

**WALTON COUNTY, FLORIDA
INVESTMENT POLICY**

SCOPE

The following investment Policy is intended to set forth the framework within which Walton County, Florida's investment activities will be conducted.

This investment policy applies to all funds held by or for the benefit of the Walton County Board of County Commissioners, hereinafter referred to as the County.

II. INVESTMENT OBJECTIVES

The County shall strive to achieve with each investment opportunity, the following objectives, in order of priority:

SAFETY—The primary objective of the County's investment activities is the protection of investment capital. All other objectives are secondary to the safety of capital.

LIQUIDITY—The County's investment strategy will provide sufficient liquidity such that cash flow requirements are met through the utilization of marketable securities with structured maturities. Specifically, there shall be no more than 90% of surplus funds invested in an active portfolio with 10% fully liquid.

INVESTMENT INCOME—In investing public funds, the County will strive to maximize the return on the portfolio but will minimize investment risk. Additionally, the investment portfolio will be designed with the annual objective of exceeding the average return on the Local Government Investment Pool.

III. INVESTMENT PERFORMANCE AND REPORTING

A portfolio report shall be provided quarterly (or more often if requested by the Board of County Commissioners) to the Board of County Commissioners by the Clerk of the Circuit Court. The report shall include a breakdown of the portfolio and the current market pricing, and "investment committee" recommendations. The Clerk of the Circuit Court will also promptly report to the Board of County Commissioners any investment action taken, and the reasons therefore, which is not in accordance with the recommendations of the "investment committee."

Investment performance shall be measured by meeting or exceeding rate of return objectives and maintaining adequate liquidity for current cash flow needs. The County's

primary rate of return objective in any given year is to achieve an annual rate of return greater than the average return on the Local Government Investment Pool on September 30th.

IV. PRUDENCE AND ETHICAL STANDARDS

The following “prudent person” standard shall be used in the management of the overall investment portfolio: 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 speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

The Clerk of the Circuit Court will receive advice from an “investment committee” consisting of the Clerk (or his/her designee), the Chairman of the Board of County Commissioners’ (or his/her designee), and two other individuals (one to be appointed by the Clerk and one to be appointed by the Board of County Commissioners’). Appointment to the Investment Committee shall be for a period of two years. Re-appointment, removal and the naming of new members shall be the responsibility of the Clerk and the Board of County Commissioners.

The “investment committee” will:

1. Formulate investment and asset allocation strategy recommendations within the framework of this policy;
2. Establish recommended Rate of Return objectives;
3. Monitor changing market conditions and risks;
4. Recommend investment portfolio changes;
5. Establish minimum and maximum holding periods for individual securities as well as maturity durations; and,
6. Review procedures for physical safeguarding of investment securities.
7. Meet once per quarter to review performance.

The Clerk of the Circuit Court, in his/her performance of the investment function, will act as a “prudent person” in accordance with this written policy and exercise due diligence and invest in securities authorized by this policy, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes provided deviation from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

V. AUTHORIZED INVESTMENTS

The Clerk of the Circuit Court may purchase investment securities, at prevailing market rates, at the appropriate amount thereof in:

1. The Local Government surplus Funds Trust Fund, hereinafter "SBA," the State Investment Pool administered by the State Board of Administration.
2. The Florida Local Government Investment Trust, hereinafter "FLGIT," administered by the Florida Association of Court Clerks and the Florida Association of Counties.
3. A repurchase agreement whereby authorized Securities are purchased and sold by way of overnight transactions for a guaranteed rate of return with the purchase collateralized in excess of the amount purchase to meet the safety requirements of this plan.
4. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
5. Savings accounts in state certified qualified public depositories.
6. Certificates of deposit in state certified public depositories.
7. Direct obligations of the U. S. Treasury.
8. U. S. Government Instrumentality Debt (such as the Federal Farm Credit Bureau).
9. High-grade corporate debt, including Eurodollar notes and bonds.
10. Mortgage backed securities
11. State and local Taxable and/or Tax-exempt debt.
12. Equities
13. Income Trusts
14. Mutual Funds

VI. MATURITY AND LIQUIDITY REQUIREMENTS

A Liquid Portfolio and an Active Portfolio will be established.

The Liquid Portfolio will be established with primary emphasis on anticipated cash flow requirements over a rolling forward 12-month period. At a minimum, the liquid portfolio

will be 10% of total funds invested.

Funds will be added to or removed from the Liquid Portfolio on or before March 31 of each year, or more frequently if deemed necessary by the “investment committee.”

Those funds not utilized to establish a Liquid Portfolio will be used to establish an Active Portfolio. The Active Portfolio will have its primary emphasis on fulfilling the objectives of this investment policy in order to enhance long-term performance and to provide investment diversification. Total surplus funds in the active portfolio shall be limited to no more than 90% of all surplus funds invested.

PORTFOLIO COMPOSITION

Prudent investing necessitates that the portfolio be diversified as to instruments and dealers. The following maximum limits are guidelines established for diversification by instrument. These guidelines may be revised by the Board of County Commissioners upon recommendation of the “investment committee” for specific circumstances:

State Investment Pool	50%
FLGIT	50%
Money Market Funds	50%
Certificates of Deposits	50%
U. S. Treasury Bills/Notes	100%
Public Funds Checking	100%
U. S. Instrumentality debt	50%
High grade corporate debt	50%
Mortgage backed securities	50%
State and local debt	50%
Equities	20%
Income Trusts	20%
Mutual Funds	20%

VII. DIVERSIFICATION AND RISK

Assets held shall be diversified to control the risk of loss resulting from the over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the “investment committee.”

The longer the maturity of a particular investment, the greater its price volatility becomes. Therefore, the County seeks to reduce interest rate risk by maintaining the maturities of the majority of its investment portfolio in short-term investments. Accordingly, whenever interest rates are expected to rise in the near future, actions

will be taken to shorten the maturities of the investment portfolio. Conversely, when interest rates are expected to decrease, actions will be taken to lengthen the maturities of the investment portfolio as necessary to reduce interest rate risk.

VIII. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The County shall only purchase securities from financial institutions, which are located within the State of Florida and are qualified as public depositories by the treasurer of the State of Florida or from primary securities brokers/dealers designated by the Federal Reserve Bank of New York. Documented lists of the authorized financial institutions and dealers/brokers will be developed and maintained by the Clerk of the Circuit Court.

If at any time the Clerk of the Circuit Court is appropriately notified of any threat to the integrity of the investment portfolio, proper security measures may be suggested and implemented, and the Clerk of the Circuit Court shall have the option to further restrict investment in selected instruments to conform to the then-present market conditions.

IX. THIRD PARTY CUSTODIAL AGREEMENTS

The Clerk of the Circuit Court will execute a Third-Party Custodial Safekeeping Agreement with a commercial bank's trust department, which is separately chartered by the United States Government or the State of Florida. All securities purchased and/or collateral obtained by the Clerk of the Circuit Court shall be properly designated as an asset of the County and held in safekeeping by the trust department and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by an authorized Clerk staff member. The Third-Party Custodial Safekeeping Agreement shall include letters of authority from the Clerk of the Circuit Court, details as to responsibilities of each party, notification of security purchases, sales, delivery, repurchase agreements, wire transfers, safekeeping and transactions costs, procedures in case of wire failure or other unforeseen mishaps including liability of, each party.

X. BID REQUIREMENT

Although in most situations the competitive bid process shall be utilized, there is no obligation to secure competitive bids from all financial institutions and dealer/brokers on the approved list. Rather, recommendations will be made by the "investment committee" to the Clerk of the Circuit Court as to the institutions that have been the most competitive over the preceding weeks and these will be contacted for a quote.

After the "investment committee" has recommended to the Clerk of the Circuit

Court the approximate maturity date based on the cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or dealers will be contacted and asked to provide bids on the securities in question.

1. Bids will be held in confidence until the highest bid is determined and awarded.
2. Documentation will be retained for all bids, with the winning bid clearly identified.
3. If for any reason the highest interest rate bid was not selected, then the reasons leading to that decision will be clearly indicated on the bid forms.
4. If the maturing investment is a certificate of deposit, the present holder of the funds will be one of the contacts made, subject to the portfolio diversification requirements in this policy.
5. In certain circumstances where a dealer or bank informs the County of a potential purchase or sale that must be completed within minutes of notification, the competitive bidding policy will be waived. The Clerk of the Circuit Court will have final approval on these particular transactions before they have been completed.
6. Competitive bids are not needed for the placement of funds with SBA or with FLGIT

XI. INTERNAL CONTROLS

The Clerk of the Circuit Court shall exercise and monitor a set of internal controls, which said controls are designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions. Such internal controls shall consist of the following:

1. All securities purchased or sold will be transferred only under the "delivery versus payment" (D.V.P.) method to ensure that funds or securities are not released until all criteria relating to the specific transaction are met.
2. The Clerk of the Circuit Court is authorized to accept, on behalf of and in the name of Walton County, bank trust receipts or confirmations as evidence of actual delivery of the obligation or securities in return for investment of funds.
3. Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmation shall state that the investment is held in the name of Walton County.
4. Written documentation and/or confirmation of telephone transactions and wire transfers will be maintained.

5. There will be adequate separation of duties with clear delegation of authority among investment personnel.
6. Custodial safekeeping shall be properly utilized.
7. An external auditor engaged for that purpose by the Clerk of the Circuit Court should perform annual operation reviews and performance evaluations.
8. Bearer-form securities will be avoided.
9. Physical delivery of securities is not permitted.
10. Prohibition of collusion.
11. Written dealer confirmation and monthly and/or quarterly custodial account statements shall be maintained.
12. All daily investment activity will be coordinated and reviewed by the Clerk of the Circuit Court, based upon the recommendations of the "investment committee." Investments are under the direct control of the Clerk of the Circuit Court. In the absence of the Clerk of the circuit Court, investment activity must be approved by the appropriate, designated staff.
13. Periodic training and educational opportunities will be provided and made available concerning investments and related subjects for appropriate investment personnel.
14. Such additional internal controls as established by the Clerk of the Circuit Court.

Approved 12/09/14