ORDER APPROVING POTTER COUNTY INVESTMENT POLICY AS REQUIRED BY TEXAS GOVERNMENT CODE SECTION 2256.005

On this the 14th day of May, 2012, the Commissioners Court of Potter County, Texas convened in an open session at the Courthouse and passed the following Order:

WHEREAS, Potter County has previously adopted an Investment Policy, as required by Chapter 2256, TEX. GOV. CODE; and,

WHEREAS, Section 2256.005, subsection (e), TEX. GOV. CODE, and the terms of the Investment Policy itself, require Potter County to review its investment policy and investment strategies annually; and,

WHEREAS, a revised Investment Policy has been proposed;

NOW, THEREFORE, the Potter County Commissioners Court, having reviewed and discussed the proposed Potter County Investment Policy, and the associated investment strategies, as required by statute, hereby adopts said policy and strategies for a period not to exceed one (1) year from this date; FURTHER, as required by said Policy, the Commissioners Court appoints the Potter County Treasurer as the Investment Officer acting under that Policy.

Adopted the 12th day of May 2012.

Voting in favor of the Order:

Honorable Arthur Ware
County Judge

Commissioner H.R. Kelly
Precinct 1

Commissioner Mercy Murguia
Precinct 2

Commissioner Joe Kirkwood
Precinct 3

Commissioner Alphonso Vaughn
Precinct 4

ATTEST:

COMMISSIONERS COURT POTTER COUNTY, TEXAS

Julie Smith, County Clerk

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COMMISSIONERS COURT MINUTES

MAY 14 2012

POTTER COUNTY
INVESTMENT POLICY

May 16, 2012

PREFACE

It is the policy of Potter County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with state and federal regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

Effective cash management is recognized as essential to good fiscal management. Aggressive cash management and effective investment strategy development will be pursued to take advantage of interest earnings as viable and material revenue to all County funds. The County's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with this Policy.

Investments shall be made with the primary objectives of:

- Preservation of capital
- Safety of County funds
- Maintenance of sufficient liquidity
- Maximization of return within acceptable risk constraints
- Diversification of investments

INVESTMENT POLICY

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I. PURPOSE

A. Formal Adoption

This Investment Policy is authorized by the Potter County Commissioners' Court in accordance with Chapter 2256, Texas Government Code, the Public Funds Investment Act, and Section 116.112, Local Government Code. A copy of the most recent version of the Public Funds Investment Act is attached hereto and incorporated by reference.

B. Scope

This Investment Policy applies to all of the investment activities of the County. This Policy establishes guidelines for: 1) who can invest County funds, 2) how County funds will be invested, and 3) when and how a periodic review of investments will be made. In addition to this Policy, bond funds (as defined by the Internal Revenue Service) shall be managed in accordance with their issuing documentation and all applicable state and federal Law.

C. Review and Amendment

This Policy shall be reviewed annually by the Commissioners' Court. Amendments must be approved and adopted by the Commissioners' Court. Section 2256.005 (e), Gov. Code.

D. Investment Strategy

In conjunction with the annual Policy review, the Commissioners' Court shall review the separate written investment strategy for each of the County funds. The investment strategy must describe the investment objectives for each particular fund according to the following priorities: Section 2256.005 (d) (1-6), Gov. Code.

1. investment suitability,
2. preservation and safety of principal,
3. liquidity,
4. marketability prior to maturity of each investment,
5. diversification, and
6. yield.

II. INVESTMENT OBJECTIVES

General Statement: Funds of the County will be invested in accordance with federal and state laws, this Investment Policy and Investment Committee. The County will invest according to investment strategies for each fund as they are adopted by Commissioners' Court resolution. Section 2256.005(6) (2-3), Gov. Code.

A. Safety of Principal

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall first seek to ensure that capital losses are avoided, whether they be from security defaults or erosion of market value.

B. Maintenance of Adequate Liquidity

The investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturity with forecasted cash flow requirements; investing in securities with active secondary markets; and maintaining appropriate portfolio diversification.

C. Yield

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

III. INVESTMENT POLICIES

A. Authorized Investments

Investments described below are authorized by the Public Funds Investment Act as eligible securities for the County. County funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities. Section 2256.009 (a) (1), Gov. Code.

2. Direct obligations of the State of Texas, or its agencies and instrumentalities. Section 2256.009 (a) (2), Gov. Code.

3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith

and credit of, the State of Texas or the United States or their respective agencies and instrumentalities. Section 2256.009 (a) (4), Gov. Code.

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by at least one nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. Section 2256.009 (a) (5), Gov. Code.

5. Certificates of deposit issued by a depository institution that has its main office or a branch in this state and is: Section 2256.010 (1-3), Gov. Code.

   a. guaranteed or insured by the Federal Deposit Insurance Corporation or its successors; or, secured by obligations that are described by 1-4 above, which are intended to include all direct federal agencies that have a market value of not less than **110%** of the principal amount of the certificates or in any other manner and amount provided by law for deposits of the County. Section 2256.010 (1-2). The County does not accept Adjustable Rate Mortgages (ARMs) or Collateralized Mortgage Obligations (CMOs) as collateral.

   b. governed by a Depository Agreement, as described in B.4, of this section, that complies with federal and state regulations to properly secure a pledged security interest; and,

   c. solicited for bid orally, in writing, electronically, or any combination of those methods. Section 2256.005 (c) (1-4) Gov. Code.

   d. procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

6. Money market mutual funds regulated by the Securities and Exchange Commission, with a dollar weighted average portfolio maturity of 90 days or less; that fully invest dollar-for-dollar all County funds without sales commissions or loads; and, whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The County may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund, excluding bond proceeds and reserves and other funds held for debt service in

money market mutual funds. Rated not less than AAA or its equivalent by at least one nationally recognized investment rating firm. Section 2256.014, Gov. Code.

7. Eligible investment pools organized and operating in compliance with the Public Funds Investment Act that have been authorized by the Commissioners' Court; and whose investment philosophy and strategy are consistent with this Policy and the County's ongoing investment strategy. Rated not less than AAA or an equivalent rating by at least one nationally recognized rating service. Disclosures must be submitted in compliance with Section 2256.0016, Gov. Code.

8. Fully collateralized repurchase agreements as defined in the Public Funds Investment Act, Texas Government Code, Chapter 2256.011 (a-d), Gov. Code, if they:

    1. have a defined termination date;

    2. are secured by obligations described by Section 2256.009 (a) (1), of the Public Funds Investment Act;

    3. Require the securities being purchased by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County; and

    4. Are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

    Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

    Money received by the County under the term of a reverse security repurchase agreement must mature not later than the expiration date stated in the reverse security repurchase agreement.

9. Commercial Paper, issues by a manufacturing company or the finance subsidiary of a manufacturing company that has: Section 2256.013, Gov. Code.

    1. An A1 or P1 or an equivalent by at least two nationally recognized rating agencies, or; Rated not less than A-1 or P-1 or an

equivalent by on enationally recognized rating agency plus fully secured by an irrevocable letter of credit issued by a domestic bank;

a maturity not more than 190 days from date of issuanceThe County expressly prohibits any direct investment in asset or mortgage backed securities. The County expressly prohibits the acceptance for collateralized deposits, interest-only and principal-only mortgage backed securities and collateralized mortgage obligations with stated final maturities in excess of ten years or with coupon rates that float inversely to market index movements.

The County expressly allows money market mutual funds and eligible investment pools, authorized by the Commissioners' Court, to invest to the full extent permissible within the Public Funds Investment Act.

B. Protection of Principal

The County shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy; by collateralization as required by law; and through portfolio diversification by maturity and type. Section 2256.005 (b) (2-3), Gov. Code.

The purchase of individual securities shall be executed "delivery versus payment" (DVP) through the County's safekeeping agent. By so doing, county funds are not released until the County has received, through the Safekeeping Agent, the securities purchased. Section 2256.005 (b) (4) (E), Gov. Code.

1. Diversification by Investment Type

Diversification by Investment type shall be maintained by ensuring an active and efficient secondary market in portfolio investments and by controlling the market and opportunity risks associated with specific investment types. It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity (except zero duration funds), a specific issuer, or a specific class of investments. County investments shall always be selected to proven stability of income and reasonable liquidity. Section 2256.005 (d) (5), Gov. Code.

Diversification by investment type shall be established by the following maximum percentages of investment type to the total County investment portfolio at the time of each investment transaction:

a.	U. S. Treasury Bills/Notes/Bonds	100%

b.	U. S. Agencies & Instrumentalities	85%
c.	States, Counties, Cities & Other	50%
d.	Certificates of Deposit	100%
e.	Money Market Mutual Funds	80%
f.	Eligible Investment Pools	100%

Bond proceeds may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

2. Diversification by Investment Maturity

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines by fund are as follows:

a. General-Operating Funds

The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years and consistent with cash flow projections from each department. This applies to operating funds from all sources, traditionally associated with County government, which are not legally to be accounted for in another fund. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years.

b. Construction and Capital Improvement Funds

The investment maturity of construction and capital improvement funds shall generally be limited to the anticipated cash flow requirement or the "temporary period," as defined by federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

County funds that are considered "bond proceeds" for arbitrage purposes will be invested using a more conservative approach than the standard investment strategy when arbitrage rebate rules require refunding excess earnings. All earnings in excess of the allowable arbitrage earnings ("rebate liability") will be segregated and made available for any necessary payments to the U. S. Treasury. Maximum maturity not to exceed one year.

c. Debt Service Funds

Debt Service funds shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officer shall invest in such a manner as not to exceed an "unfunded" debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.

d. Special Revenue Funds

Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years.

e. Registry and Agency Funds

Registry and Agency Funds are held by the County in a trustee capacity. All funds will be invested in compliance with the Public Funds Investment Act and the County's Investment Policy, except when a court order is issued to follow a different procedure. Agency funds are to be invested not to exceed 90 days. Registry funds maturity are not to exceed court order limits.

3. Ensuring Liquidity

Liquidity shall be achieved by anticipating cash flow requirements of the County consistent with the objectives of this Policy, through scheduled maturity of investments. A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or otherwise to adjust the portfolio.

4. Depository Agreements

Consistent with the requirements of state law, the County requires all bank and savings and loan association deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as county depositories will be required to sign a Depository Agreement with the County and the County's safekeeping agent. The safekeeping portion of the Agreement shall define the County's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with federal and state regulations, including:

- the Agreement must be in writing;
- the Agreement has to be executed by the Depository and the County contemporaneously with the acquisition of the asset;
- the Agreement must be approved by the Board of Directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to the County;
- the Agreement must be part of the Depository's "official" record continuously since its execution.

a. Allowable Collateral

Eligible securities for collateralization of deposits are defined by the Public Funds Collateral Act, as amended and meet the general constraints of this Policy. Letters of Credit must be guaranteed by the Federal Home Loan Bank.

b. Collateral Levels

To compensate for increase or decrease in County deposits and fluctuation of market value of pledged collateral; the minimum market value of collateral will be **110%** of County deposits. Deposits include: time deposits, interest bearing checking accounts, certificates of deposits, accrued interest and any other instrument deposited into County funds. The depository institution will daily monitor pledged collateral to ensure sufficient collateral to be in compliance with this Policy.

c. Monitoring Collateral Adequacy

The County shall require monthly reports with market values of pledged securities from all financial institutions with which the County has collateralized deposits. The Investment Officer will monitor adequacy of collateralized levels to verify market values and total collateral positions.

d. Security Substitution

Collateralized deposits often require substitution of securities. Any financial institution requesting substitution must contact the Treasurer, or designee in the event of the Treasurer's absence, for approval and settlement. The substituted security's value will be calculated and substitution approved if the substitution maintains a pledged value equal to or greater than the required security level. The Treasurer must provide written notification of the decision to the bank or the safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expenses. The Treasurer may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

5. Safekeeping

a. Safekeeping Agreement

The County shall contract with a bank or banks for the safekeeping of securities either owned by the County as a part of its investment portfolio or as part of its depository agreements.

b. Safekeeping of Deposit Collateral

All collateral securing bank and savings and loan deposits must be held by a third-party banking institution acceptable to and under contract with the County, or by the Federal Reserve Bank.

C. Investment Advisors and Investment Providers

Investment Advisors shall adhere to the spirit, philosophy and specific term of this Policy and shall invest within the same "Standard of Care." Investment Providers shall adhere to the spirit and philosophy of this Policy and shall avoid recommending or suggesting transactions outside that "Standard of Care."

Selection of Investment Advisors and Investment Providers will be performed by the Investment Officer. The Investment Officer will establish criteria to evaluate Investment Advisors and Investment Providers, including:

a. Adherence to the County's policies and strategies

b. Investment performance and transaction pricing within accepted risk constraints

c. Responsiveness to the County's request for services, information and open communication

d. Understanding of the inherent fiduciary responsibility of investing public funds

e. Similarity in philosophy and strategy with the County's objectives

Selected Investment Advisors and Investment Providers shall provide timely transaction confirmations.

A written copy of the Investment Policy shall be presented to persons offering to engage in an investment transaction. For purposes of this subsection, a business organization includes investment pools. Nothing in this subsection relieves the County of the responsibility for monitoring the investments to determine compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with the County shall execute a written instrument in a form acceptable to the County and the business organization substantially to the effect that the business organization has:

1. received and reviewed the investment policy of the County; and

2. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the County and the organization that are not authorized by the County's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of

the County's entire portfolio or requires an interpretation of subjective investment standards.

The County shall not enter into an investment transaction with a business organization prior to receiving the written instrument signed by the qualified representative described above. Section 2256.006, Gov. Code.

Along with the signed affidavit, the business organization shall supply the County with the following:

1. Proof of institutional investment experience and references from Texas Public Fund Investment Officer.
2. Proof of membership in good standing in the National Association of Securities, Inc.

At least on an annual basis, the Investment Committee or Commissioners' Court shall review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with Potter County. The list of qualified brokers will be provided to the Commissioners' Court. Section 2256.025, Gov. Code.

D. Responsibility and Controls

1. Authority to Invest

The County Treasurer is the appointed "Investment Officer" of the County. The Assistant County Attorney, County Auditor, County Treasurer, and County Commissioner Precinct 1 shall be the Investment Committee. The County Treasurer is authorized to deposit, withdraw or transfer funds out of or into an investment pool or money market mutual fund in order to meet daily operating needs of the County. The governing body of the County retains ultimate responsibility as fiduciaries of the assets of the County. Section 2256.005 (f), Gov. Code. If at all possible (but not required) the authorized Investment Officer will notify the Commissioner's Court and the Investment Committee of potential investments and provide opportunity for discussion before purchasing investments over 6 months stated maturity investments. The authorized Investment Officer is authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage County funds according to this Policy.

The Investment Committee shall review the investment portfolio's status and performance, oversee the County's Investment Officer, monitor compliance with the Investment Policy and Investment

Strategy Statement, and perform other duties as necessary to manage the County's Investments.

The investment officer shall attend at least 10 hours of investment training within 12 months after taking office or assuming duties; and, receive not less than 10 hours of instruction relating to investment responsibilities within a two-year period thereafter. The training provider must be an independent source approved by the Commissioners Court. Section 2256.008, Gov. Code.

2. Prudent Investment Management

The designated Investment Officer shall perform the duties in accordance with the adopted Investment Policy. In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the investment of all funds over which the Investment Officer had responsibility; rather than the prudence of a single investment shall be considered. Investment Officer acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability. Section 2256.006, Gov. Code.

3. Standard of Care

The standard of care used by the County shall be the "prudent investor rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The Public Funds Investment Act states:

"Investments shall be made with judgment and care, under circumstances then prevailing, 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." Section 2256.006, Gov. Code.

4. Standard of Ethics

The designated Investment Officer shall act as custodians of the public trust, avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Investment Officer 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. Additionally, the Investment Officer shall file with the Texas Ethics Commission and the County a statement disclosing any personal business relationship with an entity seeking to sell investment to the County or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investment to the County. Section 2256.005 (l) (1-5), Gov. Code.

5. Reporting

Investment performance will be monitored and evaluated by the Investment Officer and the Investment Committee. The Investment Officer will provide a quarterly comprehensive report signed by all the Investment Committee members to the Commissioners Court. This investment report shall comply with Section 2256.023, Gov. Code as follows:

1. describe in detail the investment position of the County.
2. state the reporting period beginning book and market value, additions or changes to the book and market value during the period and ending book and market value for the period of each pooled fund group,
3. state the reporting period beginning book and market value and reporting period ending book and market value for each investment security by asset type and fund type,
4. state the maturity date of each investment security,
5. state the fund for which each investment security was purchased, and
6. state the compliance of the investment portfolio with the County's Investment Policy and strategy and the Public Funds Investment Act.

The County, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the County's Investment Policy and Investment Strategy Statement.

POTTER COUNTY

INVESTMENT STRATEGY STATEMENT

PREFACE

It is the policy of Potter County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, County investment strategies shall address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the County;
- Preservation and safety of principal;
- Liquidity;
- Marketability of the investment prior to maturity;
- Diversification of the investment portfolio; and
- Yield.

Effective investment strategy development coordinates the primary objectives of the County's Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Aggressive cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. The County's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. County funds shall be analyzed and invested according to the following major fund types:

a. General Operating Funds
b. Construction and Capital Improvement Funds
c. Debt Service Funds
d. County Investment Pool.

INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

a. General Operating Funds

Suitability – Any investment eligible in the Investment Policy is suitable for the Operating funds.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the weighted average days to maturity for the Operating Fund portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized. General Fund balances at the end of fiscal year shall have a maximum allowable maturity not to exceed three years.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through the two years.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

b. Construction and Capital Improvement Funds

Suitability – Any investment eligible in the Investment Policy is suitable for Construction and Capital Improvement Funds.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Construction and Capital Improvement Fund's portfolio to exceed the anticipated expenditure schedule the market risk of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity – County funds used for construction and capital improvement programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request, this investment structure is commonly referred to as a flexible repurchase agreement.

Diversification – Market conditions and the arbitrage regulations Influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction and capital improvement funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, the County is best served by locking in most investments. If the arbitrage yield can not be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger lumps. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any County funds.

Yield – Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond priced construction and capital project funds will target a rolling portfolio of six-month Treasury bills.

c. Debt Service Funds

Suitability – Any investment eligible in the Investment Policy is suitable for the Debt Service Fund.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Debt Service Fund's portfolio to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized.

Marketability – Securities with active and efficient secondary markets are not necessary, as the event of an unanticipated cash requirement is not probable.

Liquidity – Debt service funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment, this investment structure is commonly referred to as a flexible repurchase agreement.

Diversification – Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are trending down, the County is best served by locking in most investments. If interest rates are flat or trending up, then concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

d. County Investment Pool – An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with the investment policies and objectives adopted by the investment pool. Section 2256.016, Government Code, is amended by amending Subsections (a), (c), and (f) and adding Subsections (i), (j), and (k). County Investment Pool must provide all requirements for reporting as outlined in the 2011 PFIA Legislative changes.

Suitability – Any investment eligible in the Investment Policy is suitable for the County Investment Pool.

Safety of Principal – All investments will/shall be of high quality securities with no perceived default risk. Market price fluctuations will however, occur, by managing the County Investment Pool so that the weighted average days to maturity is less than 270 days and restricting the maximum allowable maturity to two years, the price volatility and the market risk of the overall portfolio will be minimized.

Marketability – Securities marketability shall be maintained by ensuring an active and efficient secondary market in portfolio investments and by controlling the market and opportunity risks associated with specific investment types.

Liquidity – Liquidity shall be achieved by anticipating cash flow requirements of the County consistent with the objectives of the investment policy and the intent of the departments contributing funds to the County Investment Pool. Through scheduled maturity and investments liquidity will be achieved.

Diversification – Investment maturities shall be staggered to provide cash flow based on anticipated needs of the County and provide reasonable liquidity. It is the policy of the 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.

Yield – It will be the objective of the County to earn the maximum rate of return allowed on its investments within the investment policy guidelines and state and federal law governing investment of public funds. The yield of an equally weighted, three-month Treasury bill portfolio shall be the minimum yield objective.