

RESOLUTION NO. 16-24

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
AMENDING AND RESTATING THE DISTRICT INVESTMENT POLICY**

A. Recitals.

1. By Resolution No. 5-96, the District adopted a Statement of Investment Policy to comply with the requirement of Government Code Section 53646.

2. The Statement of Investment Policy was amended by Resolution No. 19-15 to permit the treasurer to invest the District's surplus monies in either the Kern County Treasury Pool or the Local Agency Investment Fund.

3. The District desires to amend and restate the District's investment policy set with Resolution No. 19-15 to incorporate industry best practices.

4. The District desires to amend and restate the District's investment policy set with Resolution No. 04-24 to make certain clarifications, specifically, to sections covering scope, internal controls, and reporting.

B. Resolutions.

NOW, THEREFORE, BE IT FOUND, DETERMINED, AND RESOLVED by the Board of Directors of TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT as follows:

1. Each of the above recitals is true and correct and the Board so finds and determines.

2. The Board of Directors of the Tehachapi-Cummings County Water District adopts the amended and restated Statement of Investment Policy set forth in Exhibit A attached hereto as the investment policy of the District.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT this 20th day of November 2024.


Robert W. Schultz, Board President

ATTEST:


Catherine Adams, Board Secretary

SECRETARY'S CERTIFICATE

I, CATHERINE ADAMS, Secretary of the Board of Directors of Tehachapi-Cummings County Water District, hereby certify as follows:

The foregoing is a full, true and correct copy of Resolution No. 16-24 duly adopted at a regular meeting of the Board of Directors of the District duly and legally held at the regular meeting place thereof on November 20, 2024. All of the members of the Board of Directors received due notice of the meeting and a majority thereof was present. At the meeting the resolution was adopted by the following vote:

AYES: Hall, Sasia, Schultz, Zanutto

NOES: None

ABSTAIN: None

ABSENT: Ables

ATTEST: 
Catherine Adams, Board Secretary

(SEAL)

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

STATEMENT OF INVESTMENT POLICY



**Tehachapi-Cummings
County Water District**

Our Water • Our Future

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1. Policy

The Tehachapi-Cummings County Water District (District) shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of this policy, in priority order of safety, liquidity, and return on investment. In accordance with Article 1 (commencing with Section 53600) and Article 2 (commencing with Section 53630) under Title 5, Division 2, Part 1, Chapter 4 of CA Government Code and under authority granted by the Board of Directors, the General Manager is responsible for investing money in its treasury not required for the immediate needs of the District. The amount of the investment may be in any portion that is deemed wise or expedient as set forth in the parameters of this policy, which are prescribed by applicable CA Government Code sections.

2. Scope

The investment policy applies to all investment activities and financial assets of the Tehachapi-Cummings County Water District as accounted for in the Annual Comprehensive Financial Report (ACFR), which are under the direct oversight of the Board of Directors. Funds excluded from this policy include deferred compensation, other post-employment benefit assets, and debt obligations (e.g., certificates of participation, bonds, notes, or other obligations). The investment of debt obligations shall be governed by the provisions of the related indentures or resolutions.

3. Prudence

The standard of prudence to be used by the designated representative shall be the “prudent investor” standard and shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and, therefore, fiduciaries subject to the prudent investor standard which states, “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, 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 agency.”

The General Manager and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures, and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4. Objectives

The District’s primary investment objectives, in order of priority, shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of



capital in the overall portfolio. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

- a. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in issuers that carry the direct or implied backing of the U.S. Government (including, but not limited to, the U.S. Treasury, U.S. Government Agencies, and federally insured banks). The portfolio will be diversified so that the failure of any one issuer does not unduly harm the District's capital base and cash flow.
 - b. Market risk (aka "interest rate risk"), defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analyses to eliminate the need to sell securities prior to maturity, and avoiding the purchase of long-term securities for the sole purpose of short-term speculation. Moreover, it is the District's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. Limited exceptions will be granted for security swaps that would improve the portfolio's yield and/or credit quality.
2. Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the Tehachapi-Cummings County Water District to meet all operating requirements which might be reasonably anticipated.
 3. Return on Investments: The District's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the District's investment risk constraints identified in this *Statement of Investment Policy* and the cash flow characteristics of the portfolio.

5. Delegation of Authority

Per applicable Government Code sections noted at section 1 of this policy, above, and under the authority granted by the Board of Directors, the responsibility of investing unexpended cash is assigned to the General Manager and/or the Treasurer. Daily management responsibility of the investment program may be delegated by the General Manager to the Administration Manager or Accounting & Finance Specialist, who shall establish procedures for the operation consistent with this *Statement of Investment Policy*.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Additionally, the General Manager, Treasurer, Administration Manager, and consultants are required to annually file applicable financial



disclosures as required by the District's *Conflict of Interest Code*. Furthermore, investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the District.

7. Authorized Dealers and Institutions

The General Manager will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California (see Exhibit A on page 15). These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission (SEC) Rule 15c3-1 (the "net capital rule"). Best practices include the following:

1. A determination that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy.
2. The broker/dealer firms should have the ability to meet all their financial obligations in dealing with the public agency.
3. The firms and individuals covering the public agency should be knowledgeable and experienced in public agency investing and the investment products involved.
4. No public deposit shall be made except in a qualified public depository as established by the established state laws.
5. All financial institutions and broker/dealers who desire to conduct investment transactions with the public agency may supply the General Manager with audited financial statements, proof of FINRA certification, trading resolution, proof of State of California registration, a completed broker/dealer questionnaire, certification of having read the public agency's investment policy and depository contracts.

The General Manager may conduct an annual review of the financial condition and registrations of qualified dealers and institutions.

8. Authorized and Suitable Investments

Investment of District funds is governed by specific California Government Code sections noted at section 1 of this policy, above. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury notes, bonds, bills, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.
2. Federal agency or United States government-sponsored enterprise 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 of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

3. Negotiable certificates of deposit issued by nationally or state-chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. Principal and accrued interest on these investments must not exceed the \$250,000 FDIC insurance limit. A maturity limitation of five years is applicable. Additionally, investments of this type are prohibited if the investment is issued by a state or federal credit union if a person with investment decision-making authority is affiliated with the issuer. See CA Government Code Section 53601(i) for more details as to the prohibited affiliations.
4. Time deposits or placement service deposits, non-negotiable, and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. A maturity limitation of five years is applicable. Since time deposits are not liquid, no more than 50% of the investment portfolio may be invested in this investment type, which is further limited based on the following dates:
 - Effective January 1, 2020, no more than 50% of the public agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under Section 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i), which are described at section 8, subsection 3, above).
 - On January 1, 2026, the maximum percentage of the portfolio invested in this investment type reverts back to 30%.

Investments made pursuant to Section 53635.8 remain subject to a maximum of 30% of the portfolio.

5. Shares of beneficial interest issued by a joint powers authority (JPA) organized pursuant to CA Government Code Section 6509.7 that invests in the securities and obligations in compliance with CA Government Code Section 53601 (subsections (a) to (r), inclusive) are also authorized. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. There are no portfolio or maturity limitations. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
 - The adviser is registered or exempt from registration with the United States Securities and Exchange Commission.
 - The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).



- The adviser has not less than five years of experience investing in the securities and obligations authorized in CA Government Code Section 53601 (subsections (a) to (q), inclusive).
6. Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, and Kern County Treasury Pool (KCTP), may be invested in up to the maximum permitted by California state law as is noted in the table at the end of this section. Aside from the maximum per state law, there are no other portfolio of maturity limitations per applicable CA Govt Codes. A review of the pool/fund is required when part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.
 7. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the Tehachapi-Cummings County Water District may be purchased as allowed under the State of California Government Code. Only funds holding 100% U.S. Treasury or Government agency obligations can be used. There are no portfolio limits for money market funds.

The following summary of maximum percentage limits, by instrument, are established for the District's investment portfolio:

Authorized Investment Type	CA Government Code Section	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations (notes, bonds, and bills)	53601(b)	5 Years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	5%
Placement Service Deposits	53601.8 and 53635.8	5 Years	N/A	See § 8.4 (above)	5%
Joint Powers Authority Pool	53601(p)	N/A	See § 8.5 (above)	100%	N/A
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	100% or as permitted by LAIF (currently \$65 million per account)	N/A
Kern County Treasury Pool (KCTP)	53684	Upon Demand	N/A	100% or as permitted by County Treasurer (currently no limit)	N/A
Various Daily Money Market Funds	See § 8.7 (above)	N/A	N/A	20%	N/A



9. Review of Investment Portfolio

The securities held by the Tehachapi-Cummings County Water District must be in compliance with section 8, “Authorized and Suitable Investments” at the time of purchase. The General Manager should review the portfolio (at least annually) to identify those securities that do not comply.

The General Manager should establish procedures to report any major and critical incidences of noncompliance identified through the review of the portfolio.

10. Investment Pools / Money Market Funds

A thorough investigation of the investment pool/money market fund is required prior to investing, and on a continual basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes) and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, and what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule and when and how it is assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

11. Collateralization

Collateralization will be required on two types of investments: non-negotiable certificates of deposit and repurchase (and reverse repurchase) agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for non-negotiable certificates of deposit and 102% for reverse repurchase agreements of principal and accrued interest.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. Clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The District may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance.



12. Safekeeping and Custody

All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the General Manager and evidenced by safekeeping receipts.

13. Diversification

The District shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type, excluding U.S. Treasuries, federal agencies, pooled investments such as LAIF, joint powers authority pools, money market funds, and local government investment pools such as KCTP.

14. Maximum Maturities

To the extent possible, the Tehachapi-Cummings County Water District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 5 years from the date of purchase. Any investment longer than 5 years must be made with advance permission from the Board of Directors, and, per CA Government Code Section 53601, such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

15. Internal Controls

The General Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Tehachapi-Cummings County Water District are protected from loss, theft, fraud, and misuse.

Separation of functions (i.e., authorization, recordkeeping, reconciliation, and custody) between the District's General Manager, Administration Manager, Accounting & Finance Specialist, and Accounting Assistant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Internal controls related to the operation of the investment program consistent with this policy are described in further detail within the District's *Internal Control Manual*. Although procedures vary by investment type, generally, investment decisions are made and executed by the General Manager; submitted to the financial institution by either the Accounting & Finance Specialist or Administration Manager; confirmed by the financial institution to the General Manager, Administration Manager, and Accounting & Finance Specialist; and reconciliations are prepared by the Accounting & Finance Specialist and reviewed by the Accounting Assistant. All wire transfers initiated by the Accounting & Finance Specialist must be approved by the Administration Manager or General Manager and are confirmed by the financial institution to the General Manager, Administration Manager, and Accounting & Finance Specialist.



Proper documentation is obtained and retained for each investment transaction and includes investment confirmations (i.e., purchase or sell), wire transfer confirmations, and account reconciliations. Timely account reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced against appropriate general ledger accounts by the Accounting & Finance Specialist on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the District’s cash and investments that have a material impact on the financial statements. The General Manager shall review and ensure compliance with investment processes and procedures.

16. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints, and the cash flow needs.

The District intends to spread its investments relatively evenly between 0 and 5 years and hold those investments to maturity. The District is limiting its authorized investments to the safest end of the investment spectrum—debt issued by the U.S. Treasury, U.S. Government Agencies, and debt that is federally insured (see section 8, “Authorized and Suitable Investments”, above, for a complete list of authorized investments).

Therefore, an appropriate performance benchmark will be a Constant Maturity Treasury rate consistent with the weighted average maturity of the portfolio. The District recognizes that benchmarks may change over time based on changes in market conditions or cash flow requirements.

17. Reporting

The Treasurer shall prepare and sign and the General Manager shall review and render quarterly investment reports to the Board of Directors that include the following information in accordance with CA Government Code Section 53646:

- Investment type (e.g., U.S. Treasury note, U.S. government agency bond, etc.)
- Name of the issuer (e.g., Federal Farm Credit Bank, Federal Home Loan Bank, etc.)
- Maturity date
- Weighted yield to maturity
- Current market value and source of market value (except for LAIF)
- Par and dollar amount invested on all securities, investments, and moneys held by the District.

The quarterly investment report shall also include a description of any of the District’s funds, investments, or programs that are under the management of contracted parties, including lending programs.



The quarterly investment report shall state compliance of the portfolio with the investment policy, or manner in which the portfolio is not in compliance.

The quarterly investment report shall also include a statement denoting the ability of the District to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall, or may not, be available.

The quarterly investment report shall be submitted to the Board of Directors within 45 days following the end of the quarter covered by the report. Further, at the Board meeting following the submission of the quarterly investment report to the Board of Directors, the quarterly investment report shall be placed on the meeting agenda to be received and filed.

18. Investment Policy Adoption

Per CA Government Code Section 53646, the Tehachapi-Cummings County Water District's investment policy shall be adopted by a resolution of the Board of Directors. The policy shall be rendered annually to the Board of Directors at a public meeting and any modifications made thereto must be considered by the Board of Directors at a public meeting.

The General Manager shall establish written investment policy procedures pertaining to the controls necessary for the operation of the investment program consistent with this policy. Those procedures will be included within the District's *Internal Controls Manual* and shall include references to safekeeping master repurchase agreements, wire transfer agreements, banking service contracts, and collateral/depository agreements. Such procedures shall include explicit delegation 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 Tehachapi-Cummings County Water District.

19. Glossary of Terms in this Policy

Accrued Interest: Interest earned but not yet received.

Annual Comprehensive Financial Report (ACFR): The official annual financial report for the District. It includes the three basic financial statements for the one enterprise fund and two combining financial statements with each account "fund" group, which are prepared in conformity with Generally Accepted Accounting Principles (GAAP).

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.

Bond Swap: Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include increased yields and an improved quality portfolio.



Broker: In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading and account for the name registered representative.

Certificate of Deposit: A deposit insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) at a set rate for a specified period of time.

Collateral: In securities, evidence of deposits or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public money.

Constant Maturity Treasury (CMT): An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement that also calls for the bank to collect and pay out income, to buy, sell, receive, and deliver securities when ordered to do so by the principal.

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

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles. The securities can vary by sector, maturity, asset class, or credit quality in order to reduce and spread financial risk.

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

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

Liquidity: Refers to the ability to rapidly convert an investment into cash.

Market Value: 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.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held at the Federal Reserve Bank of New York and are subject to its informal oversight. A dealer or bank that can buy and sell securities directly with the Federal Reserve Bank of New York.

Purchase Date: The date on 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.

Risk: Degree of uncertainty of return on an asset.

Safekeeping: A Custodian Bank's action to store and protect an investor's securities by segregating and identifying the securities. Also, see "Custody."

Settlement Date: The date on which a trade is cleared by delivery of securities against funds. The date of which cash and securities are exchanged and the transaction completed.

Time Deposit: A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations: Debt obligations of the U.S. government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies: Instruments issued by various U.S. government agencies most of which are secured only by the credit worthiness of the particular agency.

Yield: The rate of annual income return on an investment expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security. The percentage return an investor derives from a financial asset.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond expressed as a percentage. The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

20. Glossary of General Investment Terms

Active Deposits: Funds that 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.

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

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

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



Book Entry Securities: In securities, such stocks held in “street name,” that are recorded in a customer’s account, but are not accompanied by a certificate. The trend is toward a certificate-free society to cut down on paperwork and to diminish investors’ concerns about the certificates themselves. All the large New York district banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve Bank through the use of automated telecommunications and the “book-entry” custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity for the District. Virtually all transfers for the accounts of the banks, as well as for the government securities dealers who are their clients, are now affected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds up the completion of transactions.

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.

Bullet Bond: See “*Non-callable Bond.*”

Callable Bond: A debt obligation where the bond issuer (i.e., borrower) has the option to *call the bond* or pay it off early (before the scheduled maturity date). For instance, a 5-year bond might be “callable quarterly”—meaning that, although the bond has a scheduled end date 5 years from now, it could end in 3 months (and every 3 months after that, until the scheduled maturity date).

Coupon: The annual rate of interest that a bond 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.

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

Duration: The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serves as the weights; the future point in time at which, on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow timeline.

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

Federal Reserve System: The central bank of the U.S. that consists of a seven-member Board of Governors, 12 regional banks, and approximately 8,000 commercial banks that are members.



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 Federal Reserve System.

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

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.

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission (SEC) registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor's Ratings Services, Fitch Ratings, Inc., or Moody's Investors Services.

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

Non-callable Bond: Also known as, "*Bullet Bond.*" A non-callable bond is a debt obligation where the bond issuer does not have the option to "call the bond" (i.e., end the bond before the scheduled maturity date).

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

Repurchase Agreement (REPO): A transaction where the seller (bank) agrees to buy back from the buyer (District) the securities at an agreed upon price after a stated period of time. A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the District), the other is the commitment by the seller (i.e., a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

Reverse Repurchase Agreement (REVERSE REPO): The mirror image of Repurchase Agreements. In this instance, the District is the seller of securities to an investor (i.e., a broker/ dealer). A transaction where the seller (District) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

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

Yield Curve: The yield on bonds, notes, or bills of the same type and credit risk at a specific date for maturities up to thirty years.



Exhibit A

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

AUTHORIZED DEALERS AND INSTITUTIONS

Per Section 7 of the District's *Statement of Investment Policy*

Financial Institution Checking Account:

Lending Institution:

Credit Card Account:

Liquid Pooled Fund Accounts:

Custodial Bank Accounts:

Broker/ Dealer Accounts:

Investment Adviser:

Date: _____

Print Name: _____
General Manager

Signature: _____
General Manager

