

STATE OF TEXAS

COUNTY OF GOLIAD

WHEREAS, the Commissioners' Court of Goliad County, Texas, desires the establishment of a prudent investment policy; and,

WHEREAS, the Commissioners' Court of Goliad County, Texas, has reviewed the following investment policy and believes its enactment would be to the financial benefit of Goliad County, Texas;

Now, therefore, it is hereby ADJUDGED and DECREED that the following investment policy be implemented as the Goliad County, Texas, Investment Policy.

I. INTRODUCTION

The following document represents the investment scope, prudence, objectives, delegation of authority, ethics, and conflicts of interest, authorized financial dealers and institutions authorized and suitable investments, collateralization, safekeeping and custody, diversification, maximum maturities, internal controls, performance standards reporting, and investment policy adoption guidelines for Goliad County, Texas.

The purpose for the document is:

- A. To establish and promote an understanding of the constraints that governs the conduct of the investment program of Goliad County, Texas.
- B. To establish objectives / goals and policies for the program.

It is the policy of Goliad County, Texas to invest public funds in the a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of the public funds.

II. INVESTMENT CODE

This investment policy applies to all financial assets of Goliad County, Texas. These funds are accounted for in the County's Comprehensive Annual Financial Report and include the following funds:

All funds including any new funds created by the Commissioner's Court unless specifically exempted will be subject to this policy.

All deposits, to the extent possible, will be concentrated with one central depository. This maximizes the County's ability to pool cash for investment purposes and keeps banking relationships manageable.

III. INVESTMENT PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, **not for speculations**, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "Prudent Person" standards and shall be applied in the context of managing an overall portfolio. Investment officers acting in the accordance with written procedures and the investment policy and excusing due diligence shall be relieved of personal responsibility of an individual security's credit risk of market price changes, provided deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. INVESTMENT OBJECTIVES

The primary objectives, in priority order, of Goliad County, Texas investment activities shall be:

- A. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of Goliad County, Texas, shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain the objective, diversification is required in order that potential losses on an individual security do not exceed the income generated from the remainder of the portfolio.
- B. **Liquidity:** Goliad County, Texas, investment portfolio will remain sufficiently liquid to enable Goliad County, Texas to meet all operating requirements which might be reasonably anticipated.
- C. **Return on Investment:** Goliad County, Texas, investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the County's investment risk constraints and the cash flow characteristics of the portfolio.

V. DELEGATION OF AUTHORITY

Commissioners Court of Goliad County, Texas, designates the County Treasurer as the "Investment Officer" to be responsible for the investment program is hereby delegated to the County Auditor and Investment Officer, who shall establish written procedures for the operation of the investment program consistent with this investment policy.

The Commissioners Court will also appoint an investment committee made up of the County Judge, County Treasurer, County Auditor, a County Commissioner, and a business owner in the community.

Procedures should include reference to: Safekeeping receipts, repurchasing agreements (following eh guidelines in Chapter 2256 of the Government Code-Public Funds Investment Act), wire transfer agreements, banking service contracts, collateral/depository agreements, banking service contracts, collateral/depository agreements, and investment training. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions.

No persons may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County auditor and Investment Officer. The County Auditor and Investment Officer shall be responsible for all transactions undertaken and shall establish a system of control to regulate the activities of subordinate employees.

Investment Officers

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VI. ETHICS AND CONFLICTS OF INTREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment official shall disclose to the Texas Ethics Commission and to the Commissioners Court of Goliad County any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose and large personal financial/investment position that could be related to the performance of Goliad County, Texas, particularly with regard to the time of purchases and sales.

VII. INVESTMENT TRAINING

The Investment Officer shall obtain all training relating to the responsibilities of the officer under Chapter 2256 of the Government Code that is required under said Chapter including specifically section 2256.008. Members of the investment committee are also encouraged to obtain such training, if available.

The training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with Chapter 2256.

The Investment Officer must complete this training within 12 months after taking office or assuming duties. A certificate indicating the completion of such training shall be provided to the Commissioners Court upon completion of the required training.

VIII. AUTHORIZED FINACIAL DEALERS AND INSTITUTIONS

The Investment Officer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services with the State of Texas. These may include "primary" dealers of regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1. No public deposit shall be made except in a qualified public deposit as established by the state and local laws.

All financial institutions and broker/dealers who desire to become a qualified bidder for investment transactions must supply the Investment Officer with a signed "Broker/Dealer Certification Form" confirming that they have read Goliad County, Texas, Investment Policy.

Each financial institution and broker/dealer handling investment transactions for Goliad County, Texas, is required to submit an audited financial statement which will be reviewed by Goliad County, Texas, County Auditor and Investment Officer.

Approved List of Brokers / Dealers

1. First National Bank Shiner/Goliad
2. Trust Texas Bank
3. Prosperity bank
4. Cal-Com FCU
5. UBS Financial Services, Inc.

Investment Pools:

1. TexPool/TexPool Prime
2. TexClass (Texas Cooperative Liquid Assets Securities System Trust)

IX. AUTHORIZED AND SUITABLE INVESTMENTS

Goliad County, Texas, is empowered by statute to invest in the following types of securities:

- A. Obligations of the United States or its agencies and instrumentalities (Section 22563.009 of the Government Code, V.A.T.S.)
- B. Repurchase Agreements (Section 2256.011 of the Government Code, V.A.T.S.)
- C. Certification of Deposit (Section 2256.010 of the Government Code, V.A.T.S.)
- D. Investment Pools (Section 2256.016 of the Government Code, V.A.T.S.)

The following are not authorized investments under the investment policy:

- A. Interest-Only Strips (IOs): Obligations whose payments represent the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- B. Principal-Only Strips (POs): Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- C. Collateralized Mortgage Obligations (CMOs): Obligations that have a stated final maturity date of greater than 10 years.
- D. Collateralized Mortgage Obligations (CMOs): Obligations that have an interest rate which is determined by an index that adjust rate which is determined by an index that adjusts opposite to the change in a market index.

X. COLLATERALIZATION

Collateralization will be required on two types of investments:

- 1. Certificates of Deposits (over and above the FDIC coverage)
- 2. Repurchase Agreements

In order to anticipate marker changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. Goliad County, Texas, chooses to limit collateral to the following:

- 1. United Sates Treasury bills, bonds, and notes
- 2. Federal National Mortgage Association (FNMA)
- 3. Federal Home Loan Bank (FHLB)

The right of collateral substitution is granted. Collateral will always be held by an independent third party with whom Goliad County, Texas, has a current custodial agreement. A clearly marker evidence of ownership (safekeeping receipt) must be supplied to Goliad County, Texas, Investment Officer.

XI. SAFERKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by Goliad County, Texas, shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Investment Officer and evidenced by safekeeping receipts.

XII. DIVERSIFICATION

Goliad County, Texas, will diversity its investments by security type and institution, with the exception of U.S. Treasury securities, authorized pools and repurchase agreements.

XIII. INVESTMENT MAXIMUM MATURITIES

To the extent possible, Goliad County, Texas, will attempt to match its investments with anticipated cash flow, Goliad County, Texas, will not directly invest in securities maturing more than five (5) year from the date of purchase.

XIV. INVESTMENT INTERNAL CONTROLS

The County Auditor shall establish an annual review process of its internal controls assuring compliance with the investment policy and procedures.

XV. INVESTMENT PERFORMANCE STANDARDS

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

XVI. INVESTMENT MARKET YIELD

Goliad County, Texas, investment strategy is passive. Given this strategy, the six-month U. S. Treasury Bill shall be the basis used by the Investment Officer to determine whether market yield is being achieved.

XVII. INVESTMENT REPORTING

The Investment Officer is charged with the responsibility of including a quarterly market investment portfolio report with the Goliad Count Treasurer's quarterly report for Goliad County, Texas. The investment portfolio reports will include a detailed market sector breakdown.

XVIII. INVESTMENT POLICY ADOPTION

Goliad County, Texas, investment policy shall be adopted by resolution of Goliad County, Texas, Commissioners' Court. The policy shall be reviewed annually by the County Auditor and Investment Officer and any modifications made thereto must be approved by the Commissioners' Court.