

**HARTLEY COUNTY**  
**INVESTMENT**  
**POLICY AND PROCEDURES**

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## 1.0 INVESTMENT STRATEGY

### 1.01 Hartley County Pooled Cash Funds

Funds included are:

- Road and Bridge Fund
- General Fund
- Sheriff's Seized Fund
- Capital Improvement Fund
- Capital Outlay/Fleet Fund
- "All Other Special Funds"

All funds of Hartley County that are invested are invested by matching the maturity of investments of with liabilities. Investments are made with the intention of holding to maturity, but with the ability to liquidate should funds be needed at any time. This strategy is achieved by utilizing highly liquid short term Treasury Bills, Certificate of Deposits and Agency Discount Notes with stated final maturity of one year or less. 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:

- (1) preservation and safety of principal
- (2) Liquidity; and
- (3) Yield.

## 2.0 INVESTMENT SCOPE

### 2.01 Legal Authority to Invest

Texas Government Code Ann., sec 2256.003 et seq. (Vernon 1995) authorizes the Commissioners Court to invest County funds.

### 2.02 County Investment Portfolio Structure

This investment policy applies to all financial assets of all funds of the County of Hartley, 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 Hartley County and any deposit bank.

### 2.03 Applicability of Policy

This policy governs the investment of all funds of Hartley County, and are managed in compliance with this policy and all applicable state and federal laws.

### 3.0 INVESTMENT OBJECTIVES AND PRIORITIES

#### 3.01 General Statement

This investment policy serves to satisfy the statutory requirements of the Texas Government Code, Ann., Title 10, Section 2256. Public Funds Investment Act, to define and adopt a formal investment policy.

#### 3.02 Safety of Principal

The primary objective of Hartley County is to ensure the safety of principal in all funds and to avoid speculative investing.

#### 3.03 Maintenance of Adequate Liquidity

The secondary objective of Hartley County is to strive to maintain adequate liquidity, through scheduled maturity of investments, to cover the cash needs of the county consistent with the objectives of this policy.

#### 3.04 Desire Diversification

It will be the policy of Hartley 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 investment. Investments of the County shall always be selected that provide for stability of income and reasonable liquidity.

#### 3.05 Rate of Return on Investment

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

#### 3.06 Maturity

Portfolio maturities will be structured to achieve the highest return of interest consistent with liquidity requirements of the County's cash needs. No investment shall have a legal stated maturity of more than 12 months.

#### 3.07 Quality and Capability of Investment Manager

It is the County's policy to provide periodic training in investments for the County Treasurer through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the County Treasurer in making investment decisions, in compliance with Sec. 2256.008 of the Public Funds Investment Act.

## 4.0 INVESTMENT RESPONSIBILITY

### 4.01 Delegation of Investment Authority

In accordance with Sec. 2256.005 of the Public Funds Investment Act, the County Treasurer and County Judge, under the direction of the Hartley County Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County. The County Treasurer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this investment policy.

### 4.02 Investment Advisory Committee

Hartley County may appoint an Investment Advisory Committee. The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performance. Members of the Committee may include: an appointed member from the County Commissioner, the County Treasurer, the County Judge or his/her designee. Members should have demonstrated knowledge and expertise in the area of finance, investment or cash management. The chairman will be elected by the committee, and meetings will be call as needed.

### 4.03 Prudence and Ethical Standards

Hartley County relies on the "prudent person rule" when managing the portfolios within the applicable legal and policy constraints. The prudent person rule is follows:

"Investments must be made with the judgment and care, under prevailing circumstance, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs for investment, not for speculation, considering the probable safety of their capital as well as the probable income to the derived."

### 4.04 Liability of Investment Officer

In accordance with Sec. 113.005, Texas Local Government Code, The County Investment Officers are not responsible for any loss of the County funds through the failure of negligence of a depository. This section does not release the Investment Officers from responsibility for loss resulting from the official misconduct of negligence of the Officers, including a misappropriation of the funds, or from responsibility for funds until a depository is selected and the funds are deposited.

### 4.05 Accounting and Audit Control

The Hartley County Treasurer will establish liaison with the outside Auditor in preparing investment forms to assist the outside Auditor for accounting and audit control.

### 4.06 Subject to Audit.

The Hartley County Treasurer and the County's investment procedures shall be subject to the annual audit (by an independent auditing firm) and any special audits as required.

## 5.0 INVESTMENT REPORTING

### 5.01 Monthly Reporting

In accordance with Texas Government Code, Title 10, Sec. 2256.023, The Hartley County Treasurer will report in writing monthly to Commissioners' Court.

### 5.02 Quarterly Reporting

In accordance with Texas Government Code, Title 10, Sec. 2256.023, The Hartley County Treasurer will report quarterly the portfolio statistics, listing the type and description of investment in detail, the broker/dealer used for purchased, the yield to maturity, the stated maturity date, and the previous and current market value.

## 6.0 INVESTMENT INSTITUTIONS

### 6.01 Depository Bank

Full collateralized Time Deposits, Certificates of Deposit, and interest-bearing checking accounts shall be placed at the County Depository Bank under a depository contract executed by Hartley County Commissioners' Court and in compliance with V.C.T.A., Texas Government Code, Chapter 117.

### 6.02 Broker/Dealers

The Hartley County Treasurer shall invest County funds through the Federal Reserve Bank book entry system, consistent with federal and state law and the current Bank Depository Contract. Purchases shall be made with:

6.0201 U.S. Securities Dealers appearing on the Primary Government Securities Dealers List as published by the Federal Reserve System, recommended by the County Treasurer, the Hartley County Investment Advisory Committee, and approved by Commissioners' Court.

6.0202 The Capital Markets Division of the Depository Bank Dealers must comply with Section 6.03 of this Investment Policy to be selected.

### 6.03 Approval of Broker/Dealer

The Hartley County Treasurer reviews the applications of the broker/dealer/financial institutions for compliance with this policy and recommends institution for approval as provided in Section 6.02 of this policy. To be recommended for approval, a broker/dealer/financial institution must demonstrate possession of the following criteria:

- 6.0301 Institutional investment experience,
- 6.0302 Good references from public fund investment officers,
- 6.0303 Adequate capitalization per Capital Adequacy Guidelines for Government Securities Dealers published by the New York Federal Reserve Bank,
- 6.0304 An understanding of this Investment Policies and Procedures Manual,
- 6.0305 Regulation by the Securities and Exchange Commission ("SEC"),
- 6.0306 Membership in good standing in the national Association of Securities Dealers, Inc., and
- 6.0307 Valid license from the State of Texas.

## 7.0 INVESTMENT INSTRUMENTS

The Hartley County Treasurer shall use any or all of the following authorized investment instruments consistent with governing law and this policy:

### 7.01 Bank Investments

- 7.0101 Fully collateralized Time Deposits not more than twelve (12) months in maturity.
- 7.0102 Fully collateralized Certificates of Deposit not more than twelve (12) months in maturity.
- 7.0103 Fully collateralized interest-bearing checking accounts.

### 7.02 Direct Investments

- 7.0201 United States Treasury Securities with a stated maturity of not more than twelve (12) months.
- 7.0202 Obligations of the United States or its agencies and instrumentalities, with a legal stated maturity of not more than twelve (12) months.
- 7.0203 Local Government Investment Pools created under the Inter-local Act that at exclusively as Money Market Mutual Funds and invest in securities authorized by Chapter 2256 of the Public Funds Investment Act.
- 7.0204 Excluded in the direct investment are derivative securities including but not limited to Collateralized Mortgage Obligations.

### 7.03 Overnight Investments

- 7.0301 Merrill Lynch Flexicash program/Treasury and agency group. (An SEC Registered MMMF AAA rated)



## 8.0 INVESTMENT PROCUDURES

### 8.01 Confirmation of Trade

A confirmation of trade will be provided by the broker/dealer to the Hartley County Treasurer for every purchased of an investment security. This trade ticket and confirmation will become a part of the file that is maintained on every investment security.

### 8.02 Delivery versus Payment

It will be the policy of the County that all Treasury 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 Fed wire, the securities purchased.

### 8.03 Safekeeping Institution

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

## 9.0 COLLATERAL AND SAFEKEEPING

### 9.01 Collateral or Insurance

The Hartley County Treasurer shall insure that all county funds are fully collateralized or insured consistent with federal and state law and the current Depository Contract in one or more of the following methods:

9.0101 FDIC insurance coverage,

9.0102 United State Government Bonds, Notes, and Bills,

9.0103 Securities of federally sponsored U.S. Agencies and instrumentalities of the United States Government.

9.0104 Collateralized Mortgage Obligation are not acceptable.

### 9.02 Safekeeping

Securities pledged as collateral shall be deposited in trust with the Federal Reserve Bank or another disinterested third party bank under an appropriate legal contract. The amount of such securities pledged shall be by their market value.

### 9.03 Collateral Reporting

The Treasurer of Hartley County shall report to the County Commissioners' Court his/her valuation of the collateral compared to all county deposits on a quarterly basis. Collateral deficiencies should be identified and immediately corrected through additional collateral deposited or reductions in the volume deposited funds.

10.0 INVESTMENT POLICY REVIEW AND AMENDMENT

10.01 Review Procedures

The Hartley County Commissioners' Court shall review its investment policy and investment strategies not less than annually.

10.02 Changes to the Investment Policy

The County Treasurer and the County Judge must review the Hartley County Investment Policy not less than annually and recommend any changes to the Commissioners' Court.