

CALAVERAS COUNTY WATER DISTRICT FINANCE COMMITTEE MEETING

AGENDA

OUR MISSION

Protect, enhance, and develop Calaveras County's water resources and watersheds to provide safe, reliable, and cost-effective services to our communities.

2021-2026 Strategic Plan, Adopted April 28, 2021, and can be viewed at this [link](#)

Committee Meeting
Tuesday October 15, 2024
1:00 p.m.

Calaveras County Water District
120 Toma Court
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.

District Board Meetings are open to in-person attendance by the public and are conducted virtually. The public may participate in the District's Board meeting with the link below. Members of the public who participate in the meeting via teleconference or web conference will be given the opportunity to speak and address the Board, and their comments will be included in the recording of the meeting.

While the District makes efforts to facilitate remote participation, please be aware that remote Teams involvement is offered solely for convenience. In the event of a technological malfunction, the Board can only guarantee the receipt of live comments through in-person attendance. The Board retains the right to proceed with the meeting without remote access in case of a malfunction.

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COMMITTEE MEMBERS

Cindy Secada, Director

Bertha Underhill, Director

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. **PUBLIC COMMENT:** Comments limited to three minutes per person.

2. **APPROVAL OF MINUTES:** For the meeting of September 17, 2024.

3. **NEW BUSINESS**
 - 3a Report on the Monthly Financial Reports for September 2024 (Pre-Audit)
(Jeffrey Meyer, Director of Administrative Services)

 - 3b* Tyler Conversion Update
(Kelly Richards, Business Services Manager)

 - 3c Discussion/Direction Regarding District's Financial Management Policy No. 5.01, Investment Policy.
(Jeffrey Meyer, Director of Administrative Services)

4. **DIRECTOR OF ADMINISTRATIVE SERVICES COMMENTS**

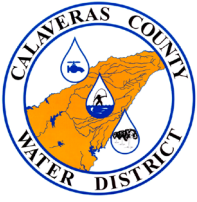
5. **GENERAL MANAGER COMMENTS**

6. **DIRECTOR COMMENTS AND FUTURE AGENDA ITEMS**

7. **NEXT COMMITTEE MEETING**

Tuesday November 19, 2024, at 1:00 p.m.

8. **ADJOURNMENT**



**CALAVERAS COUNTY WATER DISTRICT
FINANCE COMMITTEE MEETING**

**MINUTES
September 17, 2024**

The following Committee Members were present:

Cindy Secada	President
Bertha Underhill	Director

Staff Present:

Jeffrey Meyer	Director of Administrative Services
Rebecca Hitchcock*	Clerk to the Board
Kelly Richards	Business Services Manager
Kylie Muetterties	Accountant I
Michael Bear	Accountant II
Kelly Gerkenmeyer	External Affairs Manager
Juan Maya*	Associate Civil Engineer
Mark Rincon-Ibarra*	District Engineer
Quentin Smith*	Information Systems Tech
Bana Rousan-Gerdese*	Water Resources Specialist
Dylan Smith	Information Systems Administrator
Corinne Skrbrina*	Customer Service
Stacey Lollar*	Human Resources Manager
Robin Patolo*	Customer Service Representative I
Scott Ratterman*	Director

Public Present:

Patrick Roy*
Francisco De La Cruz*
Henry*

*Attended Virtually

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

Meeting called to order at 1:00 p.m., the Pledge of Allegiance was led by Director Secada.

- PUBLIC COMMENT:** No public comment was heard.
- APPROVAL OF MINUTES:** Director Secada moved to approve the Minutes for the meeting of May 23, 2024, and August 20, 2024.

3. NEW BUSINESS

- 3a Report on the Monthly Financial Reports for August 2024 (Pre-Audit)
(Jeffrey Meyer, Director of Administrative Services)

DISCUSSION: Mr. Meyer presented the Monthly Financial Reports and responded to questions from the committee.

PUBLIC COMMENT: No public comment was heard.

- 3b Discussion Regarding Tyler Conversion and Chart of Accounts
(Jeffrey Meyer, Director of Administrative Services and Kelly Richards, Business Services Manager)

DISCUSSION: Mr. Meyer & Ms. Richards discussed the Tyler conversion and chart of accounts.

PUBLIC COMMENT: Public comment was given by Patrick Roy and Francisco De La Cruz.

- 3c IT Update Presentation
(Dylan Smith, Information Systems Administrator)

DISCUSSION: Mr. Smith gave an IT update presentation.

PUBLIC COMMENT: Public Comment was given by Patrick Roy.

4. DIRECTOR OF ADMINISTRATIVE SERVICES COMMENTS:

Nothing to Report

5. GENERAL MANAGER COMMENTS

N/A

6. DIRECTOR COMMENTS AND FUTURE AGENDA ITEMS

Bertha thanked everyone for their work with Tyler.
Cindy requested to see a grant update.

7. NEXT COMMITTEE MEETING

Tuesday October 15, 2024, at 1:00 p.m.

8. ADJOURNMENT

With no further business, the meeting was adjourned at 2:33 p.m.

Respectfully Submitted,

Michael Bear
Accountant II

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September 2024 Budget Status Report (Pre-Audit)

The Budget Status Report represents a standard of analysis to identify material issues with the understanding that line-item variances are normal, and the areas of concern are isolated to **Account Types** that are at least 5% over or under the benchmark. These amounts are subject to change pending the district's annual audit.

The following charts analyze the trends related to this fiscal year's revenues and operating expenses. The prior two years are presented as the Full fiscal year and the current year is presented as Actuals through the Period month. The comparison of Year-to-Date activity versus budget further identifies if there are any impending issues.

District Operating Revenues (Water & Sewer Funds)

Operating Account Revenue Summary		Period			Benchmark		
Account Type	Fiscal Year	2023	2024	2025	FY 24-25 OP Budget	Remaining Balance	25% Of Budget
W01-Sales & Charges		14,531,657	16,819,602	6,108,880	25,542,100	19,433,220	23.92%
4100-Water/Sewer Sales/Resid		14,296,874	16,634,340	6,062,246	25,240,800	19,178,554	24.02%
41100-Irrigation Water Sales		12,675	(1,498)	-	13,500	13,500	0.00%
41200-Water Sales-Fire Hydrant		185,304	145,188	34,016	178,900	144,884	19.01%
44100-Account Establishment Fees		33,446	37,744	11,400	37,900	26,500	30.08%
44110-Delinquent Account Charge		1,814	3,829	1,218	71,000	69,782	1.72%
44115-County Recording Fees		84	-	-	-	-	0.00%
44120-Termination of Services		1,460	-	-	-	-	0.00%
W02-Water/Sewer Fees		53,900	31,169	10,479	26,700	16,222	39.25%
44300-Install Water Meter		36,096	27,914	9,179	26,700	17,522	34.38%
48100-Concept Approval Fees		17,804	3,255	1,300	-	(1,300)	0.00%
W03-Misc. Operating Revenue		272,586	383,182	132,412	363,700	231,288	36.41%
42000-Inspection Fees		627	508	710	3,700	2,990	19.19%
44200-Backflow Certification Testing		2,933	2,611	-	3,500	3,500	0.00%
44500-Repair Labor/Materials		12,265	2,144	2,017	5,000	2,983	40.35%
44510-Reimbursable Expense		93,006	130,296	44,962	118,000	73,038	38.10%
44900-Other Water/Sewer Charges		19	50	100	-	(100)	0.00%
48190-Miscellaneous Operating Rev		120,800	224,173	77,584	219,500	141,916	35.35%
54610-Miscellaneous Income		42,936	23,400	7,038	14,000	6,962	50.27%
X01-Property Tax/Assmt Rev		3,500,941	3,756,619		3,806,031	3,806,031	0.00%
52100-Property Taxes		3,471,513	3,726,441		3,806,031	3,806,031	0.00%
53100-HOPTR		29,428	30,179		-	-	0.00%
X02-Grant Revenue		812,782	362,785		393,100	393,100	0.00%
54510-Grant Revenue/Federal Agencies		650,226	184,955		393,100	393,100	0.00%
54520-Grant Revenue/State Agencies		162,556	29,610		-	-	0.00%
54530-Grant Revenues/Other Agencies			148,220		-	-	0.00%
X03-Interest Income		305,624	749,972	4,247	19,200	14,953	22.12%
51100-Interest Income/CCWD Invest		16,104	27,479	4,247	19,200	14,953	22.12%
51700-Net Mark to Market Value		289,520	722,493		-	-	0.00%
X05-Power Sales		975,223	1,052,063	256,686	1,003,400	746,714	25.58%
54300-Power Sales-North Fork		730,195	783,683	186,516	819,600	633,084	22.76%
54400-Power Sales-New Hogan		245,028	268,380	70,170	183,800	113,630	38.18%
X06-Other Revenue		1,048,453	620,966	260,317	959,821	699,504	27.12%
48130-Rental Revenue		14,395	14,569	3,369	83,000	79,631	4.06%
51600-Gain/(Loss) on Sale of Assets		30,925	-	-	-	-	0.00%
52420-Standby Fees		126,230	125,550	-	131,000	131,000	0.00%
54600-Other Non-Op Revenue			65,082	-	-	-	0.00%
54600-Other Non-Operating Revenue		618,602	415,765	256,947	745,821	488,874	34.45%
54700-Contributed Capital Revenue		258,301	-	-	-	-	0.00%
X30-Transfers In		6,218,257	2,242,624		3,779,830	3,779,830	0.00%
59100-Transfers In From Funds		6,202,909	2,229,709		3,779,830	3,779,830	0.00%
59520-Loan Repay-Interfund Interest		15,348	12,915		-	-	0.00%
X08-Lease		103,749			-	-	0.00%
54350-Lease Revenue		100,945			-	-	0.00%
51350-Lease Interest Revenue		2,804			-	-	0.00%
Grand Total		27,823,172	26,018,982	6,773,020	35,893,882	29,120,862	18.87%
Total Excluding Transfer				6,773,020	32,114,052	25,341,032	21.09%

Analysis of District Revenues identifies the following accounts to note:

Water Sales & Charges

41200-Water Sales-Fire Hydrant	185,304	145,188	34,016	178,900	144,884	19.01%
44100-Account Establishment Fees	33,446	37,744	11,400	37,900	26,500	30.08%
44110-Delinquent Account Charge	1,814	3,829	1,218	71,000	69,782	1.72%

41200 Fire Hydrant water sales are based on developer projects and are below benchmark.

44100 New Account Establishment Fees are above budget.

44110 Reminder notices are being mailed to customers. Staff will monitor the effectiveness of reminders prior to deciding to reinstate the fees.

Water/Sewer Fees

44300-Install Water Meter	36,096	27,914	9,179	26,700	17,522	34.38%
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44300 Meter rentals are coming in over budget.

Miscellaneous Operating Revenue

42000-Inspection Fees	627	508	710	3,700	2,990	19.19%
44500-Repair Labor/Materials	12,265	2,144	2,017	5,000	2,983	40.35%
44510-Reimbursable Expense	93,006	130,296	44,962	118,000	73,038	38.10%
48190-Miscellaneous Operating Rev	120,800	224,173	77,584	219,500	141,916	35.35%
54610-Miscellaneous Income	42,936	23,400	7,038	14,000	6,962	50.27%

42000 Inspection Fees are coming in lower than budgeted.

44500 Repair Labor/Materials is customer driven and is trending above budget.

44510 Reimbursable Expenses are coming in higher than anticipated.

48190 Miscellaneous Operating Revenue includes the Credit Card and Tyler Convenience Fees collected. This helps offset the expense account "Third Party Payment Processing (below)," 61485 in Department 59. There are no customer fees collected through the lockbox payment service.

54610 Miscellaneous Income is coming in higher than anticipated.

Power Sales

54400-Power Sales-New Hogan	245,028	268,380	70,170	183,800	113,630	38.18%
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54400 New Hogan/MID revenue is based on actual usage and is coming in higher than the budgeted amount.

Other Revenue

48130-Rental Revenue	14,395	14,569	3,369	83,000	79,631	4.06%
54600-Other Non-Operating Revenue	618,602	415,765	256,947	745,821	488,874	34.45%

48130 - The GASB87 accounting entry for Cell Tower Lease Revenue occurs at the end of the year.

54600 Other Non-Operating Revenue from Dam Fees are received early in the FY and should meet budget by end of year.

Non-Operating Fund Revenue (all funds except Water & Sewer Operating)

Operating Account Revenue Summary		Period			3
Account	Fiscal Year				
Type		2023	2024	2025	
W01-Sales & Charges		4,606,691	4,057,763	906,728	
41010-Capital R&R-Sewer		1,223,555	1,059,341	333,332	
41010-Capital R&R-Water		3,374,086	3,007,095	573,072	
41300-Water Sales Slurry Line		9,050	(8,673)	324	
W03-Misc. Operating Revenue		862	80	77	
48190-Miscellaneous Operating Rev		862	80		
54610-Miscellaneous Income				77	
X01-Property Tax/Assmt Rev		799,720	860,673		
52100-Property Taxes		617,813	662,933		
52200-Assessment Revenue		181,907	197,740		
X02-Grant Revenue		2,822,722	4,690,856		
54510-Grant Revenue/Federal Agencies		934,170	721,198		
54520-Grant Revenue/State Agencies		1,888,552	3,969,658		
X03-Interest Income		1,245,204	1,864,031	305,093	
51100-Interest Income/CCWD Invest		1,225,207	1,855,895	305,093	
51200-Interest Income/Trusteed Funds		4,247	8,136		
51500-Interest Income-Loans		15,750			
X04-Expansion/Assemt Fees		915,726	547,133	131,428	
52410-Expansion Fees		915,726	547,133	131,428	
X06-Other Revenue		33,530			
54600-Other Non-Operating Revenue		5,487			
52220-Assessment Revenue - Forclsur		25,000			
54600-Other Non-Operting Revenue		3,043			
X30-Transfers In		14,907,809	29,861,074	3,688,234	
59100-Transfer In From Funds		14,819,089	29,772,074	3,688,234	
59100-Transfers In From Funds		88,720	89,000		
Grand Total		25,332,264	41,881,609	5,031,560	

The above table represents all District revenues received to date in the category of non-operating, such as Capital R&R, CIP, and Expansion Funds. These revenues are often restricted to specific purposes. Please note that the historical/prior years are the FULL year, while the current year ACTUALS reflect the beginning of the year through the current fiscal period. Additionally, we will true up the transfer of capital funding from the water and sewer operating funds to water and sewer Capital R&R.

District Operating Expense Detail

Overall Expenses at the end of September are below the 25% benchmark. Please note that some accounts will track low at the start of the year as invoices are accrued in the prior year. This report is pre-audit, and the amounts are subject to change. See each department for detailed explanations.

Operating Account Expense Summary				Period		3	Benchmark
Prior Years=Full Year, Current Year = Actual to Date		Fiscal Year			Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget	
Y01-Sal/Wage/Benefits	10,821,250	11,259,878	3,055,843	13,126,482	10,070,639	23.28%	
60000-Salaries/Wages	6,397,205	6,695,127	1,808,195	7,771,541	5,963,346	23.27%	
60005-Payouts	129,687	208,953	42,848	189,600	146,752	22.60%	
60010-On Call Pay	2,850			21,100	21,100	0.00%	
60015-Standby Pay	68,500	13,900	4,300	24,500	20,200	17.55%	
60030-Overtime	406,551	257,347	65,065	215,500	150,435	30.19%	
60035-CTO Payout		119,432	51,630	138,600	86,970	37.25%	
60100-Benefits	2,546,602	2,703,362	712,354	3,203,558	2,491,204	22.24%	
60110-Retirement Expense	709,201	770,016	199,001	864,895	665,894	23.01%	
60115-CalPERS UAL	513,650	443,895	157,840	644,868	487,028	24.48%	
60117-Retiree Health Benefit	47,004	47,845	14,610	52,320	37,710	27.92%	
Y02-Utility Service	2,247,174	2,196,023	305,684	1,971,631	1,665,947	15.50%	
60210-Power	2,033,658	2,004,621	269,402	1,771,210	1,501,808	15.21%	
60220-Water	10,679	8,501	1,959	11,551	9,592	16.96%	
60230-Sewage	47,548	44,123	7,380	43,970	36,590	16.78%	
60240-Telephone Lease Lines	(0)			-	-	0.00%	
60250-Telephone	133,706	115,175	22,498	122,900	100,402	18.31%	
60260-Refuse/Disposal	21,584	23,602	4,446	22,000	17,554	20.21%	
Y03-Materials/Supplies	1,556,347	1,916,408	332,334	1,669,621	1,337,287	19.90%	
60310-Materials and Supplies	183,739	247,846	58,492	200,751	142,259	29.14%	
60311-Herbicide		797		1,500	1,500	0.00%	
60312-Safety Eq Repl consumables	38,980	50,402	5,581	40,800	35,219	13.68%	
60313-Tools	35,530	43,329	7,752	42,300	34,548	18.33%	
60314-Uniforms - New	14,323	21,757	200	22,000	21,800	0.91%	
60316-Materials and Supplies-CalFire	4,635	5,365		18,000	18,000	0.00%	
60320-Safety Materials and Supplies	4,869	4,666	189	42,500	42,311	0.44%	
60325-Lab Supplies Consumables	48,899	91,260	10,789	40,000	29,211	26.97%	
60327-Ozone System Parts	2,374	1,125	1,572	10,000	8,428	15.72%	
60328-UV Parts and Supplies	58,645	68,045		110,000	110,000	0.00%	
60331-Electrical Parts Replacement	73,010	108,935	5,981	70,000	64,019	8.54%	
60332-Leak Repair Supplies	166,552	134,626	22,967	120,000	97,033	19.14%	
60333-Road Repair Materials	32,177	29,394	3,071	31,251	28,180	9.83%	
60334-SCADA Radio Supplies	14,861	5,348	59	52,059	52,000	0.11%	
60335-Septic Tanks - New and Repairs	8,113	18,242		12,000	12,000	0.00%	
60338-Meters New Conn and Repl	4,322	34,012	85	10,000	9,915	0.85%	
60350-Aerator/Compressor etc repair	15,616	23,764	3,529	18,000	14,471	19.61%	
60353-Computers/peripherals	761	3,575		-	-	0.00%	
60354-Control Sys/Pressure Transducer	5,205	1,581		9,000	9,000	0.00%	
60355-Headworks/Solids Removal Rep.	22,997	29,001	2,128	21,660	19,532	9.82%	
60356-HVAC	10,520	31,956	878	15,500	14,622	5.66%	
60357-Mixers	10,883	3,936	5,734	25,000	19,266	22.93%	
60358-Monitor Wells Repair		1,147		5,000	5,000	0.00%	
60359-Pumps/Motors Repair	79,701	360,361	15,035	140,000	124,965	10.74%	
60360-Solids Handling Equip Repair	87	3,693		5,000	5,000	0.00%	
60390-Admin. Technologies/Comm.	91,932	48,385	11,349	107,300	95,951	10.58%	
60395-Chemicals	627,615	543,857	176,942	500,000	323,058	35.39%	

District Operating Expense Detail

Operating Account Expense Summary				Period	3	Benchmark		
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year		Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y04-Outside Services	864,442	963,517	203,902	1,225,741	1,021,839	16.64%		
60400-Outside Services	91,864	99,843	12,533	135,238	122,705	9.27%		
60401-Fire Ext. Testing Cust. Base	2,000	2,000		2,200	2,200	0.00%		
60402-Spraying - Weeds & Insects	28,812	33,685	4,149	42,751	38,602	9.71%		
60403-Snow Removal	22,000	1,125		7,200	7,200	0.00%		
60404-Uniform Launder	26,726	36,648	7,121	23,737	16,616	30.00%		
60405-Fire Hydrant Maintenance	26,564	17,725	591	56,625	56,034	1.04%		
60410-Service Maintenance Contracts	86,486	159,078	884	147,588	146,704	0.60%		
60412-Groundwater Monitoring	38,968	37,070	2,960	45,000	42,040	6.58%		
60413-Instrumentation Tech	3,916	4,496	4,224	8,500	4,276	49.69%		
60414-Ozone System PM		3,260	1,367	7,000	5,633	19.53%		
60415-Backflow Device Testing	1,925	2,656		4,000	4,000	0.00%		
60416-SCADA Consulting (A-Teem)	6,682	3,542		10,000	10,000	0.00%		
60417-Hauling / Dig / Crane	475	2,090		5,000	5,000	0.00%		
60419-Pave / Seal / Asphalt Repair	55,596	48,114	25,400	75,000	49,600	33.87%		
60420-Drug and Alcohol Testing	5,189	3,588	170	4,000	3,830	4.25%		
60423-Telemetry / Radio	763			-	-	0.00%		
60424-Septic Hauling	49,345	45,053	1,875	50,000	48,125	3.75%		
60424-Sludge Pumping	1			40,800	40,800	0.00%		
60425-Tank Cleaning	11,800	28,960		64,730	64,730	0.00%		
60426-Building Repairs	1,435	11,797	174	35,000	34,826	0.50%		
60427-UV System PM	639	6,232	479	10,000	9,522	4.78%		
60429-Recruiting	31,574	28,555	1,041	29,751	28,710	3.50%		
60430-Claims/Damages	7,722	6,874	280	5,000	4,720	5.60%		
60431-Computer Lic Maint Contracts	112,778	187,280	116,607	283,001	166,394	41.20%		
60440-Janitorial Services	23,220	22,242	5,750	24,420	18,670	23.55%		
60470-Laboratory Services	176,515	164,705	17,687	145,000	127,313	12.20%		
60480-Rental (Non Vehicle and Equip)	51,446	6,900	610	5,000	4,390	12.20%		
61410-Third Party Payment Processing				-	-	0.00%		
Y05-Professional Services	572,882	599,253	69,964	1,539,840	1,469,876	4.54%		
60510-Accounting/Auditing	39,400	45,600	5,460	44,800	39,340	12.19%		
60541-Advertising/Publicity	1,824	2,433		3,500	3,500	0.00%		
60590-Professional Services	531,657	551,220	64,504	1,491,540	1,427,036	4.32%		
Y06-Vehicle/Equipment	587,844	583,592	130,133	563,151	433,018	23.11%		
60610-Operating Exp Gas and Oil	374,709	374,015	66,770	360,151	293,381	18.54%		
60620-Repair Exp/Parts and Repairs	115,941	192,443	31,309	135,000	103,692	23.19%		
60625-Fuel/Repair - Generators	9,069	15,182	32,044	20,000	(12,044)	160.22%		
60650-Rental Exp Vehicles and Equip	17,086	1,952		11,500	11,500	0.00%		
60660-Vehicle Lease & Maintenance	32,351	0	11	36,500	36,489	0.03%		
60665-Capital Lease Interest	38,688			-	-	0.00%		
Y07-Office Expenses	169,043	175,830	31,248	216,228	184,980	14.45%		
60700-Forms and Supplies	1,896	2,545	103	2,951	2,848	3.49%		
60710-Permits and Licenses	26,036	21,290	2,432	48,051	45,619	5.06%		
60720-Postage	7,564	13,225	3,211	6,500	3,289	49.40%		
60730-Publications/Subscriptions	2,163	2,124	13	14,451	14,438	0.09%		
60732-Memberships and Dues	131,385	136,600	25,489	142,075	116,586	17.94%		
60760-Recording/Title Reports		46		1,700	1,700	0.00%		
60780-Printing				500	500	0.00%		
Y08-Travel/Training	108,465	72,948	16,210	121,453	105,243	13.35%		
60810-Training Conf and Travel	108,042	71,915	15,752	118,951	103,199	13.24%		
60820-Other Travel Costs	423	1,033	457	2,502	2,045	18.27%		
Y10-Purchased Water	423,460	992	0	20,000	20,000	0.00%		
61100-New Hogan OM Payment	423,460	992	0	20,000	20,000	0.00%		
61101-Purchased Water	0			-	-	0.00%		
Y11-Retired Employee	737,017	759,247	219,243	902,000	682,757	24.31%		
61200-Retired Employee Costs	737,017	759,247	219,243	902,000	682,757	24.31%		
Y12-Bad Debts	98,389	78,912	13,812	54,000	40,188	25.58%		
61310-Bad Debt Expense	98,389	78,912	13,812	54,000	40,188	25.58%		

District Operating Expense Detail

Operating Account Expense Summary				Period	3	Benchmark		
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year		Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y13-Misc Op Expenses	1,634,658	1,800,116	591,067	2,311,809	1,720,742	25.57%		
61150-New Hogan Op/Maint Expense	0	0		474,000	474,000	0.00%		
61315-Rate Assistance Program	44,448	41,288	12,812	60,000	47,188	21.35%		
61409-Unemployment Claims	18,760	33,569		36,000	36,000	0.00%		
61410-Insurance	315,059	370,736	249,686	331,025	81,339	75.43%		
61420-State Water and Sewer Fees	267,282	307,891	1,440	300,000	298,560	0.48%		
61430-Federal Dam and Admin Fees	620,545	612,098	269,111	702,000	432,889	38.33%		
61435-State/Federal/County Fees	135,003	109,982		112,184	112,184	0.00%		
61450-Mandated Plans		2,087		-	-	0.00%		
61455-Water Conservation	7,789	1,170		4,000	4,000	0.00%		
61485-Third Party Payment Processing	225,773	321,200	58,018	292,600	234,582	19.83%		
61490-Misc Operating Expense		94		-	-	0.00%		
Y14-Amort/Depr	4,850,997			-	-	0.00%		
64230-Depreciation Expense	4,850,997			-	-	0.00%		
Y15-Director Costs	144,979	136,198	30,286	176,703	146,417	17.14%		
60000-Salaries/Wages	30,840	34,192	8,400	43,200	34,800	19.44%		
60100-Benefits	87,774	82,717	20,782	107,352	86,570	19.36%		
60310-Materials and Supplies	483	735	84	3,751	3,667	2.23%		
60810-Training Conf and Travel	20,927	13,543	295	17,500	17,205	1.69%		
60820-Other Travel Costs	4,955	5,010	725	4,900	4,175	14.79%		
Y16-Legal	310,160	269,994	7,204	340,000	332,796	2.12%		
60505-Outside Legal Fees	310,160	269,994	7,204	340,000	332,796	2.12%		
Z02-Debt Repayment	1,230,961	1,158,432	726,923	3,574,625	2,847,702	20.34%		
72120-Interest Exp PERS UAL Loan	149,705	138,954	67,097	131,422	64,325	51.05%		
72120-Principal-USDA Reach 3A				-	-	0.00%		
72210-Interest Exp - USDA AMI AMR	52,714	59,726		-	-	0.00%		
72220-Interest Exp-USDA AMI Loan				82,145	82,145	0.00%		
72310-Interest Exp - Vac Con Truck	8,660	5,805	1,116	1,878	762	59.45%		
72350-Interest Exp PERS UAL Loan				-	-	0.00%		
72350-Interest Exp-USDA EP Reach 3A	53,430	52,344		51,234	51,234	0.00%		
72400-Interest Exp-Water Fund Loan	15,348	12,915		10,433	10,433	0.00%		
72500-Interest Exp New Hogan Loan	6,551	4,065		2,198	2,198	0.00%		
72600-Interest Exp OP HQ	15,750			-	-	0.00%		
72700-Interest Exp-VacCon Truck	6,318	(392)	230	1,376	1,146	16.75%		
72850-Interest Exp-Water CIP Loan 22	573,813	550,205	267,614	535,227	267,614	50.00%		
72860-Interest Exp-Sewer CIP Loan 22	348,670	334,812	162,960	325,920	162,960	50.00%		
72900-Interest Exp-Water Rev Loan	0			-	-	0.00%		
73120-Principal-PERS UAL Loan 03/36	-	-	167,000	338,000	171,000	49.41%		
73210-Principal-USDA AMI AMR	-	-		91,000	91,000	0.00%		
73310-Principal-Vac Con Truck	(0)	(0)	29,867	122,057	92,190	24.47%		
73350-Principal-USDA Reach 3A 09/55	-	-		49,900	49,900	0.00%		
73400-Principal-Water Fnd Ln 07/27	0	(0)		481,567	481,567	0.00%		
73500-Principal-New Hogan 06/25	1	1		48,837	48,837	0.00%		
73600-Principal-OP HQ 06/28	0			-	-	0.00%		
73700-Principal-VacCon 08/24	0	(0)	31,039	92,431	61,392	33.58%		
73850-Principal-Water CIP Loan 2022	-	-		782,000	782,000	0.00%		
73850-Principal-Water CIP Loan 22	-	-		-	-	0.00%		
73860-Principal-Sewer CIP Loan 22	-	-		427,000	427,000	0.00%		
73900-Principal-Water Rev Loan	-	-		-	-	0.00%		
Z03-Capital Equipment	418,334	804,250	133,843	1,626,311	1,492,468	8.23%		
75110-Vehicles Capital Lease	219,397	378,701	104,530	645,211	540,681	16.20%		
75200-Equipment Purchased	282,707	348,688	29,312	330,500	301,188	8.87%		
75300-Materials - Capital Outlay	83,355	76,860		620,600	620,600	0.00%		
75300-Materials - Projects	9,198			30,000	30,000	0.00%		
75400-Outside Svcs - Capital Outlay	43,073			-	-	0.00%		
76000-Contra Cap Outlay-Lease Veh	(219,396)			-	-	0.00%		
Z04-Misc Non Operating	54,175	21,845	216	18,100	17,884	1.20%		
60715-Late Fees and Other Penalties	5,635	2,775	216	-	(216)	0.00%		
78100-Investment Agent Fees	0			43,200	43,200	0.00%		
78200-Calaveras County Fees	205			107,352	107,352	0.00%		
78210-LAFCO Contribution	12,706	12,909		3,751	3,751	0.00%		
78700-Construction Contracts	29,250			17,500	17,500	0.00%		
78990-Misc Non-Operating Costs	6,379	6,161		4,900	4,900	0.00%		
Z30-Transfers Out	2,146,409	1,316,961		-	-	0.00%		
Grand Total	28,976,984	24,114,394	5,867,912	34,897,695	29,029,783	16.81%		

DEPARTMENTAL EXPENSE REPORTS

Dept 50 – Non-Departmental

Operating Account Expense Summary				Period		3	Benchmark	
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year	↓	Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
⊕ Y01-Sal/Wage/Benefits		265,813	99,097	396,388	297,291		25.00%	
⊕ Y02-Utility Service	37,669	31,496	4,275	43,910	39,635		9.73%	
⊕ Y03-Materials/Supplies	40,757	40,956	6,000	61,800	55,800		9.71%	
⊕ Y04-Outside Services	71,921	81,738	31,416	135,863	104,447		23.12%	
⊕ Y05-Professional Services	1,393	2,725		-	-		0.00%	
⊕ Y11-Retired Employee	737,017	759,247	219,243	902,000	682,757		24.31%	
⊕ Y13-Misc Op Expenses	315,059	370,736	249,686	331,025	81,339		75.43%	
⊕ Z02-Debt Repayment	1,230,961	1,158,432	726,923	3,574,625	2,847,702		20.34%	
⊕ Z03-Capital Equipment	23,677			30,000	30,000		0.00%	
⊕ Z04-Misc Non Operating	14,924	12,909		13,100	13,100		0.00%	
Grand Total	2,473,378	2,724,052	1,336,639	5,488,711	4,152,072		24.35%	

Analysis shows that non-departmental expenses are above the year-to-date benchmark. Insurance came in slightly over budget and debt repayment is a timing issue. Accounts to note are:

Outside Services

60431-Computer Lic Maint Contracts	8,500	15,049	49,951	34,902	30.13%
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60431 Computer License Maintenance Contracts are often one-time annual expenses that are paid in the beginning of the fiscal year, which skews the percent to benchmark.

Misc Op Expenses

61410-Insurance	315,059	370,736	249,686	331,025	81,339	75.43%
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61410 The bulk of the payments are made in the first months of the year, which skews the percentage to benchmark.

Debt Repayment

72120-Interest Exp PERS UAL Loan	149,705	138,954	67,097	131,422	64,325	51.05%
72310-Interest Exp - Vac Con Truck	8,660	5,805	1,116	1,878	762	59.45%
72850-Interest Exp-Water CIP Loan 22	573,813	550,205	267,614	535,227	267,614	50.00%
72860-Interest Exp-Sewer CIP Loan 22	348,670	334,812	162,960	325,920	162,960	50.00%
73120-Principal-PERS UAL Loan 03/36	-	-	167,000	338,000	171,000	49.41%
73700-Principal-VacCon 08/24	0	(0)	31,039	92,431	61,392	33.58%

Most of the loan principal and interest payments are semi-annual, which skews the percent to benchmark. Finance expects these accounts to be on track for the fiscal year.

Dept. 54 - Utility Services Department

Operating Account Expense Summary				Period	3	Benchmark		
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year		Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y01-Sal/Wage/Benefits	7,637,213	7,643,113	2,038,738	8,322,492	6,283,754	24.50%		
Y02-Utility Service	2,209,505	2,164,527	301,409	1,927,721	1,626,312	15.64%		
Y03-Materials/Supplies	1,400,607	1,806,702	311,887	1,472,270	1,160,383	21.18%		
Y04-Outside Services	591,509	568,520	120,978	820,079	699,101	14.75%		
Y05-Professional Services	135,409	93,735	5,489	80,500	75,011	6.82%		
Y06-Vehide/Equipment	587,787	583,592	130,133	563,151	433,018	23.11%		
Y07-Office Expenses	40,362	43,969	7,050	70,600	63,550	9.99%		
Y08-Travel/Training	40,251	30,669	10,559	43,500	32,941	24.27%		
Y10-Purchased Water	11,871	992	0	20,000	20,000	0.00%		
Y13-Misc Op Expenses	267,282	307,891	1,440	300,000	298,560	0.48%		
Z03-Capital Equipment	394,657	764,893	133,843	1,195,711	1,061,868	11.19%		
Z04-Misc Non Operating	2,829	1,575	16	-	(16)	0.00%		
Grand Total	13,319,281	14,010,178	3,061,542	14,816,024	11,754,482	20.66%		

This table shows the Utilities Department expenses are below the year-to-date benchmark. Accounts to note are:

Sal/Wage/Benefits

60030-Overtime	367,560	235,280	63,300	200,000	136,700	31.65%
60035-CTO Payout		100,188	44,188	114,800	70,612	38.49%

60030 Overtime is authorized at management level and is only charged as needed.

60035 CTO Payout is authorized at management level and the overtime is only charged as needed.

Materials/Supplies

60310-Materials and Supplies	133,428	202,648	48,683	152,000	103,317	32.03%
60395-Chemicals	627,615	543,857	176,942	500,000	323,058	35.39%

Materials/supplies for repairs and maintenance are purchased as needed.

Outside Services

60404-Uniform Launder	26,726	36,648	7,121	23,737	16,616	30.00%
60413-Instrumentation Tech	3,916	4,496	4,224	8,500	4,276	49.69%
60419-Pave / Seal / Asphalt Repair	55,596	48,114	25,400	75,000	49,600	33.87%
60431-Computer Lic Maint Contracts	31,389	53,220	51,261	141,000	89,739	36.36%
60440-Janitorial Services		6,762	800	1,200	400	66.67%

60404 Uniform Laundering is slightly higher than expected. Finance will continue to monitor this account.

60413 The annual service contract is renewed early in the year, which skews the percentage to benchmark.

60419 Pave / Seal / Asphalt Repair is coming in higher than expected. We will monitor these expenditures.

60431 The majority of computer license maintenance contracts renew early in the year, which skews the percentage to benchmark.

60440 Janitorial Services are coming in higher than budget due to vendor and contract.

Vehicle/Equipment

60625-Fuel/Repair - Generators	9,069	15,182	32,044	20,000	(12,044)	160.22%
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60625 Unexpected repairs were required for two generators.

Dept 56 – General Management

Operating Account Expense Summary				Period	3	Benchmark		
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year		Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y01-Sal/Wage/Benefits	692,641	928,886	242,551	1,004,239	761,688	24.15%		
Y03-Materials/Supplies	7,825	33,396	2,995	74,700	71,705	4.01%		
Y04-Outside Services	36,763	32,143	1,211	34,451	33,240	3.51%		
Y05-Professional Services	120,265	116,010	19,832	167,800	147,968	11.82%		
Y07-Office Expenses	49,953	48,421	12,048	49,727	37,679	24.23%		
Y08-Travel/Training	29,559	21,557	2,053	31,451	29,398	6.53%		
Y13-Misc Op Expenses	18,760	33,569		36,000	36,000	0.00%		
Y16-Legal	131,149	92,556	7,204	120,000	112,796	6.00%		
Grand Total	1,086,915	1,306,538	287,895	1,518,368	1,230,473	18.96%		

Analysis shows that General Management's overall expenses are below the year-to-date benchmark. Accounts to note are:

Travel Training

60820-Other Travel Costs	665	254	751	497	33.82%
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60820 Other Travel Costs are not monthly expenses and will be monitored by finance.

Dept 57 – Board of Directors

Operating Account Expense Summary				Period	3	Benchmark		
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year		Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y15-Director Costs	144,979	136,198	30,286	176,703	146,417	17.14%		
60000-Salaries/Wages	30,840	34,192	8,400	43,200	34,800	19.44%		
60100-Benefits	87,774	82,717	20,782	107,352	86,570	19.36%		
60310-Materials and Supplies	483	735	84	3,751	3,667	2.23%		
60810-Training Conf and Travel	20,927	13,543	295	17,500	17,205	1.69%		
60820-Other Travel Costs	4,955	5,010	725	4,900	4,175	14.79%		
Grand Total	144,979	136,198	30,286	181,703	151,417	16.67%		

Analysis shows that the Board of Director's overall expenses are below the year-to-date benchmark. Accounts to note are:

Dept 58 – Engineering

Operating Account Expense Summary				Period	3	Benchmark		
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year		Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y01-Sal/Wage/Benefits	794,056	944,310	221,635	1,538,924	1,317,289	14.40%		
Y03-Materials/Supplies	9,269	12,128	174	12,800	12,626	1.36%		
Y04-Outside Services	1,196	19,409	8,442	32,120	23,678	26.28%		
Y05-Professional Services	1,520	10,957	3,371	625,000	621,629	0.54%		
Y06-Vehicle/Equipment	57			-	-	0.00%		
Y07-Office Expenses	5,652	3,524	-	22,531	22,531	0.00%		
Y08-Travel/Training	24,653	7,602	1,204	26,751	25,547	4.50%		
Z03-Capital Equipment		6,887		7,500	7,500	0.00%		
Z04-Misc Non Operating	29,250			-	-	0.00%		
Grand Total	865,654	1,004,818	234,827	2,265,626	2,030,799	10.36%		

The table above shows that Engineering's overall expenses are well below the year-to-date benchmark. Accounts to note are:

Salaries/Wages/Benefits

60005-Payouts	12,908	19,194	5,610	13,900	8,290	40.36%
60035-CTO Payout		15,934	7,442	19,500	12,058	38.16%
60117-Retiree Health Benefit	4,340	7,745	2,430	7,680	5,250	31.64%

60005 Payouts are made periodically per MOU.

60035 CTO Payout is authorized at management level and the overtime is only charged as needed.

60117 Retiree Health Benefit is coming in slightly over budget.

Dept 59 – Administrative Services

Operating Account Expense Summary				Period		3	Benchmark	
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year	▼	Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y01-Sal/Wage/Benefits	1,399,164	1,282,090	377,463	1,538,133	1,160,670	24.54%		
Y03-Materials/Supplies	92,438	22,431	11,277	47,051	35,774	23.97%		
Y04-Outside Services	163,052	258,600	41,855	198,528	156,673	21.08%		
Y05-Professional Services	177,679	185,475	9,870	215,040	205,170	4.59%		
Y07-Office Expenses	9,359	15,418	3,293	8,741	5,448	37.67%		
Y08-Travel/Training	9,784	10,375	1,695	13,751	12,056	12.33%		
Y12-Bad Debts	98,389	78,912	13,812	54,000	40,188	25.58%		
Y13-Misc Op Expenses	278,010	363,252	70,830	352,600	281,770	20.09%		
Y14-Amort/Depr	4,850,997			-	-	0.00%		
Z03-Capital Equipment		32,469		-	-	0.00%		
Z04-Misc Non Operating	7,171	7,361	200	-	(200)	0.00%		
Z30-Transfers Out	2,146,409	1,316,961		-	-	0.00%		
Grand Total	9,232,453	3,573,345	530,295	7,867,844	7,337,549	6.74%		

Analysis shows that Administrative Services are below the year-to-date benchmark. Accounts to note are:

Sal/Wage/Benefits

60005-Payouts		26,829	8,824	12,300	3,476	71.74%
60117-Retiree Health Benefit	8,015	6,625	2,660	7,800	5,140	34.10%

60005 Payouts are made periodically per MOU.

60117 Retirement Health Benefit is coming in higher than expected.

Materials/Supplies

60310-Materials and Supplies	380	758	1,107	251	(856)	440.94%
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60310 Materials and Supplies are purchased as needed.

Outside Services

60431-Computer Lic Maint Contracts	81,388	103,043	41,855	54,530	12,675	76.76%
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60431 The majority of computer license maintenance contracts renew early in the year, which skews the percentage to benchmark.

Office Expenses

60720-Postage	7,564	13,225	3,211	6,500	3,289	49.40%
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60720 Postage is coming in higher than expected.

Dept 60 – Water Resources

Operating Account Expense Summary				Period	3		Benchmark	
Prior Years=Full Year, Current Year = Actual to Date				Fiscal Year		Current	Remaining	25%
Account Type	2023	2024	2025	Budget	Balance	Of Budget		
Y01-Sal/Wage/Benefits	298,176	195,666	76,359	326,306	249,947	23.40%		
Y03-Materials/Supplies	5,451	793		1,000	1,000	0.00%		
Y04-Outside Services		3,108		4,700	4,700	0.00%		
Y05-Professional Services	136,615	190,350	31,402	451,500	420,098	6.96%		
Y07-Office Expenses	63,717	64,498	8,857	64,629	55,772	13.70%		
Y08-Travel/Training	4,218	2,745	699	6,000	5,301	11.65%		
Y10-Purchased Water	411,589			-	-	0.00%		
Y13-Misc Op Expenses	755,547	724,668	269,111	1,292,184	1,023,073	20.83%		
Y16-Legal	179,011	177,438		220,000	220,000	0.00%		
Grand Total	1,854,325	1,359,265	386,428	2,759,419	2,372,991	14.00%		

Analysis shows that Water Resources expenses are below the year-to-date benchmark. Accounts to note are:

Misc Operating Expenses

61430-Federal Dam and Admin Fees	620,545	612,098	269,111	702,000	432,889	38.33%
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61430 Federal Dam and Admin Fees are paid early in the year which skews the percentage to benchmark.

CCWD - Fund Cash Balance Report
As of September 30, 2024

Fund	Description	Unaudited	Transactions	Unaudited	Unrestricted	Restricted	Agency
		6/30/2024	FY24-25	9/30/2024	9/30/2024	9/30/2024	9/30/2024
104	Admin Replacement	24,148.77	133.82	24,282.59	-	24,282.59	-
108	Interest Reserve	13,034,090.90	118,315.64	13,152,406.54	-	13,152,406.54	-
120	CIP - Water		(553,274.79)	(553,274.79)	(553,274.79)	-	-
123	CIP Loan - Water	17,393,375.34	(2,010,425.76)	15,382,949.58	-	15,382,949.58	-
125	Capital R&R - Water	5,334,036.65	687,147.74	6,021,184.39	-	6,021,184.39	-
127	USDA RD AMI/AMR	(187,812.99)	(17,554.33)	(205,367.32)	-	(205,367.32)	-
130	CIP - Sewer	-	(938,202.50)	(938,202.50)	(938,202.50)	-	-
133	CIP Loan - Sewer	6,915,993.79	(506,467.07)	6,409,526.72	-	6,409,526.72	-
135	Capital R&R - Sewer	1,906,705.69	1,893,189.76	3,799,895.45	-	3,799,895.45	-
300	Water Fund	1,990,472.34	(1,439,951.98)	550,520.36	550,520.36	-	-
302	Slurry Line	(6,581.17)	11,662.11	5,080.94	-	5,080.94	-
304	Water Expansion Fund - West Point	309,223.17	1,887.73	311,110.90	-	311,110.90	-
354	Water Expansion Fund - Ebbetts Pass	835,034.09	14,685.78	849,719.87	-	849,719.87	-
356	Water Expansion Fund - Sheep Ranch	26,116.18	159.43	26,275.61	-	26,275.61	-
364	Water Expansion Fund - Jenny Lind	643,480.40	111,871.25	755,351.65	-	755,351.65	-
374	Water Expansion Fund - Copper Cove	3,775,634.89	(204,980.72)	3,570,654.17	-	3,570,654.17	-
394	Water Expansion Fund - Wallace	18,686.82	114.08	18,800.90	-	18,800.90	-
400	Hydro Fund		167,239.00	167,239.00	167,239.00	-	-
500	Sewer Fund	(871,366.92)	(548,012.09)	(1,419,379.01)	(1,419,379.01)	-	-
524	Sewer Expansion Fund - Forest Meadows	423,831.51	4,660.89	428,492.40	-	428,492.40	-
526	Sewer Expansion Fund - Big Trees Village	12,377.30	75.57	12,452.87	-	12,452.87	-
534	Sewer Expansion Fund - Vallecito	1,215,667.93	7,421.38	1,223,089.31	-	1,223,089.31	-
536	Sewer Expansion Fund - Six Mile Village	26,852.44	163.93	27,016.37	-	27,016.37	-
544	Sewer Expansion Fund - Arnold	848,387.40	4,628.57	853,015.97	-	853,015.97	-
564	Sewer Expansion Fund - La Contenta	723,095.94	3,219.47	726,315.41	-	726,315.41	-
565	Sewer Expansion Fund - Southworth	287,569.62	1,755.55	289,325.17	-	289,325.17	-
584	Sewer Expansion Fund - Copper Cove	2,463,507.75	(58,621.85)	2,404,885.90	-	2,404,885.90	-
594	Sewer Expansion Fund - Wallace	18,686.82	114.08	18,800.90	-	18,800.90	-
624	Sewer Expansion Fund - West Point	888,600.31	3,129.45	891,729.76	-	891,729.76	-
722	Assessment District - West Point Acres	15,686.49	95.76	15,782.25	-	-	15,782.25
732	Assessment District - Wilseyville	5.43	0.02	5.45	-	-	5.45
752	Assessment District - Arnold	42,647.43	817.38	43,464.81	-	-	43,464.81
812	Assessment District - La Contenta (604)	95,977.89	516.36	96,494.25	-	-	96,494.25
832	Assessment District - Saddle Creek	121,377.47	740.99	122,118.46	-	-	122,118.46
842	Assessment District - DaLee/Cassidy	(3,512.40)	(547.71)	(4,060.11)	-	-	(4,060.11)
852	Assessment District - Fly In Acres	(5,793.59)	(773.12)	(6,566.71)	-	-	(6,566.71)
862	Assessment District - Wallace	162,342.79	991.07	163,333.86	-	163,333.86	-
920	Advance Grant Fund	4,707.23	28.74	4,735.97	-	4,735.97	-
	TOTAL	58,483,253.71	(3,244,046.37)	55,239,207.34	(2,193,096.94)	57,165,065.88	267,238.40

Fund Activity Report as of 09.30.24

	Water Fund	Sewer Fund
Revenue	4,044,915.57	1,824,378.64
Expenditure	(4,200,832.73)	(1,485,866.96)
Net Fund Activity	(155,917.16)	338,511.68

Capital Improvement Program
Schedule of Cash Flow - Water Projects
FY 2024-25 thru FY 2026-2027

Project No	Fund	Water Projects Project Description	Project Budget	Expenses to Date	Projected Balance	FY 24-25 YTD Expenditures	FY 24-25 Remaining Balance	Cash Flow			Funding FY 24-25				
								FY 24-25	FY 25-26	FY 26-27	Expansion Funds	Reserves	Capital R & R	CIP Loan	Grants
Copper Cove															
11083C	374/123	Copper Cove Tank B/Clearwell	8,600,000	4,886,039	3,713,961	770,002	3,229,998	4,000,000	-	-	186,110	-	-	3,813,890	-
11104	374/125	Lake Tulloch Intertie Project	7,500,000	34,205	7,465,795	5,464	744,536	750,000	-	-	150,000	-	600,000	-	-
11122	125	Copper C Tank Trans Pipeline	10,000,000	391,905	9,608,095	8,365	91,635	100,000	4,500,000	4,500,000	-	-	100,000	-	-
11132		Copper Cove O'Byrnes Water Line Extension	60,000	31,820	28,180	-	-	-	-	-	-	-	-	-	-
11133		Copper Cove Ozone Unit Replacement	300,000	289,897	10,103	-	-	-	-	-	-	-	-	-	-
Ebbetts Pass															
11083S	125	Ebbetts Pass Sawmill Tank	3,160,000	15,439	3,144,561	4,308	345,692	350,000	2,800,000	-	-	-	350,000	-	-
11095		Ebbetts Pass Redwood Tanks HMGP	4,300,000	4,011,008	288,992	-	-	-	-	-	-	-	-	-	-
11099		Ebbetts Pass Meadowmont PS / Rehab.	100,000	-	100,000	-	-	-	100,000	-	-	-	-	-	-
11103	125	Hunters Raw Water Pumps (Hazard Mitigation)	2,400,000	206,310	2,193,690	879	2,299,121	2,300,000	-	-	-	-	575,000	-	1,725,000
11108		Big Trees Pump Stations 4 & 5 Replacement	2,100,000	5,916	2,094,084	-	-	-	450,000	1,650,000	-	-	-	-	-
11109		White Pines Tule Removal/Spillway	96,715	40,053	56,662	-	-	-	-	-	-	-	-	-	-
11115		Ebbetts Pass Larkspur PS Rehab / Electrical	1,500,000	-	1,500,000	-	-	-	250,000	1,250,000	-	-	-	-	-
Jenny Lind / Wallace															
11083J	125	Jenny Lind Clearwell #2	850,000	141,262	708,738	42,224	457,776	500,000	-	-	-	-	500,000	-	-
11088	123	Jenny Lind A-B Transmission Main	13,500,000	2,203,606	11,296,394	23,321	5,976,679	6,000,000	5,136,110	-	-	-	-	6,000,000	-
11119		Jenny Lind Tanks A, B, E & F Rehabilitation	1,500,000	-	1,500,000	-	-	-	-	-	-	-	-	-	-
11131		Jenny Lind WTP - Rehab Filters 1 & 2	960,000	906,878	53,123	-	-	-	-	-	-	-	-	-	-
11083W		Wallace Tanks	1,500,000	7,020	1,500,000	-	-	-	-	-	-	-	-	-	-
West Point / Wileyville / Vallecito															
11106		West Point Backup Filter	3,000,000	2,821,158	178,842	955	(955)	-	-	-	-	(955)	-	-	-
11134	125	West Point Regulator Repair/Tule Removal	200,000	-	200,000	-	200,000	200,000	-	-	-	-	200,000	-	-
11107		West Point SCADA Improvements	-	434	(434)	-	-	-	-	-	-	-	-	-	-
Other															
11083	125	Tank Rehabilitation Program	6,000,000	-	6,000,000	-	-	1,000,000	1,250,000	1,750,000	-	-	1,000,000	-	-
Total Water Projects			\$ 68,314,282	\$ 16,579,935	\$ 51,741,367	\$ 855,518	\$ 13,344,482	\$ 15,200,000	\$ 14,386,110	\$ 9,250,000	\$ 336,110	\$ -	\$ 3,325,000	\$ 9,813,890	\$ 1,725,000

Capital Improvement Program
Schedule of Cash Flow - Wastewater Projects
FY 2024-25 thru FY 2026-27

Project No.	Fund	Wastewater Projects Project Description	Project Budget	Expenses to Date	Project Balance	FY 24-25 YTD Expenditures	FY 24-25 Remaining Balance	Cash Flow			Funding FY 24-25					Grants
								FY 24-25	FY 25-26	FY 26-27	Expansion Funds	Reserves	Capital R & R	CIP Loan		
Arnold / Forest Meadows																
15095	544/135	Arnold Secondary Clarifier/WWTP Improvements	9,200,000	737,309	8,462,691	23,159	699,879	723,038	4,170,000	3,706,593	250,000	-	473,038	-	-	
		Arnold Lift Station 2 & 3 Rehabilitation	3,500,000	-	3,500,000	-	-	-	-	750,000	-	-	-	-	-	
Copper Cove																
15076	133	CC Lift Station 6, 8 & Force Main Bypass	5,500,000	4,266,454	1,233,546	147,654	1,852,346	2,000,000	-	-	-	-	-	2,000,000	-	
15080	133	CC Lift Station 15 & 18 Rehab/Replacement	3,600,000	3,098,118	501,882	105,355	894,645	1,000,000	-	-	-	-	-	1,000,000	-	
15094T	133	CC Tertiary, DAF, and UV Improvements	1,996,190	836,610	1,159,580	120,710	1,379,290	1,500,000	-	-	-	-	-	1,500,000	-	
15112	584/135	CC Pond 6 Dam Raise	4,543,810	114,227	4,429,583	1,830	665,789	667,619	1,838,096	1,838,096	467,619	-	200,000	-	-	
		CC Lower/Upper X-Country Gravity/Force Main	3,250,000	-	3,250,000	-	-	-	500,000	-	-	-	-	-	-	
La Contenta / Wallace																
15087		Wallace Treatment Plant Renovation	50,000	189,806	(139,806)	-	-	-	-	-	-	-	-	-	-	
15097	135	LC Biolac, Clarifier, & UV Improvements	15,000,000	17,922	14,982,078	5,368	744,632	750,000	-	4,200,000	-	-	750,000	-	-	
15101		La Contenta Spray Fields	-	-	-	-	-	-	-	-	-	-	-	-	-	
15092	564/135	Huckleberry Lift Station Improvements	2,300,000	17,939	2,282,061	11,705	388,295	400,000	1,100,000	-	270,000	-	130,000	-	-	
West Point / Wilseville / Vallecito																
15091		West Point/Wilseville Consolidation Project	10,000,000	6,770,034	3,229,966	426,569	2,073,431	2,500,000	-	-	-	-	-	-	2,500,000	
15111		Vallecito WWTP - System Improvements	150,000	118,907	31,093	-	-	-	-	-	-	-	-	-	-	
Other																
15109	135	Collections System Rehab and I&I Mitigation	900,000	211,343	688,657	-	150,000	150,000	150,000	150,000	-	-	150,000	-	-	
			-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total Wastewater Projects	\$ 60,490,000	\$ 16,830,899	\$ 43,659,101	\$ 842,350	\$ 8,848,307	\$ 9,690,657	\$ 7,758,096	\$ 10,644,689	\$ 987,619	\$ -	\$ 1,703,038	\$ 4,500,000	\$ 2,500,000	
TOTAL WATER & WASTEWATER PROJECTS			\$ 128,804,282	\$ 33,410,834	\$ 95,400,468	\$ 1,697,868	\$ 22,192,789	\$ 24,890,657	\$ 22,144,206	\$ 19,894,689	\$ 1,323,729	\$ -	\$ 5,028,038	\$ 14,313,890	\$ 4,225,000	

Sewer CIP Loan

Date of Issuance: June 15, 2022

CIP #	Area	Project	FY 2024-2025 Budgeted Cash Flow	Prior FY's	July 24	Aug 24	Sept 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	June 25	24-25 Total	% Total Exp to Cash Flow
15076	CC	CC L/S 6,8 & Force Main Bypass	2,000,000.00	3,826,555	107,181	8,867	31,607										147,654	49.68%
15080	CC	CC WW Lift Station 15 & 18 Rehab	1,000,000.00	1,249,206	5,494	7,460	92,402										105,355	32.13%
15094T	CC	CC Sec/Tertiary & UV Improvements	1,500,000.00	-	2,205	58,638	59,866										120,710	4.16%
15095	EP	Arnold Secondary Clarifier		406,697.83	-	-	-										-	18.49%
		Total	3,000,000.00	5,482,459	114,880	74,965	183,874	-	-	-	-	-	-	-	-	-	373,719	37.03%

Loan Proceeds **10,993,725**
 Remaining Principal Balance **10,185,000**

Water CIP Loan

Date of Issuance: June 1, 2022

CIP #	Area	Project	FY 2024-2025 Budgeted Cash Flow	Prior FY's	July 24	Aug 24	Sept 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	June 25	24-25 Total	% Total Exp to Cash Flow
11083C	CC	Copper Cove Tank B / Clearwell	3,813,890.00	2,749,330	413,357	306,719	11,426										731,502	40.18%
11104	CC	Lake Tulloch Submerged Water Line		28,362													-	14.18%
11111	CC	CC Tank B Pump Station Renovation		8,834													-	2.21%
11122	CC	CC Zone B-C Trans Line/Pump Station		-													-	0.00%
11088	JL	Jenny Lind A-B Transmission Line	6,000,000.00	2,125,124	10,742	10,742	2,965										24,448	22.02%
		Total	9,813,890.00	4,911,649	424,099	317,460	14,391	-	-	-	-	-	-	-	-	-	755,950	27.74%

Loan Proceeds **19,740,919**
 Remaining Principal Balance **18,205,000**

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A G E N D A
I T E M

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Agenda Item

DATE: October 15, 2024
TO: Finance Committee
FROM: Jeffrey Meyer, Director of Administrative Services
SUBJECT: Discussion/Direction Regarding District's Financial Management Policy – No. 5.01, Investment Policy

RECOMMENDED ACTION:

Discussion/Direction Regarding District's Financial Management Policy No. 5.01, Investment Policy.

SUMMARY:

Section 5.01.20 of *The Investment Policy Guidelines of the Calaveras County Water District* states:

“The Investment Policy Guidelines of the Calaveras County Water District shall be adopted by resolution of the District's legislative authority. The policy shall be reviewed at the beginning of each fiscal year by the Board of Directors and any modifications made thereto must be approved by the Board of Directors.”

The policy was last revised by the Board of Directors on June 24, 2023. Staff engaged Chandler Asset Management to review the current policy and make recommendations. Attached is a redline version of the current policy that includes Chandler's proposed changes. Staff will review the proposed changes and request comments and direction from the Finance Committee prior to presenting any proposed policy changes at a future Finance Committee meeting.

FINANCIAL CONSIDERATIONS:

None at this time.

Attachments: Underline/Strikeout of amendments to District Financial Management Policy No. 5.01 – Financial Investment Policy
- *Proposed District Financial Management Policy No. 5.01 – Financial Investment Policy*

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~~Investment Policy Terms," respectively.

5.01.03 Prudent Investor Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, "...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

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. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Agency will diversify its investments by investing funds among a variety of securities with independent returns.

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.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's

investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

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

All participants in the investment process shall act as custodians of the public trust. 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 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.

5.01.07.1 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.

5.01.07.2 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.

5.01.07.3 Investment Advisors

If the District employs the services of a professional investment advisor, selection of broker/dealers will be at the sole discretion of the advisor, and the advisor shall make their list of selected broker/dealers available to the District on demand.

5.01.08 Authorized and Suitable Investments

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600 et al. Authorized investments are described in detail in Appendix A.

5.01.09 Competitive Bidding

Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

5.01.11 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.

5.01.12 Collateralization

5.01.12.1 Certificates of Deposit (CDs)

The District shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

5.01.12.2 Collateralization of Bank Deposits

This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

5.01.12.3 Repurchase Agreements

The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.

- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The District shall receive monthly statements of collateral.

5.01.13 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.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since these securities are not deliverable.

5.01.14 Diversification and Risk

5.01.14.01 Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in Appendix A of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- If securities owned by the District are downgraded to a level below the quality required by this investment policy, it will be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
- If a security is downgraded, the General Manager or designee will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.

- If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

5.01.14.01 Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- If the District utilizes a strategy that targets a duration target, the duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District's investment objectives, constraints and risk tolerances.

5.01.15 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 from the date of trade settlement.

5.01.16 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.

5.01.17 Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The General Manager or designee shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The General Manager or designee shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

5.01.18 Reporting

The General Manager or designee will produce a monthly transaction report that will be submitted to the Board of Directors. Additionally, the General manager or designee may produce a quarterly investment report (Treasurer's Report) that may be submitted to the Board of Directors. The quarterly report, generally will be submitted within 3045 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:

5.01.18.1 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.
- H. Transactions for the period

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Policy Number: Financial Management Policy 5.01

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Revised 06/24/20 (Res. 2020-43)
Revised 06/14/23 (Res. 2023-28)

5.01.19 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 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 District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed in this appendix. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

5.01.19.01 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 California 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. Principal may be withdrawn on one days' notice. ~~The fees charged by LAIF as well as investment limits are limited by Statute. The District may invest up to the maximum amount permitted by LAIF.~~

5.01.19.02 U.S. Treasuries

U.S. Treasury securities and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no percentage limitation on the funds that can be invested in this category; however, a five (5) year maturity limitation is applicable.

5.01.19.03 Federal Agencies and Government-Sponsored Enterprises

Federal Agencies or United States Government-Sponsored Enterprise (GSE) obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.. There is no percentage limitation on the funds that can be invested in this category; however, a five (5) year maturity limitation is applicable. Moreover, no more than 30% of the portfolio may be invested in any single Agency/GSE issuer, and ~~agency-callable~~ agency securities are limited to 20% of the District's portfolio.

5.01.19.04 Municipal Securities: 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. These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.
- No more than 5% of the portfolio may be invested in any single issuer.

5.01.19.05 Municipal Securities: 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 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. These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO.
- No more than 30% of the portfolio may be in Municipal Securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

5.01.19.06 Municipal Securities: 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. These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO.
- No more than 30% of the portfolio may be in Municipal Securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

5.01.19.07 Bankers Acceptance

The District may invest in Bankers Acceptances limited to banks which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of “A” or its equivalent or better by at least one NRSRO. The maximum investment maturity will be restricted to 180 days. Maximum portfolio exposure will be limited to 40%. No more than 5% of the portfolio may be invested in any single issuer.

5.01.19.08 Commercial Paper

The District may invest in Prime Commercial Paper with a maximum maturity not exceeding 270 days ~~from the date of purchase. an NRSRO.~~ The entity that issues the commercial paper shall meet

all of the following conditions in either A or B:

- A. The entity shall (1) be organized and operating in the United States as a general corporation and have total assets in excess of five hundred million dollars (\$500,000,000), (2) the securities are rated "A-1" or its equivalent or better by at least one NRSRO, and (3) have debt other than commercial paper, if any, rated "A" or its equivalent or higher by at least one 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 its equivalent or better by at least one NRSRO.

The District's aggregate investment in commercial paper shall not exceed 25% of the District's total portfolio. No more than 5% of the portfolio may be invested in any single issuer. The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.

5.01.19.09 Negotiable Certificates of Deposit

Investments are limited to deposits issued by a nationally or state-chartered bank or a savings association or federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

Negotiable Certificates of Deposit shall not exceed 30% of the District's surplus money, which may be invested pursuant to this policy. No more than 5% of the portfolio may be invested in any single issuer. 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 five (5) years.

5.01.19.10 Time Certificates of Deposit

The District may invest in collateralized certificates of deposits (Federally Insured Time Deposits and Collateralized Time Deposits) issued by a state or nationally chartered bank, a state or federal association or a state or federal credit union. A written depository contract is required with all institutions that hold District deposits.

District funds shall be invested only in commercial banks and savings and loans rated in the rating category of "A" or its equivalent or better by at least one NRSRO.

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% 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.

The amount per institution is limited to the maximum covered under federal insurance. —No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits. Maximum maturity is restricted to five (5) years.

5.01.19.11 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 (1) year and shall not exceed 20% of the District's funds. The collateralization level for Repurchase Agreements shall be a minimum of 102% 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 developed by the Securities Industry and Financial Markets Association.

5.01.19.12 Corporate Medium Term Notes

Medium-term notes are obligations of corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. The securities must be in a rating category of "A" or its equivalent or better by at least one NRSRO. Purchase of medium-term notes shall not exceed 30% of the total portfolio, and not have maturity in excess of five (5) years. No more than 5% of the portfolio may be invested in any single issuer.

5.01.19.13 Money Market Mutual Funds

Mutual funds qualifying for District investment must be registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies, provided that:

- i) Have attained the highest ranking or the highest letter an numerical rating provided by not less than two NRSROs or
- ii) Have retained an investment advisor registered or exempt from registration with the

Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management of at least five hundred million dollars (\$500,000,000).

Investments in money market mutual funds shall not exceed 20% of the District's total portfolio with no more than 20% of the total portfolio invested in the shares or any one Money Market Mutual Fund.

5.01.19.14 Asset-Backed, Mortgage-Backed, Mortgage Passthrough securities, and Collateralized Mortgage Obligations from issuers not defined in Sections 5.01.19.02 and 5.01.19.03

- The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO.
- No more that 20% of the portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum ~~legal final~~ maturity does not exceed five years.

5.01.19.15 Share of Beneficial Interest in a Joint Powers Authority

As authorized by Government Code, Section 53601(p).

5.01.19.16 Supranational Securities

- Issues are US Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO.
- No more that 30% of the portfolio may be invested in these securities.
- No more that 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five years.

5.01.19.17 Passbook Deposits

As authorized by Government Code, Section 53637.

5.01.19.18 Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

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Revised 12/11/19 (Res. 2019-80)
Revised 06/24/20 (Res. 2020-43)
Revised 06/14/23 (Res. 2023-28)

- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- ~~Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least \$100,000,000 in securities owned and invested. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.~~

Appendix B

Glossary of ~~Cash Management Investment Policy~~ 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.

~~**Comprehensive Annual Comprehensive Financial Report (CACFR)** – 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).~~

~~**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.~~

~~**Asset-Backed Securities** – Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.~~

~~**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).

~~**Benchmark** – A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.~~

~~**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.

~~**Collateralized Bank Deposit** – A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.~~

~~**Collateralized Mortgage Obligations (CMO)** – Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.~~

~~**Collateralized Time Deposit** – Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.~~

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.

~~**Dealer** – A dealer acts as a principal in security transactions, selling securities from and buying securities for their own position.~~

~~**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. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

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.

Federally Insured Time Deposit – A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

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.

~~**Fiduciary** – A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the other's best interests.~~

~~**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~~: U.S. Government Agencies" and "U.S. Treasury Obligations".

~~**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.

~~**Leverage** – Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate~~

higher than the cost of borrowing.

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. These funds are not subject to the same SEC rules applicable to money market mutual funds.

Make Whole Call – A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Margin – The difference between the market value of a security and the loan a broker makes using that security as collateral.

~~**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. The investment's term or remaining maturity is measured from the settlement date to final maturity.

Medium Term Notes – Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences. ~~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 – The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

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).

Mortgage Pass-Through Securities – A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Municipal Securities – Securities issued by state and local agencies to finance capital and operating expenses.

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.

Nationally Recognized Statistical Rating Organization (NRSRO) – A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

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)
$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$

Negotiable Certificate of Deposit (NCD) – 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.

Paydown – A reduction in the principal amount owed on a bond, loan, or other debt.

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** – A service to bank customers whereby securities are held by the bank in the customer's name. 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.

~~**Securities and Exchange Commission (SEC) Rule 15c3-1** – An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.~~

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).~~

~~**Structured Note** – A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by~~

purchasing interest rate swap agreements.

Supranational – A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

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 Rate of 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 (Agencies) – Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE), or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB – The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB – The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC – Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA – Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMac,” issues discount notes, bonds and mortgage pass-through securities.

GNMA – The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO – The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA – The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds. 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. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury Bills – All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues “cash management” bills as needed to smooth out cash flows.

Treasury Notes – All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

Treasury Bonds – All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

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 returns 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 returns 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.

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 Investment Policy Terms," respectively.

5.01.03 Prudent Investor Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, "...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

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. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Agency will diversify its investments by investing funds among a variety of securities with independent returns.

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.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's

investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

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

All participants in the investment process shall act as custodians of the public trust. 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 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.

5.01.07.1 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.

5.01.07.2 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.

5.01.07.3 Investment Advisors

If the District employs the services of a professional investment advisor, selection of broker/dealers will be at the sole discretion of the advisor, and the advisor shall make their list of selected broker/dealers available to the District on demand.

5.01.08 Authorized and Suitable Investments

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600 et al. Authorized investments are described in detail in Appendix A.

5.01.09 Competitive Bidding

Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

5.01.11 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.

5.01.12 Collateralization

5.01.12.1 Certificates of Deposit (CDs)

The District shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

5.01.12.2 Collateralization of Bank Deposits

This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

5.01.12.3 Repurchase Agreements

The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.

- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The District shall receive monthly statements of collateral.

5.01.13 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.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since these securities are not deliverable.

5.01.14 Diversification and Risk

5.01.14.01 Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in Appendix A of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- If securities owned by the District are downgraded to a level below the quality required by this investment policy, it will be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
- If a security is downgraded, the General Manager or designee will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.

- If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

5.01.14.01 Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- If the District utilizes a strategy that targets a duration target, the duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District's investment objectives, constraints and risk tolerances.

5.01.15 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 from the date of trade settlement.

5.01.16 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.

5.01.17 Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The General Manager or designee shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The General Manager or designee shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

5.01.18 Reporting

The General Manager or designee will produce a monthly transaction report that will be submitted to the Board of Directors. Additionally, the General manager or designee may produce a quarterly investment report (Treasurer's Report) that may be submitted to the Board of Directors. The quarterly report will be submitted within 45 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:

5.01.18.1 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.
- H. Transactions for the period

5.01.19 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 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 District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed in this appendix. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

5.01.19.01 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 California 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. Principal may be withdrawn on one days' notice. The District may invest up to the maximum amount permitted by LAIF.

5.01.19.02 U.S. Treasuries

U.S. Treasury securities and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no percentage limitation on the funds that can be invested in this category; however, a five (5) year maturity limitation is applicable.

5.01.19.03 Federal Agencies and Government-Sponsored Enterprises

Federal Agencies or United States Government-Sponsored Enterprise (GSE) obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.. There is no percentage limitation on the funds that can be invested in this category; however, a five (5) year maturity limitation is applicable. Moreover, no more than 30% of the portfolio may be invested in any single Agency/GSE issuer, and callable agency securities are limited to 20% of the District's portfolio.

5.01.19.04 Municipal Securities: 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.

These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least on nationally recognized statistical rating organization (“NRSRO”).
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.
- No more than 5% of the portfolio may be invested in any single issuer.

5.01.19.05 Municipal Securities: 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 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. These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO.
- No more than 30% of the portfolio may be in Municipal Securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

5.01.19.06 Municipal Securities: 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. These investments are permitted, provided that:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO.
- No more than 30% of the portfolio may be in Municipal Securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

5.01.19.07 Bankers Acceptance

The District may invest in Bankers Acceptances limited to banks which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of “A” or its equivalent or better by at least one NRSRO. The maximum investment maturity will be restricted to 180 days. Maximum portfolio exposure will be limited to 40%. No more than 5% of the portfolio may be invested in any single issuer.

5.01.19.08 Commercial Paper

The District may invest in Prime Commercial Paper with a maximum maturity not exceeding 270 days The entity that issues the commercial paper shall meet all of the following conditions in either A or B:

- A. The entity shall (1) be organized and operating in the United States as a general corporation and have total assets in excess of five hundred million dollars (\$500,000,000), (2) the securities are rated "A-1" or its equivalent or better by at least one NRSRO, and (3) have debt other than commercial paper, if any, rated "A" or its equivalent or higher by at least one 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 its equivalent or better by at least one NRSRO.

The District's aggregate investment in commercial paper shall not exceed 25% of the District's total portfolio. No more than 5% of the portfolio may be invested in any single issuer. The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.

5.01.19.09 Negotiable Certificates of Deposit

Investments are limited to deposits issued by a nationally or state-chartered bank or a savings association or federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

Negotiable Certificates of Deposit shall not exceed 30% of the District's surplus money, which may be invested pursuant to this policy. No more than 5% of the portfolio may be invested in any single issuer. 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 five (5) years.

5.01.19.10 Time Certificates of Deposit

The District may invest in collateralized certificates of deposits (Federally Insured Time Deposits and Collateralized Time Deposits) issued by a state or nationally chartered bank, a state or federal association or a state or federal credit union. A written depository contract is required with all institutions that hold District deposits.

District funds shall be invested only in commercial banks and savings and loans rated in the rating category of "A" or its equivalent or better by at least one NRSRO.

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% 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.

The amount per institution is limited to the maximum covered under federal insurance. No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits. Maximum maturity is restricted to five (5) years.

5.01.19.11 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 (1) year and shall not exceed 20% of the District's funds. The collateralization level for Repurchase Agreements shall be a minimum of 102% 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 developed by the Securities Industry and Financial Markets Association.

5.01.19.12 Corporate Medium Term Notes

Medium-term notes are obligations of corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. The securities must be in a rating category of "A" or its equivalent or better by at least one NRSRO. Purchase of medium-term notes shall not exceed 30% of the total portfolio, and not have maturity in excess of five (5) years. No more than 5% of the portfolio may be invested in any single issuer.

5.01.19.13 Money Market Mutual Funds

Mutual funds qualifying for District investment must be registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies, provided that:

- i) Have attained the highest ranking or the highest letter or numerical rating provided by not less than two NRSROs or
- ii) Have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing

money market mutual funds with assets under management of at least five hundred million dollars (\$500,000,000).

Investments in money market mutual funds shall not exceed 20% of the District's total portfolio with no more than 20% of the total portfolio invested in the shares or any one Money Market Mutual Fund.

5.01.19.14 Asset-Backed, Mortgage-Backed, Mortgage Passthrough securities, and Collateralized Mortgage Obligations from issuers not defined in Sections 5.01.19.02 and 5.01.19.03

- The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO.
- No more than 20% of the portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum maturity does not exceed five years.

5.01.19.15 Share of Beneficial Interest in a Joint Powers Authority

As authorized by Government Code, Section 53601(p).

5.01.19.16 Supranational Securities

- Issues are US Dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO.
- No more than 30% of the portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five years.

5.01.19.17 Passbook Deposits

As authorized by Government Code, Section 53637.

5.01.19.18 Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.

- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

Appendix B

Glossary of Investment Policy Terms

Accrued Interest – Interest earned but not yet received.

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

Annual Comprehensive Financial Report (ACFR) – 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).

Asset-Backed Securities – Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

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).

Benchmark – A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

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.

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.

Collateralized Bank Deposit – A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

Collateralized Mortgage Obligations (CMO) – Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Collateralized Time Deposit – Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

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

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.

Dealer – A dealer acts as a principal in security transactions, selling securities from and buying securities for their own position.

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

Discount – The difference between the cost of a security and its value at maturity when quoted at lower than face value. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

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.

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.

Federally Insured Time Deposit – A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

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.

Fiduciary – A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the other's best interests.

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 "U.S. Government Agencies" and "U.S. Treasury Obligations".

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.

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.

Leverage – Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

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. These funds are not subject to the same SEC rules applicable to money market mutual funds.

Make Whole Call – A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Margin – The difference between the market value of a security and the loan a broker makes using that security as collateral.

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. The investment's term or remaining maturity is measured from the settlement date to final maturity.

Medium Term Notes – Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

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.

Money Market – The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

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).

Mortgage Pass-Through Securities – A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Municipal Securities – Securities issued by state and local agencies to finance capital and operating expenses.

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.

Nationally Recognized Statistical Rating Organization (NRSRO) – A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

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)
$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$

Negotiable Certificate of Deposit (NCD) – 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.

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.

Paydown – A reduction in the principal amount owed on a bond, loan, or other debt.

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.

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.

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.

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 <:0 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).

Safekeeping – A service to bank customers whereby securities are held by the bank in the customer's name.

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.

Securities and Exchange Commission (SEC) Rule 15C3-1 – An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

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

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

Structured Note – A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

Supranational – A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

Swap – Trading one asset for another.

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

Total Rate of 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.

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 (Agencies) – Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE), or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB – The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB – The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC – Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA – Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA – The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO – The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA – The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

U.S. Treasury Obligations – Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury Bills – All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues “cash management” bills as needed to smooth out cash flows.

Treasury Notes – All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

Treasury Bonds – All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

Yield – The rate of annual income returns 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 returns 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.

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.