



HOPKINS COUNTY INVESTMENT POLICY

May 24, 2021

Investment Officer's

Danny Davis
Hopkins County Treasurer
118 Church Sulphur Springs,
Texas 75482
ddavis@hopkinscountytexas.org

Shannah Aulsbrook
Hopkins County Auditor
118 Church Sulphur Springs,
Texas 75482
auditor@hopkinscountytexas.org

Table of Contents

- I. Investment Authority and Scope of Policy**
 - a. General Statement
 - b. Funds Included
 - c. County's Investment Officer

- II. Investment Objectives**
 - a. General Statement
 - b. Safety and Maintenance of Adequate Liquidity
 - c. Diversification
 - d. Yield
 - e. Maturity
 - f. Quality and Capability of Investment Management
 - g. Investment Strategies

- III. Investment Types**
 - a. Except as Provided by GC 2256.009(b) – Authorized Investments

- IV. Investment Responsibility and Control**
 - a. Investment Institutions-Defined
 - b. Qualifications for Approval of Broker/Dealers
 - c. Standards of Operation
 - d. Delivery vs Payment
 - e. Audit Control
 - f. Standard of Care
 - g. Investment Committee
 - h. Liability of Investment Officer and Investment Committee

- V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION**
 - a. Quarterly Report
 - b. Notification of Investment Changes

- VI. INVESTMENT COLLATERAL AND SAFEKEEPING**
 - a. Collateral or Insurance
 - b. Safekeeping

I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

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).

Funds Included

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

County's Investment Officer

In accordance with Sec. 116.112(a), Local Government Code and/or Chapter 2256, Sec. 2256.005 (f) and (g), the County Investment Officer, under the direction of the Hopkins 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 one or more officers or employees as investment officer.

The designated investment officer(s) of the County shall attend training session meeting the requirements of Section 2256.008 of the Local Government Code within twelve months of assuming the duties of investment officer. Training must include education in investment controls, security risks, strategy risks, market risks and compliance with the Public Funds Investment Act of the State of Texas. 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 the Commissioners Court in accordance with Government Code 2256.005 (i).

In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

II. INVESTMENT OBJECTIVES

A. General Statement

Funds of the County will be invested in accordance with federal and state laws, this investment policy, and written administrative procedures. The County will invest according to investment strategies for each fund as they are adopted by Commissioners Court resolution in accordance with Sec.2256.005 (d) of the Government Code.

B. Safety and Maintenance of Adequate Liquidity

Hopkins 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.

C. Diversification

It will be the policy of Hopkins 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. Nevertheless, the Commissioners Court recognizes that in a diversified portfolio, occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. Investments of the County shall always be selected that provide for stability of income and reasonable liquidity.

D. Yield

It will be the objective of the County to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.

E. Maturity

According to Government Code 2256.005 (b) (4), the policy must include the maximum stated maturity of any individual investment. For pooled funds, the policy must state the maximum average dollar-weighted maturity allowed. Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest return of interest. When the County has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy of each fund.

F. Quality and Capability of Investment Management

It is the County's policy to provide training required by the Public Funds Investment Act, Sec. 2256.008 and periodic training in investments for the County Investment Officer through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the county Investment Officer in making investment decisions. The investment officer must complete 10 hours of training every 2 fiscal years.

G. Investment Strategies

The County maintains control over three types of funds: operating funds, debt service funds and capitol projects funds. For each of these funds, the primary objectives for the investment strategy of the county, is as follows:

- 1) understanding of the suitability of the investment to the financial requirements of the entity;
- 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; and
- 7) maturity restrictions

To insure diversity of investments, at no time shall over 75% of the County's total investments be placed in any one specific type of investment or in any one investment pool.

For operating funds, the County's investment strategy shall include the above prioritized objectives along with emphasis on assuring that anticipated cash flows are matched with investment liquidity.

For debt service and capitol project funds, the County's investment strategy shall include the above prioritized objectives with emphasis on matching investment maturities to required and projected cash flow needs.

III. INVESTMENT TYPES

Texas Local Government Code 2256.005 (b)(4) requires the investment policy to list the types of investments in which the County may invest. The Hopkins County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law.

A. Authorized Investments – except as provided by Government Code 2256.009 (b) the following are authorized investments:

1. obligations of the United States or its agencies and instrumentalities
2. direct obligations of this state or its agencies and instrumentalities

3. 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
4. Certificates of Deposit if issued by a depository institution that has its main office or a branch office in this state and is:
 - i. Guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor;
 - ii. Secured in any other manner and amount provided by law for deposits of the County.
5. Any or all of the following types of investments consistent with federal and state law and the current Bank Depository Contract
 - i. money market investment accounts
 - ii. negotiable order of withdrawal (NOW and Super NOW) accounts
6. Eligible investment pools (as discussed in the Public Funds Investment Act, Sec 2256.016-2256.019) 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. A county by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

A. Investment Institutions Defined

The Hopkins County Investment Officer 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 state or federal credit unions that are insured by FDIC
- 3) Public funds investment pools
- 4) Government securities brokers and dealers approved by Hopkins County Commissioner's Court.

B. Qualifications for Approval of Broker/Dealers

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

Hopkins County
Investment Policy

- 1) Received and reviewed the investment policy of the county; and
- 2) Acknowledged that the organization 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; and
- 3) Has adequate capital or insurance coverage to cover any investment if there is a default on any purchase and the business organization is found liable.

C. Standards of Operation

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

D. 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.

E. Audit Control

The Hopkins County Investment Officer will establish liaison with the Hopkins 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 Hopkins County Auditor. In addition, the Hopkins 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 entity's established investment policies in accordance with Gov. Code 2256.005(m).

F. 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.

G. Investment Committee

An Investment Committee consisting of the County Treasurer, County Auditor, Tax Collector, District Clerk and County Judge.

Members should have demonstrated knowledge and expertise in the area of finance, investments, or cash management. The County Treasurer will serve as the Chair for the Committee. This committee will meet at least semi-annually to review investments made in the previous period, evaluate the possibilities of the present market situation, and address any questions or proposals relative to the Hopkins County Investment Policy. These meetings are to focus on the direction of future investments and provide continual input from the Commissioners Court to the Investment Officer regarding the course of Hopkins County's investments.

H. Liability of Investment Officer and Investment Committee

The County Investment Officer and the Investment Committee are not responsible for any loss of county funds through the failure or negligence of the depository. This policy does not release the investment officer or any other person for a loss resulting from an act of official misconduct, or negligence, or for any misappropriation of such funds.

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

A. Quarterly Report

In accordance with Government Code 2256.023, not less than quarterly, 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 jointly by all investment officers of the County;
- 3) Be signed by each investment officer of the County;

- 4) Contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the:
 - a. Beginning market value for the reporting period;
 - b. Additions and changes to the market value during the period; and
 - c. Ending market value for the period;
 - d. Fully accrued interest for the reporting period;
- 5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- 6) state the maturity date of each separately invested asset that has a maturity date;
- 7) state the account or fund or pooled group fund in the County for which each individual investment was acquitted; and
- 8) state the compliance of the investment portfolio of the county as it relates to:
 - a. the investment strategy expressed in the County's investment policy; and
 - b. relevant provisions of this chapter

B. Notification of Investment Changes

It shall be the duty of the County Investment Officer of Hopkins County, Texas to notify the Hopkins County Commissioners Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

VI. INVESTMENT COLLATERAL AND SAFEKEEPING

A. Collateral or Insurance


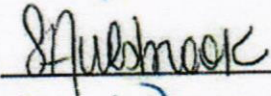
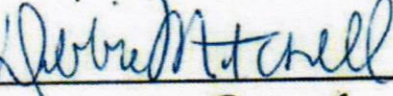
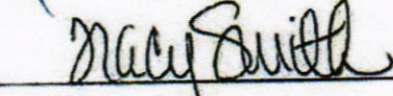
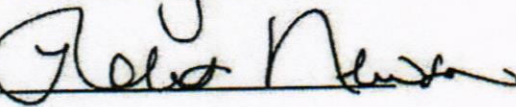
The Hopkins County Investment Officer shall insure that all county funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

- 1) FDIC insurance coverage
- 2) Obligations of the United States or its agencies and instrumentalities
- 3) A bond, certificate of indebtedness, or Treasury note of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest by the United States.
- 4) Irrevocable Standby Letter of Credit issued by the Federal Home Loan Bank of Dallas.

B. Safekeeping

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

INVESTMENT COMMITTEE

- | | | |
|---------------------------|-------------------|--|
| 1. County Treasurer | Danny Davis |  |
| 2. County Auditor | Shannah Aulsbrook |  |
| 3. Tax Assessor/Collector | Debbie Mitchell |  |
| 4. County Clerk | Tracy Smith |  |
| 5. Commissioners Court | Robert Newsom |  |