RESOLUTION No. 16-227

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA

RESOLUTION APPROVING TREASURER'S STATEMENT OF INVESTMENT POLICY AND RENEWING THE DELEGATION OF AUTHORITY TO THE TREASURER TO INVEST COUNTY FUNDS

WHEREAS, Government Code Section 53646 permits the Treasurer to annually render to the Board of Supervisors a statement of investment policy; and

WHEREAS, Government Code Section 53646 requires that the Board of Supervisors review and approve, at a public meeting, the statement of investment policy; and

WHEREAS, pursuant to Government Code Section 53607 and the Nevada County Administrative Code Section A-II 37.5, the Board of Supervisors delegated to the Treasurer the authority to invest County funds subject to annual renewal; and

WHEREAS, the Board of Supervisors, at a public meeting held on June 14, 2016, has reviewed the Treasurer's Statement of Investment Policy.

NOW, THEREFORE, BE IT RESOLVED, the foregoing recitals are true and correct and the Nevada County Board of Supervisors does hereby approve the Treasurer's Investment Policy attached hereto, and by this reference incorporated herein; and

BE IT FURTHER RESOLVED, the Treasurer is hereby delegated the authority to invest or reinvest the funds of the County and funds of other depostiors in the County Treasury or to sell or exchange securities so purchased, pursuant to Government Code Section 53600, et seq. The authority delegated herein shall remain in effect for one year.

PASSED AND ADOPTED by the Board of Supervisors of the County of Nevada at a regular meeting of said Board, held on the 14th day of June, 2016, by the following vote of said Board:

Ayes: Supervisors Nathan H. Beason, Edward Scofield, Dan Miller, Hank Weston and Richard Anderson.

Noes: None.

Absent: None.

Abstain: None.

ATTEST:

JULIE PATTERSON HUNTER
Clerk of the Board of Supervisors

By: _____

_____
Dan Miller, Chair

6/14/2016 cc: TTC*
AC*

County of Nevada
Treasurer & Tax Collector

http://www.mynevadacounty.com/nc/ttc

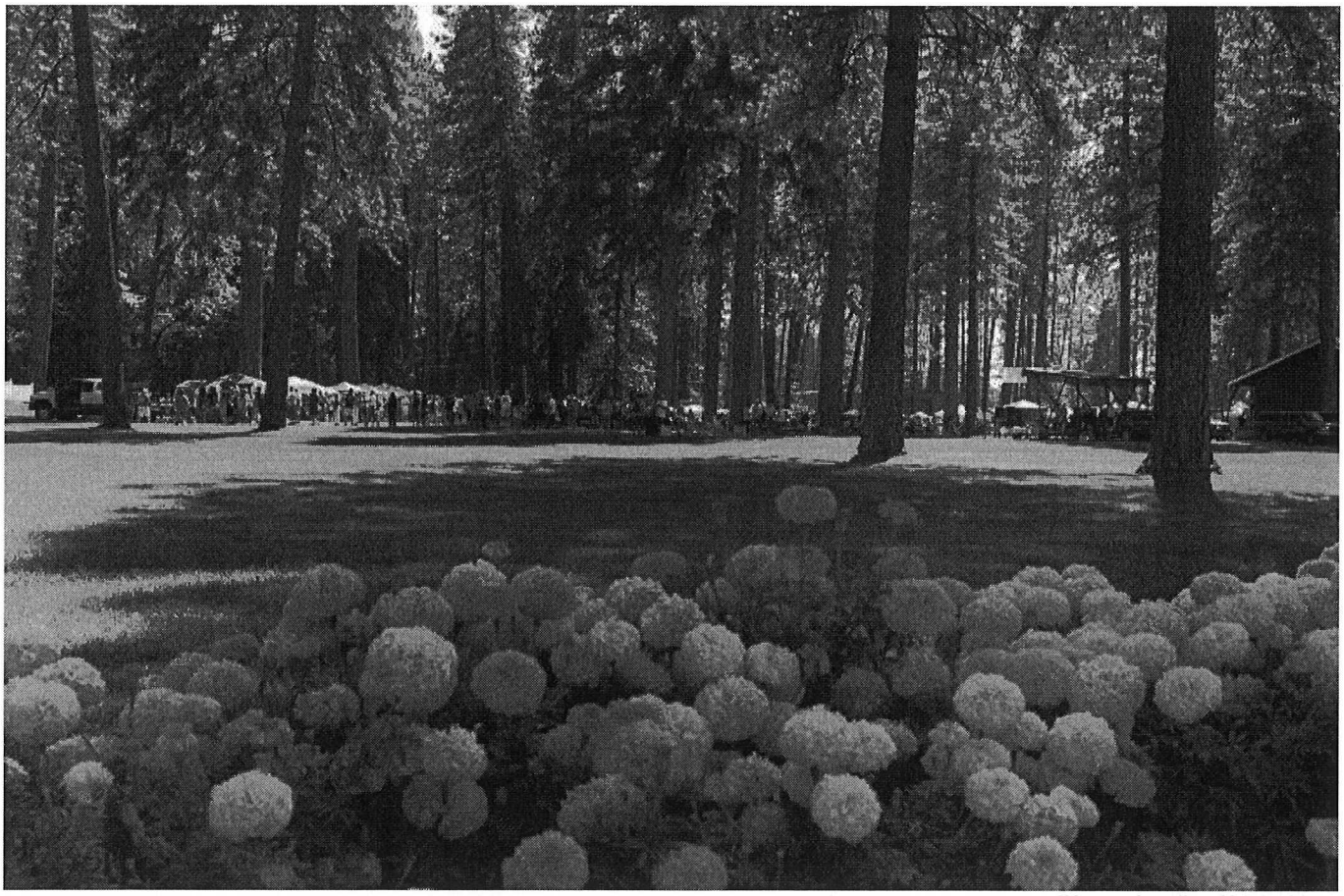

Photo Credit of YubaNet

2016-2017 Treasurer's Investment Policy

Tina M. Vernon, Nevada County Treasurer & Tax Collector

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Nevada County Treasurer's Investment Policy

1000. Purpose

This policy, which is brought to the Board of Supervisors to be reviewed and approved annually, at a public meeting, is intended to provide guidelines for the operation of the investment program and the prudent investment of funds of the Nevada County Treasury ("County") in order to provide participants maximum security of funds, liquidity to meet cash flow requirements and the highest investment return available without risking capital or liquidity. This policy applies to funds deposited with the Nevada County Treasurer as part of the Nevada County Treasury Pool ("Pool"). This investment policy has been prepared in conformance with all pertinent existing laws of the State of California, including Government Code Sections 53600, et seq.

2000. Scope

This investment policy applies to all financial assets, investment activities and debt issues of the County of Nevada and all monies entrusted with the Nevada County Treasurer and deposited in the Nevada County Pool by Nevada County School Districts, Fire Districts, Cemetery Districts, and Park Districts. The County's Comprehensive Annual Financial Report (CAFR) identifies the fund types incorporated in the County's Investment pool to include:

1. General Fund
2. Special Revenue Funds
3. Enterprise Funds
4. Internal Service Funds
5. Fiduciary Funds
6. Any new funds created by the Board of Supervisors

This policy does not apply to Bond Proceeds, Deferred Compensation, Retirement or Retiree Health Care Savings, Trusts or Plans.

3000. Policy Objectives

3000.1. Safety, Liquidity and Yield

Safety of capital is of main importance. Capital will be protected by investing in vehicles that are highly rated, strongly collateralized and have a high probability in maintaining the principal invested. The portfolio will be diversified by type, issuer and duration to minimize the risk borne by credit deterioration, market changes and interest rate volatility.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be anticipated. This shall be accomplished by structuring the portfolio so that maturity ranges meet normal anticipated disbursement requirements of all depositors determined by historical cash flow needs and communicated forecasts by depositors. To further protect against cash flow issues, a portion of the portfolio shall be in securities and vehicles with active secondary or resale markets or local government investment pools which offer same-day liquidity for short-term funds.

The investment portfolio shall be designed with the objective of achieving a competitive market rate of return or yield, while taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity. The core investments shall be limited to low risk securities to be held to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security that is deemed to have fallen out of compliance with current policy may be sold at the discretion of the Treasurer.
- A security swap would improve the quality, yield, or target duration of the portfolio.
- The Liquidity needs of the portfolio require security to be sold.

3000.2. Prudent Investor Standard

The County Treasurer is a fiduciary subject to the "Prudent Investor Standard". Government Code 53600.3 defines this as "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 and managing public funds, the 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". In compliance with State law, the primary objective in the investment of short term operating "idle" funds is to preserve the capital (safety) while secondly, investing in investment vehicles which are easily converted to cash (liquidity) while lastly, obtaining a reasonable competitive market rate of return (yield).

4000. Delegation of Authority

The authority to manage the County's Investment Pool is derived from Government Code Sections 41001-41007 and 53600-53900. This authority is given to the Nevada County Board of Supervisors who then has the option of delegating the responsibility of managing and operating the investment program to the County Treasurer. This delegation is granted each year through the adoption of a Resolution by the Nevada County Board of Supervisors to grant the delegation of authority to the Nevada County Treasurer.

5000. Purchase of Investments

Prior to the purchase of an investment pursuant to this policy, the persons authorized to conduct investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. The investment selected for purchase shall be that investment which, in the opinion of the purchaser, most clearly meets these objectives. Compliance with the restrictive percentages of invested funds on those types of investments as detailed in the government codes of California shall be maintained and based on the portfolio as of the date of the purchase. All security transactions shall be documented at the time the transaction is consummated using the confirmation of investment purchase document prescribed by the Treasurer.

At the time this policy is adopted, the portfolio may hold investments which were made in the past and in accordance with previous policies and existing State law, but do not meet the provisions of this policy. These past investments are considered permissible investments as they complied with policy when purchased. It is at the discretion of the Treasurer to determine whether these securities will continue to be held to maturity or sold.

6000. Daily Demand on Treasury

Idle funds will be declared to be 'active' in accordance with GC 53634, and shall be invested to the maximum extent feasible while minimizing the risk to principal.

7000. Place and Time for Conducting Business

The Treasurer or designated employee shall not initiate or conduct any investment transaction from any place other than the office of the Treasury. The investment process is to commence no earlier than 7:00 a.m. each business day and conclude no later than 5:00 p.m.

8000. Authorized Investments and Respective Legal Limitations

Specific types of investments are defined in GC 53635. Also, GC 53635.2 permits the use of GC 53601 investment instruments, therefore, both GC 53601 et seq. and GC 53635 et seq. are the governing sections pertaining to legal investment instruments. Investments will only be made in authorized securities with a maturity date of five (5) years or less from the transaction settlement date.

A complete and thorough investigation of investment pool programs such as LAIF and CAMP will be conducted prior to investing. This investigation will include a description of:

- eligible investment securities and written statement of policy
- how gains, losses and interest calculations are performed
- how safekeeping is performed
- Audit procedures
- Depositors and the deposit and withdrawal requirements

NOTE: For the purpose of these investments, the compliance with the investment percentage(s), in regards to the total investment portfolio, shall be calculated on the date the investment is acquired. If the percentage is legally compliant on the date of purchase, then compliance with the law shall have been met.

Investment	California Legal Requirements *Nevada County Treasurer's Requirements*
Government Obligations: **U.S. Treasury and Agency Obligations** (U.S. Treasury obligations are bills, notes, and bonds issued by and direct obligations of the U.S. Govt. Agency obligations are notes and bonds of Federal agencies and government sponsored enterprises, although not direct obligations of the Treasury, they involve federal sponsorship or guarantees).	Authorized by GC 53601(b), (f) 1. No limit on amount in the portfolio 2. Needs Board approval beyond 5 years (GC 53601) 3. No minimum credit requirement
California State Registered Warrants **California State Treasury Notes and Bond** (Short-term obligation of the State governmental body issued in anticipation of revenue)	Authorized by GC 53601(c)(d) 1. No limit on amount in the portfolio
Local Agency Obligations (Bonds, notes, warrants or other evidences of indebtedness of any local agency or by a department, board or authority of any local agency within the 50 Untied States).	Authorized by GC 53601(a)(c)(d) 1. Must comply with the financial requirements pertaining to temporary borrowing (TRANS, RANS, GANS) as shown in GC 53820 - 53858 2. Minimum credit requirement – Issuers must be at or above the following investment grade from one of these rating firms: Standard's & Poor's – Sp-1 or A; Fitch – F-1 or A; Moody's – MIG 1 or A
Bankers Acceptances- (Domestic only) (A draft or bill of exchange accepted by a bank or trust company and brokered to investors in a secondary market. Its' purpose is to facilitate trade and provide liquidity to the import-export markets).	Authorized by GC 53601(g) 1. Not to exceed 180 days 2. Not to exceed 40% of portfolio 3. Not to exceed 30% of portfolio if done with one commercial bank
Funds: Money Market (Shares of beneficial interest issued by management companies. Shares represent ownership of a diversified portfolio of securities, which are redeemable at their net asset value).	Authorized by GC 53601(l) 1. The pooled investments that comprise these 'funds' must comply with 53601 and 53630 inclusive. 2. Not to exceed 20% of portfolio, no more than 10% invested in any one money market fund. 3. Must have attained the highest credit ranking requirements for money market mutual funds as described in 53601(l)(3)(A).
Commercial Paper (Short-term, unsecured, promissory notes issued by firms in the open market. These notes are generally backed by a bank credit facility, guarantee/bond of indemnity, or some other support agreement).	Authorized by GC 53601(h), GC 53601.2, GC 53635(a) 1. The corporations "other" debt must be rated "A" or better 2. Only U.S. corporations, having assets of $500 million 3. Not to exceed 270 days 4. Total of ALL commercial paper in the portfolio may not exceed 40% of "Dollar Weighted" average balance 5. Not to exceed 10% of outstanding paper with one corporation

Medium-Term Notes (Corporate notes, Deposit notes and Bank Notes sold by an agent in the open market on a continually offered basis. These notes are debt obligations generally unsecured, although some issues come to market on a collateralized or securitized basis).	Authorized by GC 53601(k) ,GC 53601.2 1. Must have an "A" rating or better" Issued by: a. U.S. corporations. b. U.S. licensed depository institutions c. State licensed depository institutions 2. Not to exceed 30% of portfolio 3. Not to exceed 5% of the portfolio with one single issuer
Negotiable Certificates of Deposit (Issued by commercial banks and thrift institutions against funds deposited for specified periods of time and earn specified or variable rates of interest. NCD's differ from other CD's because of their increased liquidity as they are actively traded in the secondary market).	Authorized by GC 53601(i) , GC 53638 1. Not to exceed 30% of maximum portfolio 2. Must not exceed the shareholder's equity of any depository bank 3. Must not exceed the total net worth of any savings association or federal association 4. Must not exceed the total unimpaired capital and surplus of any credit union 5. Must not exceed the total unimpaired capital and surplus of any industrial loan company
Repurchase Agreement (These are agreements between an investor (the pool) who agrees to purchase securities and a seller (dealer/broker), who commits to repurchase these securities at a later date at the same price, plus interest).	Authorized by GC 53601(j) 1. Market value of the security must be 102% or greater, and adjusted quarterly 2. The minimal market value of 102% cannot be established by more than the next business day 3. Requires a signed Master Repurchase Agreement from the participating bank or broker/dealer. 4. Term of agreement may not exceed one year.
Reverse Repurchase Agreement (This is the reverse of a repurchase agreement, where the pool becomes the seller and the dealer or broker is the investor).	Authorized by GC 53601(j) 1. Must have legislative body approval 2. Purchases and sells may only be made with primary dealers of the Federal Reserve Bank or a nationally or state chartered bank that has a significant relationship with the county. 3. Not to exceed 92 days 4. Securities to be sold must be held by and paid for by the local agency for a minimum of 30 days 5. Total of all reverse repurchase agreements and securities does not exceed 20% of the base value of the portfolio.
Certificates of Deposit (A deposit of funds made by the County Treasurer in state or national banks, savings and loans institution, federal credit unions, or FDIC insured companies in the United States).	Authorized by GC 53635, GC53635.2, GC53635.8, GC53636, GC 53637, GC 53638, GC 53641 1. Must not exceed the shareholder's equity of any depository bank 2. Must not exceed the total net worth of any savings association or federal association 3. Must not exceed the total unimpaired capital and surplus of any credit union 4. Must not exceed the total unimpaired capital and surplus of any industrial loan company 5. Not to exceed 30% of portfolio 6. Must not exceed 5-year maximum term

Pass-Through Security (A type of security that represents repackaged pooled debt obligations that passes income from debtors to investors.)	Authorized by GC 53601(l) 1. No limit on the amount in the portfolio *Collateralized. GC 53651(a) and /or 53651(f) @ 100% FDIC is acceptable to its legal limit.* ***Mortgage Backed Pass-through securities are PROHIBITED BY COUNTY TREASURER***
Local Agency Investment Fund (LAIF) (A voluntary program created by statute in 1977 as an investment alternative for California's local governments and special districts).	Authorized by GC 16429.1(b) 1. Places cap of $65 million of Treasury Pool. 2. To be used for liquidity
California Asset Management Program ("CAMP" is a California Joint Powers Authority established in 1989, as a vehicle for public agencies to jointly exercise their common power to invest the proceeds of debt issues and Public Agency surplus funds.)	Authorized by GC 53601(p). 1. To be used for liquidity
Supranational (United States 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)	Authorized by GC 53601(q) 1. Maximum maturity of five years or less 2. Eligible for purchase and sale within the United States 3. "AA" rated or better by an NRSRO 4. Not to exceed 30% of the portfolio

8000.1. Prohibited and Restricted Categories of Investments

The following investments are either prohibited by law, or authorized by law and prohibited by the County Treasurer.

Inverse Floaters	Prohibited by GC 53601.6
Range Notes	Prohibited by GC 53601.6
Mortgage Derived, Interest-only Strips	Prohibited by GC 53601.6
Zero ("Strip") Coupons	Prohibited by GC 53601.6
Futures Market	Allowable by GC 53601.1 Prohibited by Co. Treasurer
Options Market	Allowable by GC 53601.1 Prohibited by Co. Treasurer
Priority Obligations	Allowed by GC 53601(n) Prohibited by Co. Treasurer

8000.2. Collateralization

Collateralization is limited and defined under provision of the Government Code, specifically, GC 53652(a), 53651(a) and 53651(f). These requirements are as follows:

Bank Deposits:

Under provisions of the Government Code, California financial institutions are required to secure the County's deposits by pledging government securities with a value of 110% of principal and accrued interest. State law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total deposits, this type of mortgage backed collateral as defined in GC 53652(b), specifically GC 53651(m) is not accepted per the discretion of the Treasurer.

Certificates of Deposit:

The market value of securities that underlay certificates of deposit shall be valued at 110% of the market value of principal and accrued interest. The Treasurer, at his/her discretion may waive the collateral requirement for deposits up to the maximum dollar amount which are covered by the Federal Deposit Insurance Corporation, currently $250,000.

Repurchase Agreements

The market value of securities that underlay certificates of deposit shall be valued at 102% of the market value of principal and accrued interest. The value shall be adjusted no less than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back to 102% no later than the next business day. A clearly marked evidence of ownership, safekeeping receipt, must be supplied to the County and retained. The County chooses to limit collateral to US Treasuries. Collateral will always be held by an independent third-party with whom the entity has a current written custodial agreement.

9000. Investment Strategies

9000.1 Credit & Interest Rate Risk Management

To protect the Pool from credit and interest risk, the Treasurer has adopted the following practices:

- Investments contained within the portfolio will be diversified by type, institution and maturity. These guidelines are listed under Authorized Investments.
- Limits placed on the percentage of portfolio held by single issuer in Medium Term Notes and Commercial paper not to exceed 5% and 10%, respectively.
- Investments will be matched with cash flow requirements in a laddered fashion to minimize interest rate risk.
- The County Treasurer may elect to sell a security prior to maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions.
- In instances where a security is downgraded by a rating agency to a level below the standards required by the policy or State law, the Treasurer shall review the credit situation and make a determination, based on what is best for the portfolio as to whether to sell or retain the security. Retained securities will be followed closely for further events that could pose risk to the portfolio.

9000.2 Performance Standards

The performance of the Treasury Pool portfolio shall be managed in accordance with the standards established within this Investment Policy and should obtain a market rate of return throughout budgetary and economic cycles. The basis to determine whether market yields are being achieved shall be the total return of the portfolio. The Merrill Lynch 1-5 Year U.S. Corporate & Government, A-rated-and-above Index is the benchmark that compares with the portfolio composition, structure and current investment strategy and will be the benchmark utilized by the Treasurer on a monthly basis. On average, the total return on the portfolio shall meet or exceed the return on this benchmark over a rolling three year period. In the event that the portfolio experiences a realized loss that could potentially impact the County budget, the Treasurer will notify the County Financial Officer.

10000. List of Institutions Participating in Collateralized Public Fund Investments

Institution Name	*Under Contract Since*
Bank of America	**1983**
Bank of the West (3rd Party Custodian)	**1996**
Tri-Counties Bank	**2011**
UBS	**1997**
Union Bank of California	**1999**
Local Notes	**N/A**

11000. Criteria for Selecting Brokers and Dealers

In order to eliminate risk in making investments under this Policy, all investments will be made only through qualified brokers/dealers. All Broker/dealers that wish to become qualified bidders for investment transactions with the County shall submit a "Broker/Dealer Questionnaire" and all required documents set forth in this questionnaire. Broker/Dealers will be selected based upon fulfilling the requirements and upon the recommendation of the Treasurer and will be reviewed annually. Selection of broker/dealers from among the primary dealers, major money center banks and other firms shall be based upon the following criteria:

- The reputation and financial strength of the company or financial institution and the reputation and expertise of the individuals employed which will be determined through a review of audited financial statements and FINRA reports.
- The Treasurer shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48 consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in rule G-37 of the municipal securities rulemaking board, to the local Treasurer, any member of the Board of Supervisors, any member of the governing board of a local agency having funds held in the County Treasury, or any candidate for those offices.
- No broker/dealer shall be approved unless such broker/dealer agrees to comply with the provisions of the County investment policy.
- The broker/dealers shall acknowledge receipt of the County investment policy and agree to comply with the policy in the course of conducting business with the County Treasurer.

Authorized Broker/Dealers

Broker/Dealer	*Selected*
BNP Paribas	2013
First Empire Securities	2013
Higgins Capital	2012
Multi-bank Securities	2015
Mutual Securities	2012
UBS Financial Services, Inc.	1997
Union Banc Investment Services, LLC	1999
Wedbush Morgan Securities	2011
Wells Fargo Securities	2014

12000. Safekeeping, Internal Controls and Oversight

12000.1. Safekeeping

Please note that GC section 53651 pertains to the safekeeping of public funds by an agent or a depository. All securities, with the exception of collateralized certificates of deposit, which will be held by Treasurer-Tax Collector, will be held in safekeeping by a third party under contract with the County. All investment transactions of the County will be conducted using standard delivery vs. payment (DVP) procedures. It is the safekeeping provider's responsibility to settle all trades in accordance with instructions received from the County, to credit the County with all interest payments when due, to credit the County with all maturities when due, to notify the County of call notices received and credit the County on redemption date, and to report all activity to the County. The Treasurer will require depositories to provide evidence that they are taking reasonable measures to prevent unauthorized access to the depository's electronic data files.

12000.2. Internal Controls

The Treasurer shall establish a system of internal controls, in writing, to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from fraud, employee error, and misrepresentation by third parties, and unanticipated changes in financial markets. Such procedures shall include explicit delegation of authority to persons responsible for the investment transaction. No person may engage in an

investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer.

Internal controls should include but are not limited to:

1. Segregation of duties (e.g., the purchaser of investments is different than the person recording the transaction)
2. Reconciliation of investment report and cash balances with Auditor-Controller
3. Dual authorization of transactions

Internal controls are maintained in order to prevent:

1. Fraud
2. Theft
3. Loss of principal
4. Loss of control over funds
5. Inaccurate reporting
6. Negligence
7. Over-reliance on a single employee for investment decisions

An external auditor will review the investment program annually in order to provide reasonable assurance that policy and procedures are complied with.

12000.3. Treasury Oversight Committee

Government Code Section 27131 states that the Board of Supervisors in each County may, if the County is investing surplus funds, establish a County Treasury Oversight Committee. Nevada County operated with a Treasury Oversight Committee until it was dissolved by the Board of Supervisors by resolution #08-15 on January 9, 2008. Oversight is provided by monthly public reports to the Board of Supervisors, Auditor-Controller and the County Executive Officer and by thorough audits by the County Auditor-Controller and external audit firms.

13000. Reporting Requirements

13000.1 Investment Documentation: Maturity Limitation

All investments must be documented by sending a letter of confirmation to the County Auditor-Controller. The Treasury office will retain a copy of the letter of confirmation for audit purposes. No investment shall exceed 5 years in maturity unless pre-approved by the Board of Supervisors no less than three months prior to the investment.

The letter of confirmation shall detail the following:

- Institution's name
- Name of contact person
- Date of investment
- Amount of investment
- Treasurer's investment number
- Type of investment
- Annual rate of interest
- Daily cash rate
- Date investment matures

For banker's acceptances, commercial paper and negotiable certificates of deposit *ONLY*

- Including this purchase, show the relative percentage of the portfolio for the category of investment.

All confirmations are to be reviewed for conformity with the original transaction by the Treasurer, safe keeper and Auditor-Controller. Any discrepancies must be resolved immediately by the person performing the investment. In the event of a short payment on interest, the institution shall be notified and the difference shall be subject to interest at the same rate as the original investment until it is received.

13000.2 Reporting

The Treasurer will review the portfolio on a weekly basis to assure compliance with the policy and will provide a monthly report to the Board of Supervisors which will include the following information by security held at the end of the reporting period:

1. Investment Type
2. Issuer
3. Maturity Date
4. Par Value
5. Market Value
6. Book Value
7. Yield to Maturity
8. Stated Rate
8. Source of Market Valuation
9. Monies maintained within the treasury on monthly, daily and yearly basis

Quarterly, the Treasurer will submit a report to the Board of Supervisors with the same investment information provided on a monthly basis with the addition of the following data:

1. A description of the compliance with the statement of investment policy, or manner in which the portfolio is not in compliance.

2. A statement denoting the ability of the County to meet cash flow requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

3. Quarterly interest apportionment calculations to include:

    - Interest earned
    - Cost of doing business for Auditor-Controller and Treasurer
    - Net Apportioned interest
    - Reciprocal for Apportionment
    - Interest Rate for Apportionment

14000. Deposits into the Treasury from Non-Required Districts/Agencies

Although GC 53684 allows the Treasurer to accept funds from other counties, other districts or agencies within other counties, which are not legally required to deposit their funds into the Treasury, otherwise called voluntary depositors. "Voluntary" agency depositing is discouraged due to the potential volatility of depositing and withdrawing which may occur, potentially upsetting the Treasury "pool". To protect those agencies that are required or allowed to deposit funds, the Treasurer will not accept "voluntary depositor's funds".

15000. Withdrawal Policy

The cash management plan provides for adequate liquidity to cover day to day needs of pool depositors. On occasion, departments have need of withdrawals that exceed those normally associated with operations. The Treasurer's office has determined that individual amounts equal to or exceeding $500,000.00 place an unusual burden on the cash management plan, and therefore require special notice to this office to allow for adjustments to the liquidity position of the portfolio. The notification required is as follows:

Withdrawals of	***$500,000 to $999,999 --***	***7 days***
Withdrawals of	***$1,000,000 to 1,999,999 --***	***14 days***
Withdrawals	***$2,000,000 and above --***	***30 days***

The Large Warrant Release form can be found on the Treasurer's website http://www.mynevadacounty.com/nc/ttc/.

There will be a window-of-opportunity of seven days to release funds. If disbursement is not made within the window then the request for funds process will need to be restarted. Failure to adhere to these requirements may cause the Treasurer's office to refuse to honor the payment (warrant). If the Treasurer has to liquidate investments in order to honor the release of funds, the office or department responsible for that release of funds will also be responsible for reimbursing the Treasurer's pool all expenses associated with the liquidation, including, but not limited to lost interest income, withdrawal penalties, and associated fees.

Pursuant to government code section 27136, any local agency, public agency, public entity, or public official that has funds on deposit in the County Treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the County Treasury pool is required to first submit a request for the withdrawal to the County Treasurer before withdrawing funds from the County Treasury pool. Prior to approving such a request, the County Treasurer will find that the withdrawal will not adversely affect other depositors in the County Treasury pool.

Disclaimer of Liability: Any and all funds withdrawn from the County Treasury investment pool for the purpose of investing or depositing such funds outside the pool shall become the responsibility of the legislative body requesting the action. The Nevada County Treasurer shall in no manner be held responsible or liable for withdrawn funds or investments purchased with said funds. The request of any legislative body, by resolution, authorizing the withdrawal of funds for deposit or investment outside the County Treasury pool must provide a disclaimer of liability. The County Treasurer shall not honor any such withdrawal request if a disclaimer clause is not provided.

16000. Investment Earnings and Expenses

Prior to quarterly interest distribution, investment costs incurred by the Treasurer will be deducted from the interest earnings of the pool on an equitable distribution formula. The costs which are authorized by Government Code section 27013, are made up of direct costs (salaries, banking and investment services, computer services, and supplies), and indirect costs (office overhead and external overhead).

The total earnings apportionment is derived from the total interest received less total charges for Treasury Administration, divided by the average daily balance of the total Treasury pool, This calculation results in a reciprocal factor which equates to the rate that is applied to each pool participants average daily cash balance expressed as a percentage of the total pools average daily cash balance. The County Auditor-Controller conducts the apportionment process based on the net earnings of the pool each quarter.

The apportionment rate is applied to the quarter end balances in each fund and all earnings are received by a credit to the pool participants' fund balance.

17000. Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment process or that impairs their ability to make impartial investment decisions. The Treasurer and Assistant Treasurer & Tax Collector, or designated employees, shall abide by the regulations of the Fair Political Practices Commission and shall disclose his/her investments, interests in real properties, and any income received during the immediately preceding 12 months. Such disclosure shall be in writing, and shall be filed with the officer designated by law within the time periods specified by law.

17000.1. Limits on Honoraria, Gifts and Gratuities.

The Treasurer & Tax Collector, Assistant Treasurer & Tax Collector and designated Treasurer & Tax Collector employees SHALL be governed by the provision of the State Political Reform Act, and Nevada County Ordinance 2355 relating to the limitations and reporting of Honoraria, Gifts and Gratuities.

17000.2. Reimbursement for Attendance of Seminars and Speakers Meetings

Reimbursement for mileage and other expenses incurred for attending seminars and speaker's meetings requires prior approval from the Treasurer or the Assistant Treasurer. Claims for such expenses must be presented monthly.

Glossary of Terms

Bankers' Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker: A person who acts as an intermediary between a buyer and seller, usually charging a commission.

Corporate Notes- Medium Term Notes: Debt instrument issued by a private corporation, as distinct from one issued by a government agency or a municipality.

Certificate of Deposit (CD): Debt instrument issued by a bank that usually pays interest. Maturities range from a few days to a few years. Large denomination CD's are often negotiable.

Commercial Paper: Short term obligations with maturities ranging from 2 to 270 days that are issued by banks, corporations and other borrowers to investors with temporarily idle cash.

Collateralization: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also securities pledged by a bank to secure public money deposits.

Coupon: The annual rate of interest on a debt security that a bond issuer promises to pay the bondholder on the bond's face (or par) value.

Dealer: A person or firm acting as a principal in a securities transaction, buying and selling for his own account.

Derivatives: Financial instruments whose value is based on the performance of another security. These instruments often include a leveraging factor. They gained notoriety in the late 80's and in the 90's when municipalities, corporations and leading banks were adversely affected. Types of derivatives include: inverse floaters, range notes, interest only strips, and zero "strip" coupons. These types of investments are prohibited by Government Code section 53601.6 as a public fund investment.

Discount: The manner of selling securities such as treasury bills, agencies notes, which are issued at less than face value and are redeemed at face value.

Federal Agency Securities: Securities issued by agencies of the Federal Government such as Federal Farm Credit Bank (FFCB) and the Tennessee Valley Authority (TVA), Federal National Mortgage Association (FNMA) that are not general obligations of the U.S. treasury but are sponsored by the government and therefore have high safety ratings.

FDIC: Federal Deposit Insurance Corporation is a U.S Government corporation operating as an independent agency created by the Banking Act of 1933. It provides deposit insurance guaranteeing the safety of a depositor's accounts in member banks up to $250,000 for each deposit ownership category in each insured bank.

Futures Contract: Agreement to buy or sell a specific amount of a commodity, a currency, or a financial instrument at a particular price on a stipulated future date. The price is established between the buyer and the seller on the floor of a commodity exchange. .

Liquidity: The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.

Local Agency Investment Fund (LAIF): The California pool of local agency assets, which is managed by the State Treasurer. Limits apply to each agency's deposit of general fund reserves; however no limits on amount of deposit apply to bond proceeds. Funds in this pool are considered very liquid.

Market Value: Current market price of a security- as indicated by the latest trade recorded.

Mark to the Market: The adjustment of the valuation of a security or portfolio to reflect current market values.

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

Money Market: The market in which short term debt instruments (bills, commercial paper, bankers acceptances) are issued and traded.

Mortgage Pass-Through Obligations: a government guaranteed security that represents pooled debt obligations repackaged as shares, that passes income from homeowners principal and interest payments through a government agency or bank to investors.

Negotiable Certificates of Deposit: A large denomination time deposit with a specific maturity evidenced by a certificate. These are traded like other fixed income securities.

NRSRO: A Nationally Recognized Statistical Rating Organization is a credit rating agency that issues credit ratings that the U.S Securities Exchange Commission permits other financial firms to use for certain regulatory purposes.

Option: A securities transaction agreement that is tied to stocks, commodities, currencies or stock indexes.

Portfolio: A collection of securities held by an investor.

Premium: The amount by which a bond sells above its face (par) value.

Repurchase Agreements: Agreement between a seller and a buyer, usually of government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and at a stated time. The security buyer in effect lends cash money to the security seller for the period of the agreement and the terms of the agreement are structured to compensate the security buyer for this transaction. Similarly, ***reverse repurchase agreements*** are an agreement where a dealer agrees to buy the securities and the investor agrees to buy them back on a specific date.

Safekeeping: A service rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market: Exchanges and over-the-counter markets where securities are bought and sold subsequent to original issuance, which took place in the primary market. Proceeds of secondary market sales accrue to the selling dealers and investors, not to the companies that originally issued the securities.

Securities and Exchange Commission (SEC): The Federal Agency created by Congress to protect investors in security transactions by administering securities legislation.

Settlement Date: The date by which an executed order must be settled, either by a buyer paying for the securities with cash or by a seller delivering the securities and receiving the proceeds of the sale for them.

Supranational Investments: Includes international financial institutions such as the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC) and the Inter-American Development Bank (IDB) that offer financial services to encourage development in developing countries.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance national debt. Most bills are issued to mature in three (3), six (6), or twelve (12) months.

Treasury Bonds: Medium-term interest bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two (2) to ten (10) years.

Yield: The rate of return on an investment expressed as a percentage that takes into account the total of annual interest payments, the purchase price, the redemption value and the amount of time remaining until maturity.