

CALAVERAS COUNTY WATER DISTRICT FINANCE COMMITTEE MEETING

AGENDA

Tuesday, September 30, 2014
2:30 p.m.
CCWD Training Room

Calaveras County Water District
120 Toma Court (P O Box 846)
San Andreas, California 95249

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Administration Office at 209-754-3028. Notification in advance of the meeting will enable CCWD to make reasonable arrangements to ensure accessibility to this meeting. Any documents related to agenda items that are made available to the Board before or at the meeting shall be available for review by the public at 120 Toma Court, San Andreas, CA 95249.

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. **PUBLIC COMMENT:** Comments limited to five minutes per person.
2. **APPROVAL OF MINUTES:** July 29, 2014
3. **NEW BUSINESS**
 - 3a. Discussion/Direction Regarding Water Conservation Rebate Program
(Joel Metzger, Customer Service/Community Relations Manager)
 - 3b. Discussion/Direction Regarding Amending the District's Financial Management Policy – Policy No. 5.01 – Investment Policy
(Jeffrey Meyer, Director of Administrative Services)
 - *3c. Update on FY 2013-14 Capital Repair and Replacement Program
(Jeffrey Meyer, Director of Administrative Services)
4. **DIRECTOR OF ADMINISTRATIVE SERVICES COMMENTS**
5. **GENERAL MANAGER COMMENTS**
6. **DIRECTOR COMMENTS**
7. **FUTURE AGENDA ITEMS**
8. **NEXT COMMITTEE MEETING**
9. **ADJOURNMENT**

MINUTES
FINANCE COMMITTEE MEETING
JULY 29, 2014

The FINANCE COMMITTEE of the CALAVERAS COUNTY WATER DISTRICT (CCWD) met in the CCWD Conference Room at 120 Toma Court, San Andreas, California at 2:42 pm.

The following Committee Members were present:

Don Stump	Director
Scott Ratterman (absent)	Director
Bob Dean	Director

Also Present:

Larry Diamond	Interim General Manager
Jeff Meyer	Director of Administrative Services
Joel Metzger	Customer/Community Relations Manager
Corinne Thornburg	Customer Service Representative

Public Present:

Dennis & Vickey Mills
Dan Byker
Sandra Maynard
Jean Fox

1. Public Comment:
None

2. Approval of Minutes:
Minutes approved from the June 5, 2014 Finance Committee Meeting.

3. New Business:

3a. Review and Acceptance of the FY 2013-14 Fourth Quarter Investment Report:

Mr. Meyer reviewed the final quarter FY 2013-14 Investment Report. The Capital R&R loan proceeds have been invested in CDARS and have staggering maturity dates to match project fund expenditures. There was a discussion regarding CDARS versus LAIF; Sierra Vista Bank's CDARS program is offering the District a better rate at this time.

Committee recommendation is to bring the quarterly report to the full Board for review/acceptance.

3b. Update on FY 2013-14 Capital Repair and Replacement Program:

Mr. Meyer provided the Committee and public with a handout showing the Capital R&R Revenue, Expenses and Budget for the FY ending June 30, 2014. There is a likelihood of receiving a USDA grant loan for the Ebbetts Pass Reach 3A project.

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3c. Discussion/Direction Regarding Customer Billing Status:

Mr. & Mrs. Byker of West Point are requesting termination of service on a condemned property. Mr. Metzger related the history; the Bykers applied for and received a suspension of service for 2 years. Due to non-payment the account was turned over to the County Tax Collector to be placed on the Tax Rolls for collection. Mr. Metzger recommends that we follow policy and not grant a variance to terminate service on this account. Mr. Byker would like to see a recommendation on exceptions to policy go to the Board and a letter sent to him on the outcome.

Director Stump stated this would be reviewed and brought up at the next Finance Committee meeting.

3d. Discussion/Direction Regarding Billing for Tenants/Property Owners:

Mr. Metzger provided a narrative on the history of the change from tenant/owner billing to owner only billing. Mr. Metzger also provided a handout listing the history of the number of reminder notices, door tags and lock offs issued since April 2012. He also reviewed other payment options, as well as a recommendation of providing an additional paper bill for an annual fee. Director Dean suggested offering forgiveness of late fees during the initial change in mailing process.

Direction was given to bring the additional mailing annual fee of \$15 to the Board for approval. Staff will look into the steps to e-mail reminder notices as well as placing them in the mail.

Mr. Metzger would like two more billing cycles for each area to complete his data research.

4. Director of Administrative Service Comments:

None at this time.

5. Auditor-Controller Comments:

Not present

6. Interim General Manager Comments:

None at this time.

7. Director Comments:

Director Dean:

What % of properties are rentals? Mr. Metzger's answer was 10%.

MINUTES
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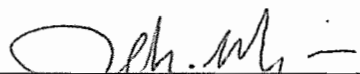
8. Future Agenda Items:
Update on Tenant/Property Owner billing.
Amount of late fees incurred during the billing change over.
9. Next Committee Meeting:
To be scheduled for August 2014
10. Adjournment:
With no further business, the meeting was adjourned at 4:07 p.m.

Respectfully Submitted,



Patti Christensen, Auditor-Controller

Approved:



Jeffrey L. Meyer, Director of Administrative Services

Agenda Item

DATE: September 30, 2014
TO: Finance Committee
FROM: Joel Metzger, Community/Customer Relations Manager JM
SUBJECT: Discussion/Action Regarding Water Conservation Rebate Program

RECOMMENDED ACTION:

Discussion/Action regarding Water Conservation Rebate Program.

SUMMARY:

Due to the extreme state of drought and the District's commitment to promoting wise use of water, a toilet rebate program was put in place for CCWD water customers on April 1, 2014. Approximately \$14,000 was made available for these rebates. As of September, about 20 rebates had been redeemed at a cost of about \$500. In order to further promote water conservation, CCWD staff recommends expanding the District's rebate program and offering the following rebates to its water customers:

Item	Cost Range	Proposed Rebate
Smart Irrigation Controller	\$99 - \$300	\$75
Lawn/Pool Removal	\$1.37 - \$2.24/square foot	\$2/square foot
Sprinkler to Drip System	Varies	\$75
Landscape Survey	N/A	Free of charge
Efficient Washing Machine	\$720 - \$1,700	\$75
Low-Flow Toilet	\$150 - \$350	\$25
Low-Flow Showerhead*	\$20 - \$75	\$10

*District has Home Water Conservation Kits available at office.

FINANCIAL CONSIDERATIONS:

Approximately \$13,500 remains in the FY 2014-15 Operating and Budget in the Water Conservation portion of the Water Resource Departmental budget.

Agenda Item

DATE: September 30, 2014

TO: Finance Committee

FROM: Jeffrey Meyer,  Director of Administrative Services

SUBJECT: Discussion/Action regarding Amendment of District's Financial Management Policy No. 5.01 – Investment Policy

RECOMMENDED ACTION:

Discussion/Action regarding Amendment of District's Financial Management Policy No. 5.01 – Investment Policy

SUMMARY:

As per Section 5.01.20 of the Investment Policy Guidelines of the Calaveras County Water District, *Investment Policy Adoption*, "The Investment Policy Guidelines of the Calaveras County Water District shall be adopted by resolution of the Districts' legislative authority. The policy shall be reviewed at the beginning of each fiscal year, in July, by the Board of Directors and any modifications made thereto must be approved by the Board of Directors."

A review of the current policy has identified two proposed changes. The first proposed change is to section 5.01.07, *Investment Advisory Committee*. The current policy specifies that the committee will consist of the General Manager, Auditor-Controller and one Board member of the Finance Committee ..., The amended policy replaces the Auditor-Controller with the Director of Administrative Services.

The second proposed change is amending the review period in section 5.01.20, *Investment Policy Adoption*, from July of each fiscal year to the first quarter of each fiscal year.

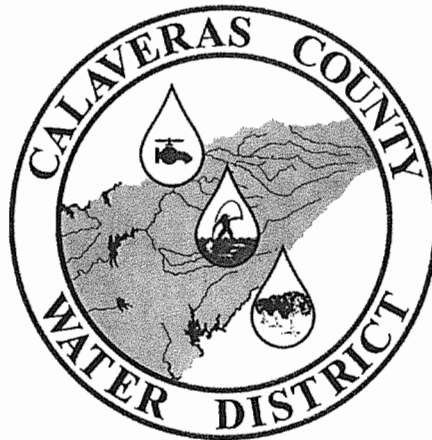
FINANCIAL CONSIDERATIONS:

None.

Attachments: *Proposed Investment Policy.*



Investment Policy Guidelines
of the
Calaveras County Water District



Adopted March 3, 2007
Revised July 16, 2008 (Res. 2008-63)
Revised October 14, 2009 (Res. 2009-65)
Revised June 21, 2011 (Res. 2011-37)
Revised February 26, 2014 (Res. 2014-07)
Proposed October 8, 2014 (Res. 2014-)

2014 Calaveras County Water District Investment Policy Guidelines

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Calaveras County Water District

5.01.01 Policy Statement

This policy is intended to provide guidelines for the prudent investment of the Calaveras County Water District's (District) funds and outline the policies for maximizing the efficiency of the District's cash management system. The ultimate goal is to enhance the economic status of the District consistent with the prudent protection of the District's investments. This investment Policy has been prepared in conformance with all pertinent existing laws of the State of California including California Government Code Sections 53600, *et seq.*

5.01.02 Scope

It is intended that this policy cover all funds and investment activities of the District. These funds are defined and detailed in the District's Annual Financial Statements and include any new funds created unless specifically excluded by District management and the Board of Directors. The management of Calaveras County Water District's bond issued proceeds is not included in this policy because they have unique investment objectives, time horizons, and legal requirements. Incorporated herein are **Appendices A and B**, "Description of Authorized Investments and Restrictions," and "Glossary of Cash Management Terms," respectively.

5.01.03 Prudent Person Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District."

5.01.04 Investment Objectives

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds, the primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the District. The third objective is to achieve a maximum return on invested funds. It is the policy of the District to invest public funds in a manner to obtain the highest return obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

5.01.04.1 Safety of Principal

Safety of principal is the foremost objective of the District. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they arise from securities defaults, institution default, broker-dealer default, or erosion of market value of securities. The District shall mitigate the risk to the principal of invested funds by limiting credit and interest rate risks. Credit Risk is the risk of loss due to the failure of a security's issuer or backer. Interest Rate risk is the risk that the market value of the District's portfolio will fall due to an increase in general interest rates.

A) Credit risk will be mitigated by:

- (1) Limiting investments to only the most creditworthy types of securities; and
- (2) Pre-qualifying a list of non-government issuers of securities with which the District will do business; and
- (3) Diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the District.
- (4) The District cannot invest any more than 5% maximum of the portfolio in any single issuer's bond debt, except U.S. Government, its agency or the State of California Local Agency Investment Fund.

B) Interest rate risk will be mitigated by:

- (1) Structuring the District's portfolio so that securities mature to meet the District's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and
- (2) Investing primarily in shorter-term securities as defined in "(b)" **Liquidity**.

5.01.04.2 Liquidity

Availability of sufficient cash to pay for current expenditures shall be maintained. An adequate percentage of the portfolio shall be maintained in liquid short-term securities, which can be converted to cash as necessary to meet disbursement requirements. Since cash requirements cannot always be anticipated, sufficient investments in securities with active secondary or resale markets shall be utilized. These securities will have a low sensitivity to market risk. The Local Agency Investment Fund (LAIF) and short-term money market securities shall also be used as liquid investments. The cash management system of the District shall be designed to accurately monitor and forecast expenditures and revenues to insure the investment of monies to the fullest extent possible.

5.01.04.3 Rates of Return

Return on investments shall be considered only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market average rate of return throughout economic cycles, taking into account the District's risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

5.01.05 Delegation of Authority

The Board of Directors hereby delegates management authority and responsibility for implementing the investment policy to the General Manager or designee, who shall establish written procedures for the operation of the investment program consistent with this investment policy and the requirements of applicable laws. Such procedures shall include explicit delegation (by the Board of Directors) of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Directors. The General Manager or designee shall be responsible for all transactions undertaken by the District's staff, and shall establish a system of controls to regulate the activities of internal staff and any external investment advisors.

All participants in the investment process shall act, as custodians of the public trust and all investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. All investment related activity shall be done in conformance with this policy and all applicable State and Federal laws and regulations.

5.01.06 Ethics and Conflicts of Interest

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 officers shall disclose any financial interest in financial institutions that conduct business with the District, and they shall further disclose any personal financial/investment positions that could be related to the performance of the District's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the District, particularly with regard to the timing of purchases and sales, and shall avoid transactions that might impair public confidence.

5.01.07 Investment Advisory Committee

An *Investment Advisory Committee* consisting of the General Manager, ~~Auditor Controller~~ Director of Administrative Services and one Board Member from the Finance Committee shall be established for purposes of reviewing investment activities and strategies. The *Investment Advisory Committee* shall meet as necessary to review quarterly investment

reports, develop future investment strategies and present investment recommendations to the Finance Committee and the Board of Directors.

5.01.08 Authorized Financial Dealers and Institutions

The General Manager or designee shall establish and maintain a list of the financial institutions and broker/dealers authorized to provide investment and depository services to the District, shall perform an annual review of the financial condition and registrations of the qualified institutions, and require annual audited financial statements to be on file for each approved institution. The District shall send annually, or as updated, a copy of its current Investment Policy to all financial institutions and broker/dealers approved to do business with the District. Receipt of the Investment Policy including confirmation that it has been received and reviewed by the person(s) handling the District's account, shall be acknowledged in writing within thirty (30) days.

5.01.08.1 Depositories

In selecting depositories, the creditworthiness of institutions shall be considered and the General Manager or designee shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history. Qualifications and minimum requirements for depositories shall be established by the General Manager or designee, approved by the Board of Directors and provided to any institution seeking to conduct business with the District. Banks and Savings and Loan Associations seeking to establish eligibility as a depository for the District's Collateralized Certificate of Deposits shall submit annually an audited financial statement, which shall be reviewed by the General Manager or designee for compliance with the District's financial criteria.

Any institution meeting the District's required criteria will be eligible for placement of public deposits by the District, subject to approval by the General Manager or designee. As deemed necessary by the General Manager or designee, reviews of unaudited quarterly financial data for institutions on the District's approved list shall be made. Any institution falling below the District's established minimum criteria shall be removed from the approved list, no new deposits may be placed with that institution and all funds remaining shall be withdrawn as the deposits mature.

5.01.08.2 Brokers and Dealers

All brokers and dealers that desire to become qualified bidders for investment transactions with the District must respond to a "Broker Dealer Questionnaire" and submit related documents relative to eligibility. This includes a current audited financial statement, proof of state registration, proof of NASD registration and a certification they have received and reviewed the District's Investment Policy and agree to comply with the provisions outlined in the Investment Policy. The General Manager or designee may establish any additional criteria deemed appropriate to evaluate and approve any financial

services provider. The selection process for broker dealers shall be open to both "primary dealers" and "secondary/regional dealers" that qualify under Securities and Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). The provider must be experienced in institutional trading practices and be familiar with the California Government Code as it relates to investments by a public entity.

5.01.09 Authorized and Suitable Investments

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600 - 53609 (authorized investments), 53630 - 53686 (deposits and collateral) and 16429.1 (Local Agency Investment Fund). The District may choose to restrict its permitted investments to a smaller list of securities that more closely fits the District's cash flow needs and requirements for liquidity. If a type of investment is added to the Government Code list, it shall not be added to the District's Authorized Investment List until this policy is amended and approved by the Board of Directors. If a type of investment permitted by the District should be removed from the Government Code list, it shall be deemed concurrently removed from the District's Authorized Investment List, but existing holdings may be held until they mature.

Within the context of these limitations, the following investments are authorized:

**SUMMARY OF INVESTMENTS AUTHORIZED UNDER CALIFORNIA
 GOVERNMENT CODE SECTION 53601 AND
 CALAVERAS COUNTY WATER DISTRICT
 STATEMENT OF INVESTMENT POLICY**

See Appendix A

CGC Section	Investment Type	ALLOWED BY STATUTE			AUTHORIZED BY CALAVERAS COUNTY WATER DISTRICT		
		Maximum Maturity	Authorized Limit (%)	Required Rating	Maximum Maturity	Authorized Limit (%)	Minimum Required Rating
53601(a)	Local District Bonds	5 Years	None	None	5 Years	50%	AA
53601(b)	U.S. Treasury Obligations	5 Years	None	None	5 Years	100%	N/A
53601(c)	State of California Obligations	5 Years	100%	None	5 Years	100%	A
53601(d)	Other State Obligations	5 Years	None	None	5 Years	20%	AA
53601(e)	California Local District Obligations	5 Years	None	None	5 Years	50%	AA
53601(f)	U.S. Agencies	5 Years	None	None	5 Years	100%	AAA
53601(g)	Bankers' Acceptances	180 Days	40%/30%	None	180 Days	40%	A A1/P1/F1
53601(h)	Commercial Paper Negotiable Certificates of	270 Days	25% or 10%	A1/P1/F1	270 Days	25%	AA
53601(i)	Deposit	5 Years	30%	None	5 Years	30%	N/A
53601(j)	Repurchase Agreements	1 year	None	Various	1 Year	20%	None
53601(j)	Reverse Repurchase Agreements	92 days	20% of base	A	92 Days	20% of Base	A
53601(k)	Medium-Term Notes	5 Years	30%	A or >	5 Years	30%	A or >
53601(l)	Money Market Mutual Funds	N/A	20%	(1)	N/A	20%	(1)
53601(p)	Joint Powers Authority	N/A	None	None	N/A	20%	None
53631	Collateralized Bank Deposits	5 Years	None	AA	5 Years	20%	AA
53637	Time Deposits	5 Years	None	None	2 Years	20%	N/A
16429.1	Local Agency Investment Fund (LAIF)	N/A	None	None	N/A	No Limit ⁽²⁾	N/A
53635.8	County Pooled Investment Funds Non-Negotiable Certificates of	N/A	None	None	N/A	30%	None
53684 (3)	Deposit	5 Years	100%	None	2 Year	40%	None

- (1) Highest ranking by 2 of 3 of the nationally recognized rating agencies,
- (2) LAIF currently allows a maximum of \$50 million per account.
- (3) For non-negotiable certificates of deposit, bank deposits, and time deposits that exceed the insured maximum of \$250,000, approved collateral at the required percentage of market value will be obtained. (Government Code § 53651-53652).

The CCWD Portfolio at the time of investment will use a guideline of 5% limit per issuer. The exception will be U.S. Treasuries and U.S. Agencies.

Note: "Authorized Limits" refer to the percent of total amount of funds eligible for investment in a particular investment type.

One purpose of this Investment Policy is to define what investments are permitted. If a type of security is not specifically authorized by this policy, it is not a permitted investment. Additionally, District assets shall not be invested in instruments whose maturities exceed five (5) years from the time of purchase without the express approval of the Board of Directors.

See **Appendix A** for a more detailed descriptions and additional restrictions, if any, of the authorized investments listed above.

5.01.10 Competitive Bidding

It is the District's policy to transact all securities purchases and sales through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers. The District will accept the offer, which (a) optimizes the investment objectives of the overall portfolio and (b) the highest rate of return.¹ When selling a security, the District will select the bid that generates the highest sale price. It will be the responsibility of the personnel involved in each transaction to produce and retain written records, including the name of the financial institutions solicited, price/rate quoted, general description of the security, bid/offer selected, and any consideration that had an impact on the decision.

5.01.11 Master Repurchase Agreement

The District may invest (Government Code Section 53601 (j)) in overnight and term repurchase agreements with Primary Dealers of the Federal Reserve Bank of New York rated "A" or better by Moody's Investors Service or Standard & Poor's Corporation with which the District has entered into a Master Repurchase Agreement. This agreement will be modeled after the Public Securities Associations Master Repurchase Agreement.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party shall have an account in the name of the Calaveras County Water District. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis and shall not be permitted to fall below a minimum of 102 percent of the value of the repurchase agreement. Collateral shall not have maturities in excess of five (5) years. The right of substitution shall be granted, provided that permissible collateral is maintained.

In order to conform with the provisions of the Federal Bankruptcy Code that provides for the liquidation of securities held as collateral for repurchase agreements, the only securities deemed acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government, U.S. Government Agencies or Government Sponsored Enterprises securities as permitted under this policy. The District will maintain a first

¹ The purchase of securities other than U.S. Treasuries (corporate notes, agencies, mortgage-backed securities, etc.) will be executed differently. This is due to the lack of homogeneity among these products and their availability (or unavailability) in dealer inventories. Because of the individualized nature of these securities, it is generally not possible to get more than one offer on the same instrument. Therefore, when purchasing non-Treasury securities, the Investment Officer shall make a subjective evaluation regarding the relative attractiveness of various offers, taking into account maturity, credit ratings, structure and other factors that influence pricing.

perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to the liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counter party.

5.01.12 Investment Pools

An investigation of any investment pool or money market mutual fund is required prior to investing and is to be performed on an ongoing basis. The investigation shall, at a minimum, obtain the following information:

- A description of interest calculations and how it is distributed, and how gains and losses are distributed.
- A description of how securities are safeguarded (including the settlement process) and how often the securities are “marked to market” and how often an audit is conducted.
- A description of who may invest in the program, how often, what size deposits and withdrawals are permitted.
- A schedule for receiving statements and portfolio listings.
- Does the pool/fund maintain a reserve or retain earnings or is all income after expenses distributed to participants?
- A fee schedule, which also discloses when and how fees are assessed.
- Determining if the pool or fund is eligible for bond proceeds and/or will it accept such proceeds.

The purpose of this investigation is to determine the suitability of a pool or fund in relation to the District’s investment policy and evaluate the risk of placing funds with that pool or fund.

5.01.13 Collateralization

Uninsured Time Deposits with banks and savings and loans shall be collateralized and monitored in the manner prescribed by state law for depositories accepting investment funds from public governmental entities.

Repurchase Agreements shall be collateralized in accordance with terms specified in the Master Repurchase Agreement. The valuation of collateral securing a Repurchase Agreement shall be verified and monitored on a daily basis to insure a minimum of 102% of the value of the transaction being held *by* the District's depository agent. All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party shall have an account in the name *of* the Calaveras County Water District.

5.01.14 Safekeeping and Custody

All securities owned by the District shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. **All securities shall be received and delivered using standard**

delivery versus payment (DVP) procedures. The third party bank trustee agreement must comply with Section 53608 of the California Government Code. No outside broker/dealer or advisor may have access to District funds; accounts or investments and any transfer of funds must be approved by the General Manager or designee or his/her designee.

5.01.15 Diversification and Risk

The District recognizes that investment risks could result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. To minimize the District's exposure to these types of risk, the portfolio should be diversified among several types of institutions, instruments and maturities. The General Manager or designee shall minimize default risk by prudently selecting only instruments and institutions which at the time of placement have been evaluated for their financial viability and compliance with this policy. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. Risk shall also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by matching investments with cash flow requirements. In the event of a default by a specific issuer, the General Manager or designee shall evaluate the liquidation of securities having comparable credit risks. Diversification strategies shall be established and reviewed quarterly by the General Manager or designee.

5.01.16 Maximum Maturities

Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement and approved by the Board of Directors, no investment may be made with maturity greater than five (5) years.

5.01.17 Internal Control and Review

This Investment Policy shall be reviewed periodically by the General Manager or designee as necessary and any recommended revisions shall be submitted as needed to the Board of Directors in order to insure consistency and its relevance to current law, and financial and economic trends. The General Manager or designee shall also submit this Investment Policy to the Board of Directors for its review during the first quarter of each fiscal year.

In conjunction with the annual financial statement audit, the external auditors shall review the investments and general activities associated with the investment program to evaluate compliance with this Investment Policy.

5.01.18 Performance Benchmark

The investment portfolio will be managed in accordance with the standards established within this Investment Policy and will use an industry benchmark of like investment types that maintain a target duration and credit quality that are commensurate with the District's current investment goals.

5.01.19 Reporting

The General Manager or designee will produce a quarterly investment report (Treasurer's Report) that will be submitted to the Board of Directors at minimum, on a semi-annual basis. The report, generally submitted within 30 days of the end of each calendar quarter (unless a more frequent reporting period is chosen), shall include information about the investment of all funds in the custody of the District. This report shall also include all items listed in Section 53646(b) of the Government Code.

These reports will also include the following information about the investments of all funds:

5.01.19.1 Investment Report

- A. List of individual investments by type and issuer held at the end of reporting period.
- B. Dollar weighted yield to maturity of the District's investments.
- C. Maturity schedule by type, of each of the District's investments.
- D. Statement of compliance of the portfolio to the District's adopted Investment Policy or manner in which the portfolio is not in compliance.
- E. Quarterly statement denoting the ability to meet the District's scheduled expenditure requirements for the next three months.
- F. Market value, book value and par value of all investments.
- G. Rates of interest on investments and accrued interest earned on the portfolio.

5.01.20 Investment Policy Adoption

The Investment Policy Guidelines of the Calaveras County Water District shall be adopted by resolution of the Districts' legislative authority. The policy shall be reviewed ~~at the beginning of each fiscal year, in July,~~ during the first quarter of each fiscal year by the Board of Directors and any modifications made thereto must be approved by the Board of Directors.

Appendix - A

Description of Authorized Investments and Restrictions

The following descriptions of authorized investments are included here to assist in the administration of this policy.

5.01.20.01 Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is a special fund in the California State Treasury created and governed pursuant to Government Code Sections 16429.1 *et seq.* This law permits the District, with the consent of the Board of Directors, to remit money not required for the District's immediate need to the State Treasurer for deposit in this special fund for the *purpose* of investment. LAIF currently limits investments to \$50 million from any one District. Principal may be withdrawn on one days notice. The fees charged by LAIF are limited by Statute. (Legal Authority - Government Code Section 16429.1)

5.01.20.02 Securities of the U.S. Government including U.S. Government Agencies and Instrumentalities

These obligations can be classified either as "Treasuries" or "Agencies" (Legal Authority- Government Code Sections 53601(b)). Treasury securities are obligations of the United States Treasury backed by the "full faith and credit" of the Federal Government and can be of three types: bills, notes, and bonds. There is no percentage limitation on the funds that can be invested in this category; however a five-year maturity limitation is applicable.

The District can invest in obligations issued by Federal Government agencies and Government Sponsored Enterprises such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FI-ILMC). Such securities are obligations of the agencies themselves, but there is also an implied guarantee by the United States Government. All such obligations qualify as legal instruments and are acceptable as security for District deposits. (Legal Authority - Government Code Sections 53601 (f))

5.01.20.03 Registered State Warrants or Treasury Notes or Bonds of the State of California

These include bonds payable solely out *of* the revenues from a revenue-producing property owned, controlled, or operated *by* the state or *by* a department, board, District, or authority *of* the state. (Legal Authority - Government Code Sections 53601 (c))

5.01.20.04 Registered treasury notes or bonds of any of the other 49 United States in addition to California,

This includes bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California (GCS 53601 (d))

5.01.20.05 Bonds, Notes, Warrants, or Other Evidences of Indebtedness of Any Local District within the State of California

These include bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a California local District, or by a department, board, District or authority of such a local District. (Legal Government Code Sections 53601 (e))

5.01.20.06 Bankers Acceptance

The District may invest in Bankers Acceptances limited to banks rated a minimum of "A" by Moody's Investors Service and Standard & Poor's Corporation. The maximum investment maturity will be restricted to 180 days as per Government Code Section 53601(f). Maximum portfolio exposure will be limited to 40 percent. (Legal Authority- Government Code Sections 53601 (g))

5.01.20.07 Commercial Paper

Prime Commercial Paper with a maturity not exceeding 270 days from the date of purchase with the highest ranking or of the highest letter and numerical rating as provided for by the nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either A or B below:

- A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five hundred million dollars (\$500,000,000) and (3) have debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.
- B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letter of credit or surety bonds and (3) have commercial paper that is rated "A-I" or higher, or the equivalent, by a NRSRO.

The District's aggregate investment in commercial paper shall not exceed 25% of the District's total portfolio. (Legal Authority - Government Code Sections 53601 (h))

5.01.20.08 Negotiable Certificates of Deposit

Investments are limited to deposits issued by a nationally or state-chartered bank or a state or federal association (Government Code Section 53601(i)) with a minimum rating of "AA" as assigned by Moody's Investors Service and Standard and Poor's Corporation. Negotiable Certificates of Deposit shall not exceed 30 percent of the District's surplus money, which may be invested pursuant to this policy. Per section 53638 of the California Government Code, any deposit shall not exceed the total paid-up capital and surplus of any depository bank, nor shall the deposit exceed the total net worth of any institution. Maximum investment maturity is restricted to one year. Investments in Negotiable Certificates of Deposit prohibited by Government Code Section 53635 (i) shall not be made. (Legal Authority Government Code Section 53601 (i))

5.01.20.09 Time Certificates of Deposit

The District may invest in collateralized certificates of deposits issued by a state or nationally chartered bank, a state or federal association or a state or federal credit union (Government Code Sections 53601(h)). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All banks are required to provide the District with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool.

District funds shall be invested only in commercial banks and savings and loans rated "A" or better by Moody's or Standard and Poor's.

In the event that a bank does not meet the minimum ratings, a tri-party collateral arrangement may be substituted in lieu of a rating lower than "A". The third party institution must be acceptable to the District and have an account in the name of the Calaveras County Water District. The market value of the collateral in the account must not fall below 110 percent of the value of the deposit(s) at any time. The securities in the account must conform to Government Code Section 53651 with the exception that real estate mortgages are not acceptable collateral. The District will maintain a first perfected security interest in the securities pledged against the deposit and shall have a contractual right to liquidation of pledged securities upon the bankruptcy, insolvency or other default of the counter party.

Deposits of up to \$250,000 are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation, regardless of Moody's Investors Service or Standard and Poor's Corporation ratings. Per section 53638 of the California Government Code, any deposit shall not exceed the total paid-up capital and surplus of

any depository bank, nor shall the deposit exceed the total net worth *of* any institution.

Maximum maturity is restricted to two (2) years. (Legal Authority - Government Code Sections 53651)

5.01.20.10 Repurchase Agreements

A Repurchase Agreement is the purchase *of* a security pursuant to an agreement by which the counterparty will deliver the underlying security by book entry, physical delivery or by a third party custodial agreement. Repurchase Agreements shall have a maximum maturity *of* one year and shall not exceed 20 percent *of* the District's funds. The collateralization level for Repurchase Agreements shall be a minimum *of* 102 percent *of* the market value of the principal and accrued interest. The right *of* substitution will be granted provided that permissible collateral is maintained. In order to conform with the provisions *of* the Federal Bankruptcy Code that provides for the liquidation *of* securities held collateral for Repurchase Agreements, the only securities acceptable as collateral shall be securities that are direct obligations *of* and guaranteed by the United States Government, or its Agencies or with a maximum maturity of five (5) years. The District shall maintain a first perfected security interest in the securities subject to the Repurchase Agreement and shall have a contractual right to the liquidation *of* purchased securities upon the bankruptcy, insolvency or other default *of* the counter party. Repurchase Agreements may only be made with banks and primary dealers with which the District has entered into a Master Repurchase Agreement modeled after the Public Securities Associations' Master Repurchase Agreement. In all other respects, Repurchase Agreements shall conform to the restrictions set forth in Government Code Sections 53601 (j). (Legal Authority - Government Code Sections 53601 (j))

5.01.20.11 Medium Term Notes

Medium-term notes are obligations of a domestic corporation or depository institution having a rating of "A" or better by a nationally recognized rating service. Purchase of medium-term notes shall not have maturity in excess of five (5) years. (Legal Authority-Government Code Sections 53601(k))

5.01.20.12 Money Market Mutual Funds

Mutual funds qualifying for District investment must restrict their portfolios to issues approved by the same state investment statute that defines investment alternatives for cities. Additionally these mutual funds must adhere to Federal statutes regarding the size of the mutual fund and its safety, must attain the highest ranking of two of the three largest rating services and must retain an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing assets of at least five hundred million dollars (\$500,000,000). The mutual funds must invest solely in investments, which the District itself could legally purchase. Investments in mutual funds shall not exceed 20 percent of the District's surplus fund. (Legal Authority-Government Code Section 53601(l))

5.01.20.13 Share of beneficial interest in a joint powers authority

As authorized by Government Code Section 53601(p).

5.01.20.14 Passbook Deposits

As authorized by Government Code Section 53637.

Appendix B

Glossary of Cash Management Terms

Accrued Interest - Interest earned but not yet received.

Active Deposits - Funds which are immediately required for disbursement.

Amortization - An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Arbitrage - Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets.

Asked Price - The price a broker dealer offers to sell securities.

Average Life - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Banker's Acceptance - A high quality, short-term money market instrument used to finance international trade. There has never been an instance of a failure to pay a banker's acceptance in full at its maturity date.

Basis Point - One basis point is one hundredth of one percent (.01).

Bid Price - The price a broker dealer offers to purchase securities.

Bond - A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Entry - The system maintained by the Federal Reserve, by which most money market securities are delivered to an investor's custodial bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment).

Book Value - The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker - Someone who brings buyers and sellers together and is compensated for his/her service.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction, which calls for delivery and payment of securities on the same day that the transaction is initiated.

CDARS – The Certificate of Deposit Account Registry Service (CDARS) program places funds into certificates of deposit issued by banks in the CDARS network. This occurs in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC insurance deposit. Maturities range from four weeks to three years. Interest rates are set by the competitive market place.

Certificate of Deposit - A deposit of funds for a specified period of time that earns interest at a specified rate. Commonly known as "CDs." Maturities range from a few weeks to several years. Interest rates are set by the competitive market place.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Commercial Paper - Short-term, negotiable unsecured promissory notes of corporations.

Comprehensive Annual Financial Report (CAFR) – The official annual financial report for the District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (GAAP).

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon - The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis - A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

Custodian - A bank or other financial institution that keeps custody of stock certificates and other assets.

Defeased Bond Issue - Issues that have sufficient money to retire outstanding debt when due so that the District is released from the contracts and covenants in the bond document.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Derivative - Securities that are based on, or derived from, some underlying asset, reference date, or index.

Discount - The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification - Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fannie Mae - Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Fed Wire - A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit (currently \$250,000) per account.

Federal Reserve System - The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Freddie Mac - Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae - Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Government Accounting Standards Board (GASB) - A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Guaranteed Investment Contracts (GICS) - An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

Inactive Deposits (Idle Funds) - Funds not immediately needed for disbursement.

Interest Rate - The annual yield earned on an investment, expressed as a percentage.

Interest Rate Risk - The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than

short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Agreements - An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Investment Company Act of 1940 - Federal legislation which sets the standards by which investment companies such as mutual funds are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the independent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating District.

Liquidity - An asset that can easily and rapidly be converted into cash without significant loss of value.

Local District - County, City, City and County, including a chartered city or county, school district, community college district, public district, or any public or municipal corporation.

Local Agency Investment Fund (LAIF) - A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Local Government Investment Pool - A pooled investment vehicle sponsored by a local District or a group of local agencies for use by other local agencies.

Mark-to-Market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security. The price at which a security is trading and could presumably be purchased or sold.

Maturity - The date upon which the principal or stated value of an investment becomes due and payable.

Merrill Lynch 1 - 3 Year Treasury Index - Represents all U.S. Treasury securities with maturities ranging from 1-3 years.

Modified Duration - A measure of exposure to market risk of a security or a portfolio. It is the percent change in the price of a security (portfolio) or a 100 basis point change in the securities' (portfolio's) yield.

Moody's - Moody's Investment Service, Inc. One of the three best-known rating agencies in the United States, the others being Standard and Poor's Corporation (S&P) and Fitch IBCA, Inc. (Fitch).

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Funds - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, and management, and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus, which is updated and filed by the SEC annually.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets, which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below) $[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$

Negotiable Certificate of Deposit - A large denomination certificate of deposit, which can be sold in the open market prior to maturity.

New Issue – Term used when a security is originally "brought" to market.

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

New Issue - Term used when a security is originally "brought" to market.

No Load Fund - A mutual fund, which does not levy a sales, charge on the purchase of its shares.

Note - A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value - The amount of principal, which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

Perfected Delivery - Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio - Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Primary Dealer - A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Prime Rate - A preferred interest rate charged by commercial banks to their most credit worthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements also known as an "official statement".

Prudent Investor Standard aka as Prudent Person Rule - A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Purchase Date - The date in which a security is purchased for settlement on that or a later date.

Rate of Return - The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - A transaction where the seller agrees to buy back from the buyer (District) the securities at an agreed upon price on demand or at a specified date.

Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (District) agrees to buy back from the buyer the securities at an agreed upon price on demand or at a specified date.

Risk - Degree of uncertainty of return on an asset.

Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Rule G-37 of the Securities Rulemaking Board - Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Safekeeping Service - Offers storage and protection of assets provided by an institution serving as an agent.

Sallie Mae - Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market - A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC) - The federal District responsible for supervising and regulating the securities industry.

Settlement Date - The date on which a trade is cleared by delivery of securities against funds.

Serial Bond - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund - Money, accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Standard and Poor's Corporation (S&P) - One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. and Fitch IBCA, Inc. (Fitch).

Swap - Trading one asset for another.

Tax and Revenue Anticipation Notes (TRANS) - Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Term Bond - Bonds comprising a large part or all of a particular issue, which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Time Certificate of Deposit - A non-negotiable certificate of deposit, which cannot be sold prior to maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

Treasury Bills - U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold

on a discount basis.

Trustee or trust company or trust department of a bank - A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Underwriter - A dealer which purchases a new issue of municipal securities for resale.

U.S. Government Agencies - Instruments issued by various U.S. Government Agencies most of which are secured only by the credit worthiness of the particular District.

U.S. Treasury Obligations - Debt obligations of the United States Government sold by the Treasury Department in the form of Bills, Notes, and Bonds. Bills are short-term obligations that mature in one year or less and are sold on the basis of a rate of discount. Notes are obligations, which mature between one (1) year and ten (10) years. Bonds are long-term obligations, which generally mature in ten (10) years or more.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield - The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity - The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve - A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

