

INVESTMENT POLICY

CLAY COUNTY, TEXAS

Beginning June 26, 2023

I. Investment Scope

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 shall be reviewed and adopted by resolution at least annually in accordance with Section 2256.005 (e), GC.

Funds Included

This investment policy applies to all financial assets of all funds of the County of Clay, Texas at the present time; any funds to be created in the future; any other funds held in custody by the County Treasurer.

II. Investment Objectives

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 2256.005 (d).

Safety

The County is concerned about the return of its principal; therefore, safety of principal is the primary objective in any investment transaction.

Liquidity

The County's investment portfolio must be structured in conformity 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 Clay County to diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in specific maturities, a specific issuer or a specific class of investments. Investments of the County shall always be selected that provide for safety of principal, stability of income and reasonable liquidity prior to maturity.

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 all state and federal law governing investment of public funds.

Maturity

According to Government Code 2256.005 (b) (4), the policy must include the maximum stated maturity of any individual investment. Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the maximum rate of return consistent with liquidity requirements. When the County has funds that will not be needed to meet current-year obligations, maximum 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 five years.

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.

III. Investment Responsibility and Control

Liability of Investment Officer

In accordance with sec, 113.005, Local Government Code, the County Investment Officer is not responsible for any loss of the County funds through the failure or negligence of a depository. This section does not release the Investment Officer from responsibility for a loss resulting from an act of official misconduct, or negligence, or for any misappropriation of such funds.

Investment Institutions Defined

The Clay County Investment Officer shall invest County funds with any and 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 or NCUSIF
3. Public funds investment pools

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.

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 County Investment Officer will establish liaison with the County Auditor in preparing investment forms to assist the County Auditor for accounting and auditing control.

The County Investment Officer is subject to audit by the Clay County Auditor. In addition, it is the policy of the Clay County Commissioners' Court, at a minimum, to have an annual audit of all County funds, investments and investment procedures by an independent auditing firm. The County Investment Officer and the County's investment procedures shall be subject to an annual compliance audit of management controls on investments and adherence to the County's established investment policies in accordance with Government 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 persons 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

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.

IV. Investment Types

Authorized

The Clay County Investment Officer shall use any or all of the following authorized investment instruments consistent with governing law (Government Code, Chapter 2256).

- A. Except as provided by Government Code 2256.009, the following are authorized investments:
 1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities.
 2. Direct obligations of the State of Texas 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, the 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.
- B. Certificates of deposit issued by a depository institution that has its main office or a branch office in this state (Government Code 2256.010):
1. Guaranteed or insured by the federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor.
 2. Secured by obligations that are described by Section 2256.009(a), 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); or
 3. Secured in any other manner and amount provided by law for deposits of the investing entity.
- C. Investment Pools (Government Code 2256.019) if the Commissioners' Court by resolution authorizes investment in the 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.

Prohibited

The Clay County Investment Officer has no authority to purchase and is prohibited from purchasing any of the following investment instruments which are strictly prohibited:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- C. Collateralized mortgage obligations

V. Investment Reporting

Regular Reports

In accordance with Government Code 2256.023, not less than quarterly, the investment officer shall prepare and submit to the Clay County Commissioners Court a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

- A. The report must:
 1. Describe in detail the investment position of the entity on the date of the report.
 2. Be prepared by the investment officer of the entity.
 3. Be signed by investment officer of the entity.

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.
 - c. ending market value for the period; and
 - 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 state agency or local government for which each individual investment was acquired; and
8. state the compliance of the investment portfolio of the state agency or local government as it relates to:
 - a. the investment strategy expressed in the agencies or local government's investment policy; and
 - b. relevant provisions of this chapter.
9. The report shall be presented not less than quarterly the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.
10. If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officer under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by the auditor.

Notification of investment changes

It shall be the duty of the County Investment Officer of Clay County, Texas to notify the Clay 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

Collateral or Insurance

Pursuant to the requirements of Government Code 2256 and 2257, it is the policy of Clay County to require full collateralization of all County investments and funds on deposit with a depository bank. To anticipate possible market changes and ensure the security of funds, the collateralization level will be 110% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC.

1. FDIC insurance coverage.
2. Letters of Credit through the Federal Home Loan Bank
3. Obligations of the United States or its agencies and instrumentalities.
4. Direct obligations of the state of Texas or its agencies.
5. Other obligations, the principal of the interest on which are unconditionally guaranteed or insured by the state of Texas or the United States or its agencies and instrumentalities.
6. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; or

7. Any other manner allowed Government Code Chapter 2257 (Public Funds Collateral Act).

Safekeeping

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

RESOLUTION TO ADOPT INVESTMENT POLICY

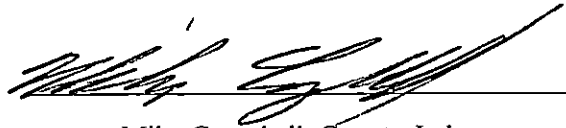
On this 26th day of June 2023, the Commissioners Court of Clay County, Texas considered the following resolution.

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

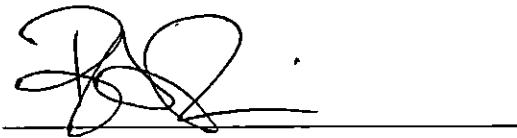
WHEREAS, the Clay County Commissioners Court has reviewed the policy and hereby support the objectives and strategies of the policy; now, therefore,

BE IT RESOLVED that the Clay County Investment Policy be adopted.

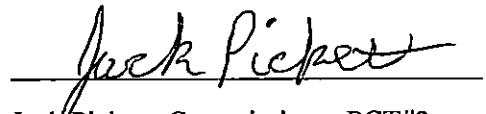
Adopted the 26th day of June 2023 by unanimous vote of this court.



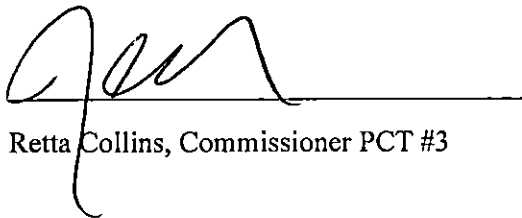
Mike Campbell, County Judge



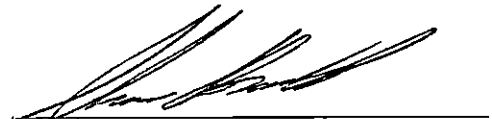
Ben Pharries, Commissioner PCT#1



Jack Pickett, Commissioner PCT#2

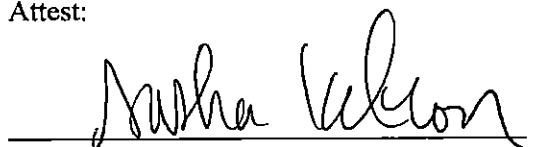


Retta Collins, Commissioner PCT #3



Chase Broussard, Commissioner PCT#4

Attest:



Sasha Kelton, County Clerk

Clay County, Texas

