Benton County

Investment Policy

Benton County Finance Committee

Adopted May 24, 2010
# Benton County

## Investment Policy

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Benton County
Investment Policy

I. Policy

It is the policy of the Benton County Treasurer (Treasurer) to invest public funds in accordance with all federal, state, and local governing statutes. The Treasurer will invest public funds in a manner that preserves capital and ensures the protection of investment principal, allows adequate liquidity, and achieves the highest investment return consistent with the primary objectives of safety and liquidity.

II. Scope

This investment policy applies to all financial assets held or controlled by the Treasurer other than trust fund assets held by third parties. These assets are accounted for in Benton County's Comprehensive Annual Financial Report (CAFR) and include, but are not limited to, General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Internal Service Funds, and Agency Funds. In addition, the Treasurer provides investment services for all County Governmental Agencies, except Cities, including School Districts, Fire Districts, Port Districts, Water Districts, Irrigation Districts, and other municipal corporations by inter-local agreement, hereafter referred to as Entities. This policy shall apply to any new fund created, unless specifically exempted.

III. Prudence

In lieu of investing monies received from unanticipated revenue sources, other opportunities may be used to accelerate debt repayment at the discretion of the Board of Benton County Commissioners. Fees and other associated costs with early debt repayment will be analyzed before any action is taken. These monies shall be a one-time and/or windfall revenue expectations that are not anticipated as steady revenues for Benton County (County).

Investments shall be made with judgment and care, considering the probable safety of capital as well as the probable income to be derived in the Revised Code of Washington (RCW) 36.29.020.

IV. Objective

The primary objectives, in priority order, of investment activities shall be:
1. Safety

Safety of principal is the foremost objective of the investment program. Every investment shall be undertaken in a prudent manner, which seeks to ensure the preservation of capital in the overall portfolio (RCW 36.29.020). This objective seeks assurance that capital losses are minimized, whether from securities default, broker/dealer default, or erosion of market value. The County shall seek to preserve principal by mitigating the two types of risk, “credit risk” and “market risk”, in attaining this objective.

Credit Risk - Credit Risk will be mitigated by:

- Limiting investments to the safest types of securities;
- Pre-qualifying the financial institutions, brokers/dealers and intermediaries with which the County will do business, and
- Diversifying the investment portfolio so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Market Risk - Market Risk will be minimized by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- Investing operating funds primarily in short-term securities.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to enable the County and Entities to meet all operating requirements, which might be reasonably anticipated.
3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

The investment portfolio shall also take into account investment constraints and liquidity needs. Return on investment is secondary to the safety and liquidity objectives described above.

V. Delegation of Authority

Authority to manage the Benton County Investment Program is derived from RCW 36.29.020, which delegates, in part, as follows:

- The Treasurer may invest funds in qualifying investments when authorized by the governing bodies of the relevant municipal corporations or by the Benton County Finance Committee, and

- Authorizes the Treasurer to invest any remaining funds in accordance with this Investment Policy.

The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and procedures to regulate the activities of all staff in investment matters to ensure compliance with this policy. The Treasurer shall recommend policy changes, as appropriate, to the Finance Committee and shall be responsible for implementing such policy and subsequent policy changes in a timely, prudent, and effective manner. No person may engage in an investment transaction, except as provided under the terms of this policy and the procedures established by the Treasurer.

The Treasurer hereby delegates to the Investment Officer the responsibility for recommending any changes, deletions, additions to policy direction, enhancement of this policy, and internal control mechanisms or modifications of procedures. This individual’s responsibilities will also include performing analytical assumptions for developing investment strategies consistent with economic, market, and liquidity factors to assist in guiding the investment activities, managing the portfolio, and ensuring that necessary tasks are performed to account for and safeguard all investments.

VI. Ethics and Conflicts of Interest

The Treasurer and Treasurer’s Deputies involved in the investment process shall refrain from personal business activity that could conflict with the proper
execution of the investment program, or which could impair their ability to make impartial investment decisions.

Treasurer’s Deputies shall disclose to the Treasurer any material financial interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. The Treasurer and Treasurer’s Deputies shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

The Finance Committee shall disclose annually to the Public Disclosure Committee any financial interests in institutions which funds were invested (RCW 42.17.245).

VII. Authorized Financial Dealers and Institutions

Investment transactions will be conducted with those brokers/dealers recognized by the Federal Reserve, or registered with Financial Industry Regulatory Authority, Inc. (FINRA), and those financial institutions that are qualified by the Washington Public Deposit Commission (RCW 36.29.020). The Treasurer shall maintain a list of financial institutions authorized to provide investment services.

All financial institutions and brokers/dealers who desire to become qualified bidders for investment transactions must supply the following, as appropriate, determined by the Treasurer:

- Audited financial statements.
- Proof of FINRA certification.
- Proof of registration with the State of Washington.
- Brokers/Dealers certification of having read the County’s Investment Policy.
- Letter of Qualifications.

Audited financial statements will be kept on file for each broker/dealer with which the County invests.

VIII. Authorized and Suitable Investments

RCW 36.29.020 provides authorization for the Treasurer to purchase various types of security instruments for the County and Entities.

1. U.S. Treasury Obligations.

2. Washington State Local Government Investment Pool (LGIP) which can be invested up to 100% when necessary due to market environments.
3. U.S. Government Agency Obligations and U.S. Government Instrument Obligations which may include, but are not limited to the following:

- Federal Farm Credit Banks – FFCB.
- Federal Home Loan Banks – FHLB.
- Federal Home Loan Mortgage Corporations – FHLMC.
- Federal National Mortgage Association – FNMA.
- Student Loan Marketing Corporation.
- Tennessee Valley Authority.
- Agency for International Development.

4. Purchases of Bills of Exchange or time drafts drawn on and accepted by a Commercial Bank, otherwise known as Domestic Banker’s Acceptances, may not exceed 360 days to maturity.

An “A1/P1” or equivalent short-term rating is required on all Banker’s Acceptances by at least two rating agencies, regardless of maturity.

5. Non-Negotiable Certificates of Deposits (CD’s) can be purchased with qualified public depositories within statutory limits as promulgated by the Public Deposit Protection Commission within the State of Washington.

6. Repurchase Agreements with primary dealers who have at the time of investment, one of the two highest credit ratings of a nationally recognized rating agency. The third-party custodian must also maintain one of the two highest credit ratings of a nationally recognized rating agency. The County must enter into a Bond Market Association (BMA) Master Repurchase Agreement and third party Custodial Contract that specifies terms and conditions of the Repurchase Agreement including:

- The maturity of repurchase agreements shall not exceed 60 days;

- The market value of collateral pledged must be maintained at 102% of the value of the repurchase agreement plus accrued interest;

- The only eligible collateral for repurchase agreements will be direct obligations of the U.S. Treasury and/or U.S. Government Agency obligations and/or U.S. Government Instruments obligations, and

- The market value of the securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer’s Staff and by a third-party custodian. If any deficiencies are discovered, they shall be corrected within two days.
7. Registered Warrants – The Treasurer may invest in registered warrants issued by the County or Entities within the County. These registered warrants may only be purchased with County funds and only when a district needs a short-term loan (RCW 39.59.020).

8. In lieu of Registered Warrants, the Treasurer is authorized to make an investment that constitutes short-term loans to entities with a negative fund position. These loans will have an interest rate determined by the Treasurer using the County’s current interest earning rate of the State Pool or the rate of the earliest maturing investment sufficient to cover the registered warrant amount, whichever rate is highest. Also, the County will recoup any additional cost incurred (i.e. bank fees). The interest rates charged must be authorized by the entity.

9. The Treasurer may invest in bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency, or other notes or bonds issued by other states as defined in RCW 36.59.020.

10. Other investments as authorized by law.

Commercial Paper is not an authorized or suitable investment for the County.

An investment fee will be charged by the Treasurer to all Participants on a per transaction basis per RCW 36.29.020.

IX. Competitive Bidding Process

It will be the policy of the County to transact all security purchases/sales only through a formal and competitive process requiring solicitation of at least three bids and evaluation of offers. The County will accept the offer which 1) provides the highest rate of return within the maturity required and/or 2) optimizes the investment objectives of the overall portfolio. When selling a security, the County will select the qualified bid which generates the highest sale price.

It will be the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction. The records shall include the name of the financial institution solicited, the rate quoted, a description of the security, the investment selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be documented.

It is the intent of the Treasurer to utilize the Government Finance Officers Association (GFOA) Yield Advantage Bidding Program to ensure that the County is receiving the highest possible rate at any given time on CD’s. The use of the
Yield Advantage Bidding Program allows the Treasurer the ability to encompass more financial institutions for the bidding process, thus increasing the opportunity to secure the highest interest rate available.

X. Investment Pools

Pursuant to Benton County Resolution Number 09-222, 09-332 and RCW 36.29.022, the County Investment Pool (Pool) is an investment option available to all entities who invest, by law, through the Treasurer and those public entities who sign Investment Services Agreements with the Treasurer. To participate in the Pool, a Participant must enact an ordinance or adopt a resolution, and sign the Investment Services Agreement. Prior to investing any funds in the Pool, the Investment Services Agreement must be completed and submitted to the Treasurer.

Participants, where the Treasurer serves as Treasurer or ex-officio Treasurer, will have funds invested in the Pool on a next-day basis upon deposit by the Participant to the Treasurer’s checking account.

Other Participants, for whom the Treasurer does not serve as Treasurer or ex-officio Treasurer, may either send funds via ACH or wire transfer of funds to the Treasurer for investment.

Fees charged for investment activities related to the Investment Pool will be deposited into the Investment Pool (Fund Number 0109-101).

XI. Bond Proceeds

The County shall comply with all applicable sections of the Internal Revenue Code of 1986 Arbitrage Rebate Regulations and bond covenants with regard to investment of bond proceeds.

XII. Collateralization

Certain public fund investments of the County’s Investment Portfolio shall be collateralized. In order to anticipate market changes and provide a level of security for these funds, the collateralization level on repurchase agreements will be 102% of market value of the principal plus accrued interest. Collateral shall be held in the safekeeping or trust department of a bank acting as a third party custodian.

All investments requiring collateralization must either 1) be guaranteed by the Public Deposit Protection Commission of the State of Washington, or 2) have pledged collateral.
XIII. Safekeeping and Custody

All investment transactions shall be conducted on a delivery versus payment basis, which ensures that securities are deposited with the third party custodian. Securities will be held in a custodial account by a third party custodian designated by the Finance Committee and evidenced by safekeeping receipts. Non-negotiable CD’s and investments in the LGIP are not handled on delivery versus payment basis and are exempt from this process. Some investments are monitored and settled through the Federal Reserve System in a book entry format, thus they are not specifically delivered. These book entry transactions are also monitored by safekeeping with corresponding safekeeping receipts.

XIV. Diversification

The purpose of diversification is to reduce the overall risk within the portfolio while attaining market average rates of return. Diversification is required to guard against over concentration of funds in a specific maturity or credit sector, as well as restrain the reliance on specific instruments and issuers.

The Treasurer is committed to ensuring that “safety of principal” is maintained as the foremost objective of the investment program. This commitment demands that preservation of principal mitigate two critical risks - credit and market.

The Treasurer will also diversify the investment portfolio so that the failure of any one issuer would not unduly harm the County's cash flow.

XV. Maximum Maturities

Investments should be placed to meet the cash requirements of each fund or the “pooled” portfolio for which they are invested. Maturity of securities purchased should not exceed 5.5 years at the time of purchase, except when compatible with a specific fund’s investment needs or portfolio needs, and then only with the approval of the Treasurer or Chief Deputy Treasurer. The benchmark for the average maturity of the County's portfolio is established at an effective duration of eighteen to twenty-four months. Market value fluctuations occur as changes in the general level of interest rates occur based on economic, social, and political trends of the times. It is recognized in this policy that in a diversified portfolio, occasional measured losses can occur and must be considered by the County in its overall investment return.

XVI. Internal Controls

Internal Control is a management tool to ensure that a system of checks and balances exist for periodic review and compliance with existing policies and procedures.
The Treasurer shall establish and monitor a set of written internal controls designed to protect the County and Entities. Internal control procedures will include but not be limited to:

- The use of third party custody safekeeping;
- Details of delivery versus payment procedures;
- The clear delegation of investment authority;
- The separation of transaction authority from record keeping;
- The use of objective criteria in selecting financial institutions and dealers authorized to provide investments services to the County, and
- The use of objective criteria in awarding investment sales and purchases.

XVII. Roles and Responsibilities

The management of investing public funds requires the involvement of multiple parties of the County who are responsible for applying and promoting prudent fiscal practices. The following model serves as a quick reference key to the associated responsibilities that are necessary from various departments in the County.

Note: Color-Specific Quadrants Correspond to Applicable Bullets Listed Below

Commissioners/Treasurer – The Board of Benton County Commissioners/Treasurer shall:
Communicate and provide anticipated cash flow needs of the County, including acceleration of debt payments, to facilitate funds available for investment.

Establish the revenue budget for investment interest earnings.

County Treasurer — The County Treasurer shall:

- Invest public funds in accordance with all federal, state, and local governing statutes.
- Comply with IRC of 1986 Arbitrage Rebate Regulations and bond convenants with regard to investment of bond proceeds.
- Establish and monitor a system of internal controls and procedures to regulate activities of all staff in investment matters and ensure compliance with existing policies and procedures.
- Implement approved investment policy and subsequent policy changes.
- Ensure proper accounting and reporting of investment transactions.
- Present quarterly investment reports to the Finance Committee.
- Prepare Schedules for the County’s CAFR.
- Be subject to an independent annual review by the Washington State Auditor.
- Review and recommend policy changes as necessary.

County Auditor — The County Auditor shall:

- Maintain the minutes of the Finance Committee meetings.
- Disclose Schedules for the County’s CAFR in accordance with Governmental Accounting Standards Board (GASB) requirements.

Finance Committee — The Finance Committee shall:

- Approve the Investment Policy (RCW 36.48.070).
- Designate third-party custodian for safekeeping custody account.
- Annually disclose to the Public Disclosure Committee (PDC) any financial interests in institutions in which funds were invested (RCW 42.17.245).

- Conduct quarterly meetings to discuss investment actions, activity, compliance, trends, issues, and proposed solutions.

- Review/revise this policy at least annually. The Finance Committee will formally approve any changes to this policy.

XVIII. External Controls

The Treasurer is subject to an annual independent review of its internal controls by the Washington State Auditor.

The market value of the portfolio will be calculated quarterly by the custodian and/or authorized financial institutions.

XIX. Performance Standards

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

The County’s investment strategy is expected to respond to market conditions and financial forecasting.

For purposes of evaluating the County’s investment performance, a benchmark comparison with the Washington State Pool has been established.

XX. Reporting

The Treasurer shall require that the staff of the Treasurer’s Office involved in the direct investing of public funds create and deliver a written report to the Treasurer on a monthly basis. The report shall document all actions of the investment portfolio. This report will show any trends, changes, or forecasts regarding activity of the portfolio.

The Treasurer will receive a written report on a quarterly basis reflecting the complete portfolio listings and the market value of each holding showing unrealized gains and losses.

Quarterly, a fully documented report indicating all actions and activity shall be provided to the Finance Committee. The report shall document compliance with all aspects of the investment policy and shall describe any trends, issues, and proposed solutions. In addition, the quarterly report will disclose the following:
- Complete portfolio listings as of end of quarter;
- The market value of each portfolio holding compared to book value;
- Interest earnings;
- A summary of portfolio by issuer;
- Economic analysis;
- Distribution of the portfolio by maturity sectors, and
- Performance report on a total return basis and compared to the benchmark.

Minutes of all quarterly meetings will be maintained for historical auditing purposes by the Auditor’s Office.

XXI. Finance Committee Membership and Purpose

Pursuant to state statute, the Finance Committee consists of the Treasurer as Chair, the Auditor as Secretary, and the Chair of the Board of County Commissioners. The Finance Committee shall approve the investment policy and shall make all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060. The Finance Committee meetings will be open to the public. Members of the Finance Committee shall adhere to RCW 42.17.245 by disclosing the required information annually to the Public Disclosure Committee.
XXII. Investment Policy Adoption

Approved and adopted this 24th day of May 2010, by the Benton County Finance Committee.

[Signature]
Duane Davidson, CPA
Benton County Treasurer
Chairman, Benton County Finance Committee

[Signature]
Brenda Chilton
Benton County Auditor
Secretary, Benton County Finance Committee

[Signature]
James Beaver
Benton County Commissioner
Member, Benton County Finance Committee
XXIII. GLOSSARY

Agency
A debt security issued by a general or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally Sponsored Agencies (FSA’s) are backed by each particular agency with a market security.

Agency Funds
A Fund used to account for assets held by a government as an agent for individuals, private organizations, other governments, and/or other funds; for example, taxes collected and held by a county for a fire district. The funds may be used for suspense, clearing or custodial purposes.

Arbitrage
The practice of taking advantage of a small price discrepancy in different markets by buying and selling securities simultaneously.

Bankers Acceptance (BA’s)
Bankers Acceptances generally are created based on a letter of credit issued in a foreign trade transaction. They are used to finance the shipment of commodities between countries as well as the shipment of some specific goods within the United States. BA’s are short-term, non-interest bearing notes sold at a discount and redeemed by the accepting bank at maturity for full face value.

Bond
A debt instrument issued by an entity for the purpose of raising capital.

Bond Market Association (BMA)
A trade organization of dealers, brokers, and bankers who underwrite and trade securities offerings. In 2006 this organization was renamed as the Bond Market Association, and later that year it merged with the Securities Industry Association to form the Securities Industry and Financial Markets Association.

Broker
An agent who handles the public’s orders to buy and sell stocks, commodities or other property. Full service brokers are those that provide a wide range of investment services, research, and advice.

Capital Gain
Capital gains are increases in the value of an investment or assets. There are two types of capital gains, realized and unrealized. A realized capital gain is an investment that has been bought and sold at a profit. An unrealized capital gain is an investment that has been bought, risen in value on paper, but has not been sold.

Capital Project Funds
Fund type used to account for financial resources to be used for acquisition or construction of major capital facilities (other than financed by proprietary funds and trust funds).

Cash Flow
The difference between income and expenses.

Certificate of Deposit (CD)
Usually offered by banks, CD’s are short-term debt securities with maturity from a few weeks to several years. CD interest rates are generally considered conservative and the investment is considered low-risk. Market demand and competition establish interest rates.

Collateral
Anything of value (assets) pledged by a borrower to secure a loan from a lender.

Commercial Paper
Notes with Maturities ranging from 2 to 270 days issued by corporations and other borrowers to short-term investors.

Competitive Bid Process
A process by which three or more institutions are contacted via telephone or email to obtain interest rates for specific securities.
Comprehensive Annual Financial Report (CAFR)

The official annual report for a County. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

Credit Risk

The loss due to failure of the issue of a security.

Custodian

An organization or individual that holds in safekeeping the securities and other assets of an investor or investment company.

Dealer

A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Debti Service Funds

A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Formerly called a sinking fund.

Delivery vs. Payment (DVP)

There are two methods of delivery of securities: Delivery vs. Payment and Delivery vs. Receipt (also called free). Delivery vs. Payment is delivery of securities with an exchange of money for the securities. Delivery vs. Receipt is delivery of securities with an exchange of a signed receipt for the securities.

Diversification

The practice of spreading investment dollars over a variety of different investment types, issuers, or maturities to reduce the amount of risk in an investment portfolio.

Fannie Mae (FNMA)

Fannie Mae stands for Federal National Mortgage Association. This is a corporation that purchases mortgage backed securities and offers a variety of investments to the public, including its own stock, mortgage backed securities, debentures, and notes.

Federal Farm Credit Banks (FFCB)

The Farm Credit System is a federally chartered network of cooperatives and related service organizations that lends to agricultural producers, rural homeowners, farm-related businesses, and agricultural, aquatic, and public utility cooperatives in the United States. Federal oversight by the Farm Credit Administration is designed to provide for the safety and soundness of FCS institutions.

Federal Funds Rate

The rate of interest at which Fed Funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Home Loan Banks (FHLB)

The institutions that regulate and lead to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

Federal Home Loan Mortgage Corporation (FHLMC)

The FHLMC is a stockholder-owned corporation established by Congress in 1970 to provide a continuous flow of funds to mortgage lenders.

Financial Industry Regulatory Authority, Inc. (FINRA)

In the United States, the Financial Industry Regulatory Authority, Inc., or FINRA, is a private corporation that acts as a self-regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD). Though sometimes mistaken for a government agency, it is a private corporation that performs market regulation under contract with brokerage firms and trading markets. In 2007, the NASD merged with the New York Stock Exchange's regulation committee to form the Financial Industry Regulatory Authority, or FINRA.

The NASD was a self-regulatory organization of the securities industry responsible for the operation and regulation of the NASDAQ stock market and over-the-counter markets.
<table>
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<th>Term</th>
<th>Definition</th>
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<tr>
<td>Generally Accepted Accounting Principles</td>
<td>Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board.</td>
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<td>General Fund</td>
<td>The Fund used to account for all financial resources except those required to be accounted for in another fund.</td>
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<td>Governmental Accounting Standards Board</td>
<td>The authoritative accounting and financial reporting standard-setting body for government entities.</td>
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<td>Government Finance Officers Association</td>
<td>The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership. <a href="http://www.gfoa.org/">http://www.gfoa.org/</a></td>
</tr>
<tr>
<td>Interest Rate Risk</td>
<td>The risk of reinvesting returned principal at a lower interest rate. This risk is relevant to investments in fixed obligations such as bonds.</td>
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<td>Internal Service Funds</td>
<td>A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.</td>
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<tr>
<td>Liquidity</td>
<td>The ability to convert an investment back into cash. Active trading and trading by a large number of buyers and sellers make a security relatively liquid.</td>
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<tr>
<td>Local Government Investment Pool</td>
<td>The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.</td>
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<tr>
<td>Market Value</td>
<td>The value at which a security can be bought or sold at a given time.</td>
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<td>Market Risk</td>
<td>The risk that investments will lose money based on the daily fluctuations of the market.</td>
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<td>Maturity</td>
<td>The time when a security becomes due and at which time the principal and interest or final coupon payment is paid to the investor.</td>
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<td>Par Value</td>
<td>The face or stated value of a bond or stock.</td>
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<tr>
<td>Portfolio</td>
<td>Collection of securities held by an investor.</td>
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<td>Premium</td>
<td>The amount by which a bond sells above its par value.</td>
</tr>
<tr>
<td>Primary Dealers</td>
<td>A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statement to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC), registered securities brokers-dealers, banks, and a few unregulated firms.</td>
</tr>
</tbody>
</table>
Public Deposit Protection Commission (PDPC) The PDPC consists of the State Treasurer, as Chairman, the Governor, and the Lieutenant Governor. The Commission is empowered to request a qualified public depository to furnish information on its public deposits and the exact status of its net worth. The Commission is further empowered to take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from loss.

Qualified Public Depository A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which is segregated, for the benefit of the commission, eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Rating A grade assigned to a security or company (usually a bond) that is meant to indicate the issuer’s ability to make interest and principal payments.

Rating Agencies A company that rates the debt and preferred stock of issuers as to their likelihood of making timely interest and principal payments.

Revised Code of Washington (RCW) The Revised Code of Washington (RCW) is the compilation of all permanent laws now in force. It is a collection of Session Laws (enacted by the Legislature, and signed by the Governor, or enacted via the initiative process), arranged by topic, with amendments added and repealed laws removed. It does not include temporary laws such as appropriations acts. The official version of the RCW is published by the Statute Law Committee and the Code Reviser. http://apps.leg.wa.gov/rcw

Risk The possibility of losing or not gaining value in investments. There are many kinds of risk, including Credit Risk, Economic Risk, Financial Risk, Inflation Risk and Market Risk.

Sallie Mae Investment pools of student loans for investors backed by the Student Loan Marketing Association, a government agency.

Securities Often used synonymously with the word stock, securities are investment instruments issued by corporations or government bodies or other entities that offer investors shares of ownership or a creditor relationship.

Special Revenue Funds A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Treasury Obligations Government backed securities with maturities of one to seven years, with interest paid every six months.
RCW 36.29.020 Custodian of moneys — Investment of funds not required for immediate expenditures — Service fee.

The county treasurer shall keep all moneys belonging to the state, or to any county, in his or her own possession until disbursed according to law. The county treasurer shall not place the same in the possession of any person to be used for any purpose, nor shall he or she loan or in any manner use or permit any person to use the same, but it shall be lawful for a county treasurer to deposit any such moneys in any regularly designated qualified public depositary. Any municipal corporation may by action of its governing body authorize any of its funds which are not required for immediate expenditure, and which are in the custody of the county treasurer or other municipal corporation treasurer, to be invested by such treasurer. The county treasurer may invest in savings or time accounts in designated qualified public depositaries or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States, in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010 secured by collateral in accordance with the provisions of chapters 39.58 and 39.56 RCW PROVIDED, Five percent of the earnings, with an annual maximum of fifty dollars, on each transaction authorized by the governing body shall be paid as an investment service fee to the officer of the county treasurer or other municipal corporation treasurer when the earnings become available to the governing body. PROVIDED FURTHER, That if such investment service fee amounts to five dollars or less the county treasurer or other municipal corporation treasurer may waive such fee.

If in the judgment of the governing body of the municipal corporation or the county treasurer it is necessary to redeem or to sell any of the purchased securities before their ultimate maturity date, the governing body may, by resolution, direct the county treasurer pursuant to RCW 36.29.010(8) to cause such redemption to be had at the redemption value of the securities or to sell the securities at not less than market value and accrued interest.

Whenever the funds of any municipal corporation which are not required for immediate expenditure are in the custody or control of the county treasurer, and the governing body of such municipal corporation has not taken any action pertaining to the investment of any such funds, the county finance committee shall direct the county treasurer, under the investment policy of the county finance committee, to invest, to the maximum prudent extent, such funds or any portion thereof in savings or time accounts in designated qualified public depositaries or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States, in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010 secured by collateral in accordance with the provisions of chapters 39.58 and 39.56 RCW PROVIDED. That the county treasurer shall have the power to select the specific qualified financial institution in which the funds may be invested. The interest or other earnings from such investments or deposits shall be deposited in the current expense fund of the county and may be used for general county purposes. The investment or deposit and disposition of the interest or other earnings therefrom authorized by this paragraph shall not apply to such funds as may be prohibited by the state Constitution from being so invested or deposited.

Notes:
  Construction -- Severability -- 1969 ex.s. c 193: See notes following RCW 39.58.010.
  Liability of treasurers and state treasurer for losses on public deposits: RCW 39.58.140.

Public depositaries: Chapter 39.58 RCW.
RCW 36.29.022

Combining of moneys for investment.

Upon the request of one or several units of local government that invest their money with the county under the provisions of RCW 36.29.020, the treasurer of that county may combine those units' moneys for the purposes of investment.

[1986 c 264 § 11.]
RCW 36.48.010: Depositaries to be designated by treasurer.

Beginning of Chapter  36.48.010

RCW 36.48.010

Depositaries to be designated by treasurer.

Each county treasurer shall annually at the end of each fiscal year or at such other times as may be deemed necessary, designate one or more financial institutions in the state which are qualified public depositaries as set forth by the public deposit protection commission as depositary or depositaries for all public funds held and required to be kept by the treasurer, and no county treasurer shall deposit any public money in financial institutions, except as herein provided. Public funds of the county or a special district for which the county treasurer acts as its treasurer may only be deposited in bank accounts authorized by the treasurer or authorized in statute. All bank card depositary service contracts for the county and special districts for which the county treasurer acts as its treasurer must be authorized by the county treasurer.

[1968 c 106 § 8; 1968 c 177 § 8; 1973 c 125 § 5; 1969 ex.s. c 193 § 27; 1963 c 4 § 36.48.010; Prior: 1967 c 51 § 1; RRS § 5562]

Notes:

Construction -- Severability -- 1969 ex.s. c 193: See notes following RCW 39.58.010.

Public depositaries: Chapter 39.58 RCW.
RCW 36.48.060: Definition — "Financial institution."

RCW 36.48.060
Definition — "Financial institution."

"Financial institution," whenever it occurs in RCW 36.48.010 through 36.48.050, means a branch of a bank engaged in banking in this state in accordance with RCW 30.04.300, and any state bank or trust company, national banking association, stock savings bank, mutual savings bank, or savings and loan association, which institution is located in this state and lawfully engaged in business.

RCW 36.48.070: County finance committee — Approval of investment policy and debt policy — Rules.

The county treasurer, the county auditor, and the chair of the county legislative authority, ex officio, shall constitute the county finance committee. The county treasurer shall act as chair of the committee and the county auditor as secretary thereof. The committee shall keep a full and complete record of all its proceedings in appropriate books of record and all such records and all correspondence relating to the committee shall be kept in the office of the county auditor and shall be open to public inspection. The committee shall approve county investment policy and a debt policy and shall make appropriate rules and regulations for the carrying out of the provisions of RCW 36.48.010 through 36.48.060, not inconsistent with law.

[1999 c 18 § 5; 1991 c 245 § 11; 1993 c 4 § 36.48.070. Prior: 1993 ex.s. c 45 § 2; RRS § 5567-1.]

Notes:

Effective date -- 1999 c 18 § 5: "Section 5 of this act takes effect January 1, 2000." [1999 c 18 § 10.]
RCW 39.59.020

Authorized investments — Bonds, warrants, and other investments.

In addition to any other investment authority granted by law and notwithstanding any provision of law to the contrary, the state of Washington and local governments in the state of Washington are authorized to invest their funds and money in their custody or possession, eligible for investment, in:

(1) Bonds of the state of Washington and any local government in the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency;

(2) General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency;

(3) Subject to compliance with RCW 39.56.030, registered warrants of a local government in the same county as the government making the investment, or

(4) Any investments authorized by law for the treasurer of the state of Washington or any local government of the state of Washington other than a metropolitan municipal corporation but, except as provided in chapter 39.55 RCW, such investments shall not include certificates of deposit of banks or bank branches not located in the state of Washington.

[1988 c 281 § 2]
**Public accounts of governmental entities held by financial institutions — Statements and reports — Contents — Filing.**

***CHANGE IN 2010*** *(SEE 2016-52.SL)***

After January 1st and before April 15th of each calendar year, the state treasurer, each county, public utility district, and port district treasurer, and each treasurer of an incorporated city or town whose population exceeds one thousand shall file with the commission:

(1) A statement under oath that no public funds under the treasurer's control were invested in any institution where the treasurer or, in the case of a county, a member of the county finance committee, held during the reporting period an office, directorship, partnership interest, or ownership interest; or

(2) A report disclosing for the previous calendar year: (a) The name and address of each financial institution in which the treasurer or, in the case of a county, a member of the county finance committee, held during the reporting period an office, directorship, partnership interest, or ownership interest which holds or has held during the reporting period public accounts of the governmental entity for which the treasurer is responsible; (b) the aggregate sum of time and demand deposits held in each such financial institution on December 31; and (c) the highest balance held at any time during such reporting period. PROVIDED, That the state treasurer shall disclose the highest balance information only upon request under chapter 42.56 RCW. The statement or report required by this section shall be filed either with the statement required under RCW 42.17.240 or separately.

[2005 c 274 § 262; 1983 c 213 § 1; 1981 c 102 § 1; 1975-76 2nd ex.s. c 112 § 10.]

**Notes:**

Part headings not law -- Effective date -- 2005 c 274: See RCW 42.56.901 and 42.56.902.
RESOLUTION 09 222

BEFORE THE BOARD OF COMMISSIONERS, BENTON COUNTY, WASHINGTON

IN THE MATTER OF FORMAL ESTABLISHMENT OF A NEW FUND; FUND 0113-101
TREASURER INVESTMENT POOL.

WHEREAS, County Treasurer Duane Davidson has requested the establishment of a
new fund for a Treasurer Investment Pool, which will be operated pursuant to RCW
36.29.024 and 36.29.020; and

WHEREAS, the Treasurer Investment Pool will receive investment fees collected from
the Investment Pool's participants in accordance to the Benton County Investment
Policy, adopted by the County's Finance Committee; and

WHEREAS, Investment interest earned from investments of this fund shall be retained
in this fund; and

WHEREAS, formal establishment of said fund is necessary; NOW THEREFORE

BE IT RESOLVED, the Board of Benton County Commissioners hereby authorizes the
formal establishment of the following fund; Fund 0113-101 – Treasurer Investment Pool.

Dated this 30th day of March, 2009.

[Signatures]
Chairman of the Board
Member
Member

Constituting the Board of County
Commissioners of Benton County,
Washington

Prepared by D. Davidson, Treasurer

CC: Bobbie Gagner, Benton County Auditor; Van Petty, Rosie Sparks, Benton County Auditor’s
Office, Duane Davidson, Benton County Treasurer
RESOLUTION 09 332

BEFORE THE BOARD OF COMMISSIONERS OF BENTON COUNTY, WASHINGTON

IN THE MATTER OF COUNTY FUNDS, RE: CORRECTION OF A FUND NUMBER

WHEREAS, the Board of County Commissioners established a new fund for the Treasurer by Resolution 09-222, and

WHEREAS, the fund number established for "Treasurer's Investment Pool" was incorrectly stated as 0113-101, a fund number previously used, and

WHEREAS, the County Auditor's and County Treasurer's staff have determined 0109-101 should be the fund number established for the "Treasurer's Investment Pool" fund;

NOW THEREFORE

BE IT RESOLVED, the Board of County Commissioners hereby establishes 0109-101 as the fund number for the Treasurer's Investment Pool fund.

Dated this 10 day of May, 2009.

[Signatures]
Chairman of the Board
Member
Member

Attest: Clerk of the Board

Constituting the Board of County Commissioners of Benton County, Washington
Prepared by D. Davidson, Treasurer

Cc: Auditor, Treasurer, Commissioners,