shall be made except in a qualified public depository as established by state laws.

All financial institutions who desire to become qualified bidders for investment transactions must supply the Treasurer with the following:

1. Audited Financial Statements
2. Proof of State Registration
3. Certification of having read the County's Investment Policy

The County is empowered by statute to invest in the following types of securities:

1. Certificates of Deposit
2. Now Accounts
3. Money Market Accounts

Article VII

Collateralization

Collateralization level must be equal to or greater than 102% of value of Certificates of Deposit, Money Market, and Now Accounts. These accounts shall include all accounts with the County's Federal Tax Identification number 75-6000-944. Collateral will be held by an independent third party and clearly marked evidence of ownership must be supplied to the County for safekeeping. Due to the daily fluctuation of the daily balances of these accounts, during the months of December through March, the collateralization level must be checked daily. Fisher County reserves the right to include the interest earned in the investment in which it was earned or follow the practice of placing the interest earned in the Operating Account to use for cash flow.

Article VIII

Diversification

Due to limited resources, diversification is not a great option. The County will use Certificates of Deposit, Now, and Money Market Accounts with up to 2 financial institutions.

Article IX

Maturities

To the extent possible, the County will attempt to match its investments to the anticipated cash flow requirements. Unless matched to specific cash flow, the County will not directly invest in securities maturing more than twelve months from the date of purchase.

Article X

Performance Standards

A. Performance Standards

The investments shall be designed with the objectivity of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

B. Reporting

The Investment Officer shall provide the Commissioner's Court quarterly investment reports which provide a clear picture of the status of the current investment. The Management Report should include comments on the fixed income markets, investments by categories, possible changes, and thoughts on investment strategies.

Schedules in the quarterly report should include the following:

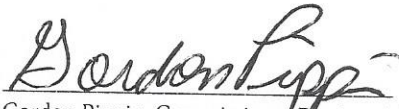
1. A listing of individual securities held at the end of the reporting period by category.
2. Average life
3. Final Maturity
4. Interest earned for all investments listed

ARTICLE I

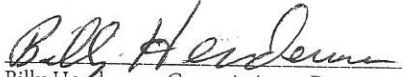
Investment Strategy Adoption

The Fisher County Investment Strategy shall be adopted by resolution of the County's Commissioner's Court. The strategy shall be reviewed annually by the Commissioner's Court and any modifications made must be approved by the Court.

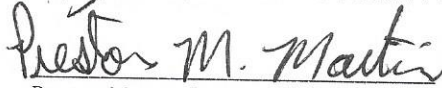
Approved by the Fisher County Commissioner's Court,
September 18, 2017



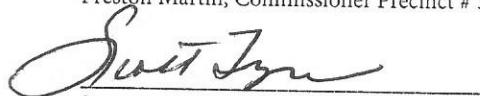
Gordon Pippin, Commissioner Precinct # 1



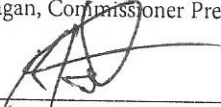
Billy Henderson, Commissioner Precinct # 2



Preston Martin, Commissioner Precinct # 3



Scott Feagan, Commissioner Precinct # 4



Ken Holt, County Judge

FISHER COUNTY
INVESTMENT STRATEGY

FY 2018

PRESENTED BY

SHANA HAAS,
FISHER COUNTY TREASURER

PREFACE

It is the policy of Fisher County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, County Investment Strategies shall address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the County;
- Preservation and safety of principal
- Liquidity
- Marketability of the investment prior to maturity
- Diversification of the investment portfolio; and
- Yield

Effective investment strategy development coordinates the primary objectives of the County's Investment Policy and cash management of procedures to enhance interest earnings and reduce investment risk. Aggressive cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. The County's portfolio shall be designed and managed in a manner responsible to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. County funds shall be analyzed and invested according to the following major fund types:

- A. General Operating Funds
- B. Construction and Capital Improvement Funds
- C. Debt Service Funds
- D. County Investment Pool

INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

A. General Operating Funds

Suitability – Any investment eligible in the Investment Policy is suitable for the Operating Funds.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the weighted average days to maturity for the Operating Fund Portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized. General Fund balances at the end of fiscal year shall have a maximum allowable maturity not to exceed three years.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County Market cycle risk will be reduced by diversifying the appropriate maturity structure out through the two years.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

B. Construction and Capital Improvement Funds

Suitability – Any investment eligible in the Investment Policy is suitable for Construction and Capital Improvement Funds.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Construction and Capital Improvement Fund's portfolio to exceed the anticipated expenditure schedule the market risk of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – County funds used for construction and capital improvement programs have reasonable predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure repurchase agreement.

Diversification – Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction and capital improvement funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, the County is best served by locking in most investments. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger lumps. At

no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any County funds.

Yield – Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond priced construction and capital project funds will target a rolling portfolio of six-month Treasury bills.

C. Debt Service Funds

Suitability – Any investment eligible in the Investment Policy is suitable for the Debt Service Fund.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Debt Service Fund's portfolio to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are not necessary, as the event of an unanticipated cash requirement is not probable.

Liquidity – Debt service funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy and debt service payment, this investment structure is commonly referred to as a flexible repurchase agreement.

Diversification – Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are trending down, the County is best served by locking in market conditions will be determined the attractiveness of extending maturity or investing in shorter alternative. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

D. County Investment Pool

Suitability – Any investment eligible in the Investment Policy is suitable for the County Investment Pool.

Safety of Principal – All investments will/shall be of high quality securities with no perceived default risk. Market price fluctuations will however, occur, by managing the County Investment Pool so that the weighted average days to maturity is less than 270 days and restricting the maximum allowable maturity to two years, the price volatility and the market risk of the overall portfolio will be minimized.

Marketability – Securities marketability shall be maintained by ensuring an active and efficient secondary market in portfolio investments and by controlling the market and opportunity risks associated with specific investment types.

Liquidity – Liquidity shall be achieved by anticipating cash flow requirements of the County consistent with the objectives of the investment policy and the intent of the departments contributing funds to the County Investment Pool. Through scheduled maturity and investments liquidity will be achieved.

Diversification – Investment maturities shall be staggered to provide cash flow based on anticipated needs of the county and provide reasonable liquidity. It is the policy of the 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 on investments.

Yield – It will be the objective of the County to earn the maximum rate of return allowed on its investments within the investment policy guidelines and state and federal law governing investment of public funds. The yield of an equally weighted, three-month Treasury bill portfolio shall be the minimum yield objective.

Article XI

Policy Adoption

The Fisher County Investment Policy shall be adopted by resolution of the County's Commissioner's Court. The policy shall be reviewed annually by the Commissioner's Court and any modifications made must be approved by the Court.

Approved by the Fisher County Commissioner's Court, September 18, 2017



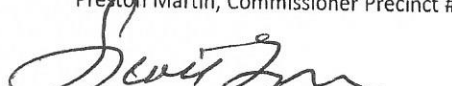
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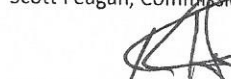
Billy Henderson, Commissioner Precinct # 2



Preston Martin, Commissioner Precinct # 3



Scott Feagan, Commissioner Precinct # 4



Ken Holt, County Judge

APPENDIX "A"

Acknowledgement Form

Acknowledgement and Agreement of Investment Institution

In accordance with the § 2256.005(k) of the Government Code, I certify that I have received and thoroughly reviewed and read the Investment Policies and Strategies of Fisher County, Texas, as well as a copy of Chapter 2256 of the Government Code, and agree to abide by said laws and policies. I further certify that my organization has implemented reasonable procedures and controls designed to preclude imprudent investment activities arising out of transactions conducted between our organization and Fisher County, Texas. We will notify you immediately by telephone and in writing in the event of a material adverse change in our financial condition. I pledge to exercise due diligence in informing you of all feasible risk associated with financial transactions conducted with our firm.

No investment will be made in contravention of Fisher County's Investment Policies and Investment Strategies, unless specifically authorized in writing by the Commissioner's Court of Fisher County, Texas. In no event shall an investment be made that is in violation of Chapter 2256 of the Government Code. Our firm recognizes that the primary emphasis on the investment of public funds is safety and maintenance of liquidity. Our firm shall not encourage or recommend investments that are speculative or that would be contrary to the paramount considerations in investment of the public funds of the County.

Our firm further states that we will provide the County or Investment Officer with information requested with regard to their investment activities with or through our firm upon reasonable notice. We also pledge to provide all such documentation required under any agreements between our firm and the County in a timely manner and in an informative form.

Neither the County Investment Officer nor any member of the Commissioner's Court hold an interest in our firm or derives a substantial portion of their income from our firm. Likewise, to the best of our knowledge, neither the County Investment Officer nor any member of the Commissioner's Court is related within the second degree of consanguinity or the second degree in affinity to any principal of our firm. No gift or gratuity has been given to any member of the Commissioner's Court or to the Investment Officer in consideration of the County doing business with our firm.