

RESOLUTION
OF THE SAN CARLOS ESTATES WATER CONTROL DISTRICT
PROVIDING FOR AN INVESTMENT POLICY PURSUANT TO CHAPTER 218,
FLORIDA STATUTES

**A RESOLUTION OF SAN CARLOS ESTATES WATER CONTROL DISTRICT
ADOPTING AN INVESTMENT POLICY PURSUANT TO SECTION 218.415,
FLORIDA STATUTES, 2004**

WHEREAS, the District is a special drainage district formed by a Judicial Decree from the 12th Judicial Circuit, dated April 3, 1969, for the purpose of operating a system of perimeter canals, dikes, roadside swales, roadbeds, basins and outfall canals to provide normal drainage and stormwater flow control to the land located within the District's limited geographical area; and

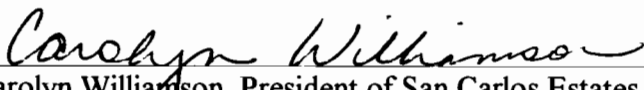
WHEREAS, the District is required to comply with the requirements of Section 218.415, Florida Statutes, 2004 as amended from time to time with regard to funds under the control of the District in excess of those required to meet current expenses; and

WHEREAS, on or about July 19, 2005 the District held a duly advertised public meeting and considered the advice of counsel and financial advisor regarding the requirements of Section 218.415.

NOW THEREFORE, based upon the foregoing, it is hereby resolved that the Investment Policy attached hereto as Exhibit "A" is hereby adopted.


BE IT FURTHER RESOLVED, that the District secretary/ treasurer, attorney, and financial advisor are hereby authorized to take actions necessary to implement the Investment Policy attached hereto.

DONE AND ADOPTED this 19th day of July 2005.



Carolyn Williamson, President of San Carlos Estates Water Control District

Attest:



Bud Lawson, Secretary/Treasurer for San Carlos Estates Water Control District

Investment Policy of the San Carlos Estates Water Control District

Adopted on July 19, 2005

(1) **SCOPE**--This investment policy of the San Carlos Estates Water Control District (the "District") shall apply to funds under the control of the District in excess of those required to meet current expenses. This investment policy shall not apply to pension funds, including those funds in Chapters 175 and 185, Florida Statutes, or funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

(2) **INVESTMENT OBJECTIVES**--The investment objectives of the District are safety of capital, liquidity of funds, and investment income, in that order.

(a) **SAFETY OF CAPITAL**—Safety of capital is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

(b) **LIQUIDITY**—The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating and capital requirements which might be reasonably anticipated.

(c) **INVESTMENT INCOME** – The District's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the portfolio's cash flow characteristics.

(3) The investment officers authorized to make investments in accordance with this policy are the Board of Supervisors and the Secretary/Treasurer of the District.

(4) **PERFORMANCE MEASUREMENT**--The District's investment strategy is passive. Given this strategy, the basis used by the District to determine whether market yields are being achieved shall be the Florida State Board of Administration's (SBA) monthly participant return.

(5) **PRUDENCE AND ETHICAL STANDARDS**-- The District's standard of prudence and ethics is the Prudent Person Rule, which states that: Investments should 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.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual securities' credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

(6) **MATURITY AND LIQUIDITY REQUIREMENTS**--The investment portfolio shall be structured to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities shall match known cash needs and anticipated cash-flow requirements.

(7) **PORTFOLIO COMPOSITION**—To the extent practicable based upon the nature of the District's surplus funds, the investment program shall not over concentrate in security issues, issuers, and

maturities. Diversification strategies shall be reviewed and revised periodically, as deemed necessary by the appropriate management staff.

(8) AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS--The District shall maintain a list of the authorized securities dealers, issuers, and banks from whom the District may purchase securities.

(9) THIRD-PARTY CUSTODIAL AGREEMENTS-- Securities shall be held with a third party; and all securities purchased by, and all collateral obtained by, the District shall be properly designated as an asset of the District. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized investment officer. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(10) MASTER REPURCHASE AGREEMENT-- All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in a Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of such Master Repurchase Agreement.

(11) BID REQUIREMENT—The District's official responsible for making investment decisions shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in subsection (2) must be selected.

(12) INTERNAL CONTROLS--The District's official responsible for making investment decisions shall establish a system of internal controls which shall be in writing and made a part of the governmental entity's operational procedures. Such controls shall be periodically reviewed by the District's independent auditors as part of any financial audit periodically required of the unit of local government. The internal controls are designed to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District.

(13) CONTINUING EDUCATION--The District's official responsible for making investment decisions shall annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

(14) REPORTING--The District's investment activities shall be reported on an annual basis. To that end, the District's official responsible for making investment decisions shall prepare an annual report for submission to the District's Board of Supervisors which shall include securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

(15) AUTHORIZED INVESTMENTS; WRITTEN INVESTMENT POLICIES—The District may invest and reinvest any surplus public funds in their control or possession in:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

(b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

(c) Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.

(d) Direct obligations of the United States Treasury.

(e) Federal agencies and instrumentalities.

(f) Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

(g) Uncollateralized guaranteed investment contracts with a provider rated at least AA- by Standard and Poor's or Aa3 by Moody's Investor Services at the time of purchase of the guaranteed investment contract.

(h) Other investments authorized by law or by resolution for a special district.

(16) SECURITIES; DISPOSITION--

(a) Every security purchased under this section on behalf of the District will be properly earmarked and:

1. If registered with the District or its agents, must be immediately placed for safekeeping in a location that protects the District's interest in the security;

2. If in book entry form, must be held for the credit of the District by a depository chartered by the Federal Government, the state, or any other state or territory of the United States which has a branch or principal place of business in this state as defined in s. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this state, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or

3. If physically issued to the holder but not registered with the District or its agents, must be immediately placed for safekeeping in a secured vault.

(b) The District's Board of Supervisors may also receive bank trust receipts in return for investment of surplus funds in securities. Any trust receipts received must enumerate the various securities held, together with the specific number of each security held. The actual securities on which the trust receipts are issued may be held by any bank depository chartered by the Federal Government, this state, or any other state or territory of the United States which has a branch or principal place of business in this state as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this state.

(17) SALE OF SECURITIES--When the invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the District's investment officer may sell such investments at the then-prevailing market price and place the proceeds into the proper account or fund of the District.

(18) PREEXISTING CONTRACT--Any District funds subject to a contract or agreement existing on October 1, 2000, may not be invested contrary to such contract or agreement.

(19) AUDITS--Certified public accountants conducting audits of the District pursuant to Section 218.39, Florida Statutes, shall report, as part of the audit, whether or not the District has complied with Section 218.415, Florida Statutes, governing the investment of public funds in excess of the amount needed to meet current expenses.