

Government Treasurers' Organization of Texas

March 4, 2019

Monika Arris
Director of Budget & Finance
Collin County
2300 Bloomdale Road Suite 4100
McKinney, Texas 75071

Dear Monika:

On behalf of the Investment Policy Review Committee, I am pleased to inform you that the Government Treasurers' Organization of Texas (GTOT) has awarded the **Certificate of Distinction** to Collin County for its Investment Policy. Members of the Review Committee congratulate the Board for its commitment to maintaining a comprehensive written investment policy that meets the criteria set forth in the GTOT Investment Policy Review Checklist.

Congratulations once again on an excellent policy and thank you for participating in our certification program. Your certificate is being mailed under separate cover and is good for a two-year period ending February 28, 2021.

Sincerely,

Patrick Shinkle
GTOT Investment Policy Review Committee



Government Treasurers' Organization of Texas

Investment Policy Certification Checklist

Entity: Collin County Government

Office Use Only
Reviewer: _____
Date: _____

***Applicant must indicate in this column where item is located in the investment policy submitted for review. (Example: Authorized and Suitable Investments, Section 6, page 10)**

CRITERIA	PLACEMENT IN POLICY*	ACCEPTABLE (RECOMMENDATION S)**	UNACCEPTABLE (RECOMMENDATIONS)
Policy Statement Policy statement emphasizing the guiding principles of the investment program and conformance to all statutes, rules and regulations governing the investment of public funds.	Page 2 Section II General Statement	Yes	
Scope List of funds covered by the policy. Funds can either be defined specifically as they are listed in the CAFR, or more generally (i.e. short-term operating funds). This section should also specify which funds, if any, are combined for investing purposes as a "pooled fund group", and which funds are managed as "separately invested assets", as defined in PFIA 2256.002(9) .	Page 1 Section I Scope & Investment Strategies	Yes	
General Objectives Investment policy must primarily emphasize safety of principal, liquidity [PFIA 2256.005 (b)(2)], and yield [PFIA 2256.005 (b)(3)]. Policy includes procedures to monitor rating changes and liquidation of such investments consistent with [PFIA 2256.005 (b)(4)(F)].	Page 2 Section II Investment Objectives & Page 8 Significant Investment Changes	Yes	
Prudent Person Rule "Prudent Person" statement relating to the standard of care that must be exercised when investing public funds. PFIA 2256.006 (a-b)	Page 7 Standard of Care	Yes	
Capability of Investment Management Investment policy must address quality and capability of investment management. PFIA 2256.005 (b)(3)	Page 3 Responsibility and Controls	Yes	
Ethics Disclosure and Conflicts of Interest Investment Policy must require the investment officer(s) to file a disclosure statement with the Texas Ethics Commission and the governing body if: <ul style="list-style-type: none"> a. the officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City (as defined in 2256.005 (i)(1-3)); or b. the officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to 	Page 3 Investment Officer Disclosure	Yes	

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an individual seeking to transact investment business with the entity. PFIA 2256.005 (i)			
Delegation of Investment Authority Investment Policy must designate one or more officers of the entity as the investment officer(s) responsible for the investment of its funds (does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing funds). PFIA 2256.005 (f)	Page 3 Responsibility and Controls	Yes	
Investment Training Investment training is required for the treasurer, CFO, and the investment officer(s) of a local government (see 2256.007 for training requirements for state agencies). Training must be received from an independent source, <i>approved by the entity's governing body or investment committee</i> , and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with PFIA. Ten hours of training must be completed within 12 months of taking office or assuming duties. Thereafter, ten hours of training must be completed every two years. (State Agencies, Higher Education, and Community Colleges training cycles are concurrent with the state fiscal biennium.) (Local governments training cycles are concurrent with the government s' fiscal year.) PFIA 2256.008	Page 3 Training Requirements	Yes	
Signed Investment Policy Certification form Investment Policy must require that investments shall only be made with those business organizations (including money market mutual funds and local government investment pools) that have provided the entity with a written instrument, executed by a qualified representative of the firm, acknowledging that the business organization has: a. received and reviewed the entity's Investment Policy; and b. implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards. PFIA 2256.005 (k-l)	Page 6 Qualifications of Approved Brokers/Dealers	Yes	
Establishment and annual review of qualified bidders list Investment Policy must require either the entity's governing body, or its Investment Committee to, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity. PFIA 2256.025	Page 6 Approval Process of Broker/Dealer	Yes	
Independent Third-Party Safekeeping Securities and collateral will be held by a third party custodian designated by the entity, and held in the	Page 9 Safekeeping	Yes	

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entity's name as evidenced by safekeeping receipts of the institution with which the securities are deposited.			
Delivery vs. Payment Investment Policy must require "delivery vs. payment" (DVP) settlement of all transactions, except local government investment pool and mutual fund transactions. PFIA 2256.005 (b)(4)(E)	Page 7 Delivery vs. Payment	Yes	
Competitive Bidding Investment Policy should require at least three competitive offers or bids for all individual security purchases and sales (excluding transactions with money market mutual funds, local government investment pools and when issued securities, which are deemed to be made at prevailing market rates).	Page 7 Delivery vs. Payment	Yes	
Suitable and Authorized Investments List the types of authorized investments in which the investing entity's funds may be invested. Investments authorized by PFIA are listed in Sections 2256.009 – 2256.016 and Section 2256.019 – 2256.0201. It is recommended that investment descriptions be either directly quoted from PFIA and/or referenced to PFIA. Be sure to include minimum required ratings and maximum allowable stated maturities, where applicable. If Repurchase Agreements are an authorized investment, the policy should require execution of a "Master Repurchase Agreement". Your policy may be more restrictive than PFIA and need not include every investment authorized by PFIA. PFIA 2256.005 (b)(4)(A-B)	Page 4-5 Authorized Investments	Yes	
Prohibited Investments An entity may choose to prohibit certain investments that are authorized by PFIA. The Policy should either: a. list prohibited investments, including those specifically prohibited in PFIA 2256.009 (b)(1-4) ; or b. state only those investments listed in this section are authorized.	Page 5 Prohibited	Yes	
Effect of Loss of Required Rating All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. PFIA 2256.021 (do we need to state this twice, it was added to General Objectives)	Page 8 Significant Investment Changes	Yes	
Collateral Policy The governing body must approve a written policy relating to collateralization. It should be included in the Investment Policy and require collateralization for all uninsured collected balances, plus accrued interest, if any. In addition, the policy should address acceptance, substitution, release, and valuation of collateral. Collateral for Public Funds, Chapter 2257, Texas Government Code	Page 9 Collateral or Insurance	Yes	
Diversification and Maximum Maturities Investment policy must address investment	Page 2 Diversification	Yes. Could use some defined dates, but	

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diversification, yield, and maturity. (Yield is normally addressed under General Objectives following primary objectives of safety of principal and liquidity.) PFIA 2256.005 (b)(3)		acceptable. Better defined in VII.	
Investment Strategies The Investment Policy must require adoption by the governing body of a separate investment strategy for each of the funds, or group of funds, under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance: (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; and (6) yield (assign performance benchmarks as appropriate) PFIA 2256.005 (d)	Page 1 Investment Strategies	Yes	
Weighted Average Maturity for Pooled Fund Groups If your entity combines funds as a “pooled fund group” for investing purposes, then the maximum dollar-weighted average maturity of the portfolio, based on the stated maturity date, must be included in your Investment Policy. PFIA 2256.005 (b)(4)(C)	Page 9 & 10 VII. Investment Strategy by Pooled Investment Funds Group	Yes	
Quarterly Reporting Investment Policy must require quarterly investment reports, prepared by the investment officer(s) and submitted to the governing body. Specific PFIA reporting requirements should be either be included in your policy or referenced to PFIA. PFIA 2256.023	Page 8 V. Investment Reporting and Performance Evaluation	Yes	
Review by Independent Auditor Quarterly reports must be formally reviewed at least annually by an independent auditor and reported to the governing body. (An entity is exempt from this review if it <i>only</i> invests in money market mutual funds, investment pools or accounts offered by its depository bank in the form of CDs or money market accounts.) PFIA 2256.023 (d)	Page 7 Audit Controls	Yes	
Marking to Market The market value of the portfolio must be determined at least quarterly and included in the quarterly investment reports. The Investment Policy must include methods to monitor the market price of investments acquired with public funds (e.g. IDC, Bloomberg, etc.) PFIA 2256.005 b)(4)(D)	Page 8 V. Investment Reporting and Performance Evaluation	Yes	
Internal Controls Investment Policy must require, in conjunction with its annual financial audit, a compliance audit of management controls on investments and adherence to the entity's established investment policies (see 2256.005(n) for the requirement for state agencies). PFIA 2256.005 (m)	Page 7 Audit Controls	Yes	

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Exemption for Existing Investments An entity is not required to liquidate investments that were authorized investments at the time of purchase. PFIA 2256.017	Page 8 Significant Investment Changes	Yes	
Annual Review and Adoption of Investment Policy and Strategies Investment Policy must require the governing body to, not less than annually, adopt a written instrument stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to either the policy or strategies. PFIA 2256.005 (e)	Page 1 I. Introduction	Yes	

**Reviewer may assign an “acceptable” grade to an item and, if desired, also indicate how the discussion of the item may be improved in the policy.