

**INVESTMENT POLICY
KARNES COUNTY
ADOPTED SEPTEMBER 28, 2007**

VOL 49 PAGE 457

I. POLICY STATEMENT

It is the policy of the County of Karnes, hereafter referred to as County, that the administration of its funds and investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the County and conforming to all applicable state statutes governing the investment of public funds.

The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the County to be in complete compliance with local law and the Texas Public Funds Investment Act (the "Act"). The earnings from investment will be used in a manner that best serves the interest of the County.

II. SCOPE

This investment policy applies to all the financial assets and funds of the County. The funds of the County are the General Fund and Utility Fund.

III. OBJECTIVES AND STRATEGY

It is the policy of the County that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield.

Safety of Principal

Safety of principal is the foremost objective of the County. Investments of the County shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.

Liquidity

The County investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Diversification

Diversification of the portfolio will include diversification by maturity and type of investment.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The County shall maintain a cash management program which includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act"). The Public Funds Collateral Act, Chapter 225, Texas Government Code, specifies collateral requirements for all public funds deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF INVESTMENT AUTHORITY

The County Treasurer acting on behalf of the County is designated as the Investment Officer of the County and is responsible for investment management decisions and activities. The County Treasurer is also responsible for considering the quality and capability of staff, investments advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard states: "Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived."

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the County. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the County.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act.

- A. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity;
- B. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and,

If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the County until this policy has been amended and the amended version approved by the Commissioners Court.

Competitive Bidding Requirement

All Securities, including certificates of deposit, will be purchased or sold after offers/bids are taken to verify that the County is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions, entered into by the County, shall be conducted on a delivery versus payment (DVP) basis.

IX. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by either the County, an independent third party financial institution, or the County's designated banking services depository.

All securities pledged to the County for certificates of deposit or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization

Collateralization on time and demand deposits over the FDIC insurance coverage of \$100,000.00

X. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit monthly and quarterly reports to the Commissioners Court containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and consistent with statutory requirements. All reports shall be in compliance with the Act. Market prices for market evaluations will be obtained from an independent source.

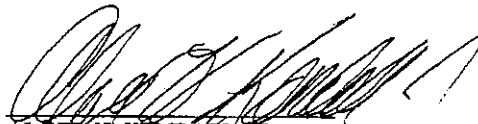
XI. DEPOSITORIES

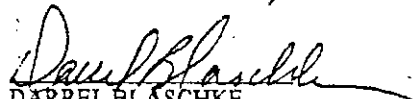
The County will designate one banking institution through a competitive process as its central banking services provider at least every two years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities.

XII. INVESTMENT POLICY ADOPTION BY COMMISSIONERS COURT

The County's Investment Policy shall be adopted annually by the Commissioners Court. The policy and strategies shall be reviewed on an annual basis by the Commissioners Court. A written resolution approving that review and changes to the policy from the review will be passed and recorded by the Commissioners Court. This investment Policy is subject to review and change by the Commissioners Court at their discretion.


APPROVED BY:



ALGER H. KENDALL, JR.
COUNTY JUDGE


DARREL BLASCHKE
COMMISSIONER, PCT. 1


JEFFREY WIATREK
COMMISSIONER, PCT. 2

JAMES ROSALES
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ALVA JONAS, COUNTY CLERK