

**Benton County**  
**Investment Policy**



**Benton County Finance Committee**

**Adopted July 16, 2013**  
**Revised June 2, 2020**

# 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

The Treasurer and authorized investment officers will perform their duties in a manner consistent with the standard of a "Prudent Person" as defined by RCW 43.250.040:

*"In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments,..., there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital."*

Authorized investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance their investment duties. Due diligence requires timely reporting of material information from expectations and such other action to control adverse developments as may be possible in consideration of the particular circumstances and within other provisions of this policy.

## 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:

- Only purchasing securities that meet rating standards specified in this policy and state law
- Pre-qualifying the financial institutions, brokers/dealers and intermediaries with which the County will do business
- Diversification of the investment portfolio so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- Conducting reviews as needed of credit exposure in the investment portfolios
- Reviewing the possible sale of a security whose credit quality is declining to minimize loss of principal

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
- Investing operating funds primarily in short-term and intermediate 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. Return**

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

The investment portfolio shall also consider 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
- Authorization of 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 gives authorization for the Investment officer to purchase investments with the approval of the Investment Advisor in the event that the Treasurer and Deputy Treasurer are not available for consent; also mentioned in section XVI. Internal Controls.

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 individuals 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 42.17A.570).

## **VII. Authorized Financial Dealers and Institutions**

### Financial Brokers/Dealers:

Investment transactions will be conducted with those brokers/dealers recognized by the Federal Reserve, or registered with Financial Industry Regulatory Authority, Inc. (FINRA). The Investment Officer will recommend a list of financial brokers/dealers to the Finance Committee to approve, annually. The Treasurer shall maintain a list of financial brokers/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
- 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.

### Financial Institutions:

Those financial banks that are qualified by the Washington Public Deposit Commission (RCW 36.29.020) may provide investment products to the County. These include Certificates of Deposits and Bank Deposits.

### Investment Advisor:

The County may utilize a Registered Investment Advisor to effectuate trades on behalf of the County, after receiving approval. In these circumstances, the Investment Advisor may conduct business with their approved Broker/Dealers; so long as procedures are in place to review institutions at least annually. (Please see Investment Advisor, page 14.)

## **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. Listed below are authorized investments:

- US Treasury Bills, Notes or Bonds
- Washington State Local Government Investment Pool (LGIP)
- US Government Securities, including but not limited to:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corp (FHLMC)
- Federal National Mortgage Association (FNMA)
- Federal Farm Credit Banks (FFCB)
- Federal Agricultural Mortgage Corporation (FAMCA)
- Tennessee Valley Authority (TVA)
- Bankers' Acceptance, purchased on the secondary market with an A1/P1 rating
- Non-negotiable Certificates of Deposit (CD's) purchased with qualified depositories of the PDPC as defined by RCW 39.58.010(2)
- Commercial Paper purchased on the secondary market with a maximum maturity of 270 days and limited to no more than 3% of the portfolio per issuer. Commercial Paper must be rated with the highest short-term credit rating category of any two major NRSRO's (Nationally Recognized Statistical Ratings Organizations). If rated by more than two NRSRO's, it must have the highest rating from all of them. Securities with maturities longer than 100 days must also have an underlying long-term senior unsecured rating at time of purchase in one of the three highest ratings categories of a NRSRO
- Corporate Notes must be purchased on the secondary market and adhere to the following:
  - Maximum maturity of 5.5 years per issuer, and maximum duration of 3 years for the overall corporate note portfolio
  - Single issuers rated AA or better by all major rating agencies that rate the note shall not exceed 3 percent of the portfolio
  - Single issuers rated A or better by all the major rating agencies that rate the note shall not exceed 2 percent of the portfolio
  - Corporate Notes must be rated at least weak single-A or better by all the major rating agencies that rate the note at time of purchase
  - Issuers that are rated in the broad single-A category must not have a negative outlook at the time of purchase
- Supranational Securities with the United States being the largest shareholder at time of investment, including but not limited to:
  - International Bank of Reconstruction and Development (IBRD); also known as World Bank
  - Inter-American Development Bank (IADB)
  - International Finance Corp (IFC)
- General Obligation Bonds of the State of Washington or General Obligation Bonds of local governments within the State of Washington, which have one of the three highest credit rating categories from a nationally recognized rating agency.

Additional Allowable Alternatives:

1. 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.

2. 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 one-time and/or windfall revenue expectations that are not anticipated as steady revenues for the County.
3. Other investments as authorized by law, with the exception of Mortgage Backed Securities.

## **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.

If the exact same security is not offered by all three dealers, it is acceptable to document the comparable offerings and rates at the time of purchase. An explanation describing the rationale for purchasing the security shall be documented.

## **X. Treasurer's Investment Pool**

Pursuant to Benton County Resolution Number 09-222, 09-332 and RCW 36.29.022, the TIP 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 TIP, a Participant must enact an ordinance or adopt a resolution and sign the Investment Services Agreement. Prior to investing any funds in the TIP, 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 TIP 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 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).

The TIP shall operate under the following guidelines:

- Purchase of Pool Shares (Also known as investments): Participants will invest monies in the TIP by purchasing shares by giving notice to the Treasurer. There are no minimum or maximum shares that must be purchased. The purchase price shall be one-dollar (\$1.00).
- Earnings: Interest earnings will be calculated on the accrual method, including amortization and realized gains and losses. Interest will be distributed to participants based on the pro-rata share of average daily balance of each participant. Interest for the current month will be credited on the first day of the following calendar month and will automatically be reinvested into principal investments.
- Should the dollar amount of the realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to participants resulting in a pro-rata reduction in the fund balances for participants.
- Redemption of Shares- to provide for normal expenditures: Participants who redeem Pool shares for normal expenditures will receive one-dollar (\$1.00) per share. Withdrawals will be available one (1) day after the request is submitted.
- Redemption of Shares- to reinvest outside the TIP: Participants withdrawing one or more funds completely from the TIP to reinvest outside of the TIP shall receive one-dollar (\$1.00) per share, less costs associated with the transaction. Costs associated with the transaction include, but are not limited to wire fees, management fees and possible realized losses if they are created to meet the unforeseen liquidation of closing the funds.
- Participants withdrawing one or more funds completely from the TIP, wherein the value being redeemed equals or exceeds \$10 million, must provide ten (10) business days' notice prior to withdrawal.
- Investment Fee-TIP: The Treasurer charges participants an investment fee based on RCW 36.29.024. The investment fee is determined by the actual costs of managing the TIP and is set by the Treasurer. The Treasurer will establish an estimated fee annually that is calculated in basis points (e.g. 5 basis points equals .05%). The fee will be applied monthly to each participant on a pro-rata basis of total investments. The actual fee will be calculated based on the annual average balances and may fluctuate year to year due to changing balances and cost associated with managing the TIP. If at the end of the year, the Treasurer determines the estimated fees retained were higher than actual costs, the participants' funds will be credited with the difference.

- Investment Fee-Investments by Participants outside the TIP: The Treasurer charges entities an investment fee based on RCW 36.29.020. The investment fee charged for investments placed outside the TIP shall equate to five percent (5%) of earnings on the security with an annual maximum of fifty dollars on each investment transaction.

## **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. See chart for reference:

<b>Issuer</b>	<b>Total Fund</b>	<b>Issuer Constraint</b>
Treasury	100%	
LGIP	100%	
U.S Agency Securities	100%	50%
Bankers Acceptances	10%	
CD's	50%	
Commercial Paper	20% (combined with corporates)	3%
Corporate Obligations	20% (combined with CP)	3% AA; 2% A
Supranational Obligations	20%	5%
Repurchase Agreements	20%	
Municipal Bonds (GO's)	10%	
Registered Warrants	10%	

## **XV. Maximum Maturities**

<b>Maturity Constraints</b>	<b>Minimum % of Portfolio</b>
Under 30 days	20%
Under 1 year	30%
Under 5 years	100%
Weighted Average Maturity	3.0 years

Investments should be placed to meet the cash requirements of each fund or the TIP portfolio for which they are invested. Maturity of securities purchased should not exceed 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. 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 a diversified portfolio may experience unrealized gains and unrealized losses, which must be considered by the County in its overall investment return.

## **XVI. Internal Controls**

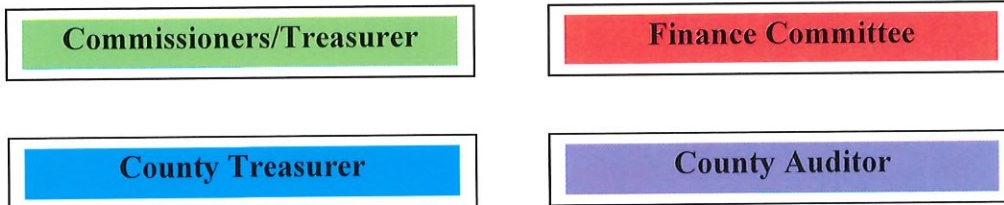
Internal Control is a management tool to ensure that a system of checks and balances exist for periodic review and compliance with existing policies and procedures.

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 vs. payment procedures
- Authorization to purchase via Investment Advisor' approval in the event that the Treasurer and Deputy Treasurer are not available to consent
- The clear delegation of investment authority
- The separation of transaction authority from record keeping
- The use of objective criteria in selecting financial institutions/dealers authorized to provide investment services to the County
- The use of 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*

### **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.

### **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 covenants 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

**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

**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 42.17A.570)
- 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 monthly by the custodian and/or authorized financial institutions.

## **XIX. Investment Advisor**

The Treasurer may use an Investment Advisor to provide services that directly relate to the oversight of the investment program. The role of the Investment Advisor is to provide technical advice to the Treasurer and staff in managing the portfolio. Items the Treasurer may request the Investment Advisor to review include:

- Make specific recommendations to the investment strategy and investments.
- Provide a periodic review of internal controls, market analysis, portfolio analysis and reporting practices to make sure they are adequate and meeting best practice standards.
- Evaluate the Investment Policy and Procedures Manual for any updates or recommended changes.
- Provide a strategic quarterly report of the investment program.
- Buy and sell investment securities on behalf of the County. The County will provide approval on all transactions prior to the execution of the Investment Advisor.

## **XX. 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 will commensurate 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. Additionally, a market benchmark may be utilized to compare risk and return parameters of the investment program.

## **XXI. 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:

- A complete portfolio listing at the end of each 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
- Performance report on a total return basis and compared to the benchmark  
Calculation of NAV of the TIP

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

## **XXII. 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

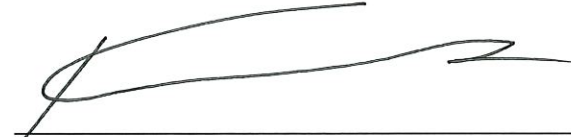
Committee shall adhere to RCW 42.17A.570 by disclosing the required information annually to the Public Disclosure Committee.

### **XXIII. Training and Continuing Education**

The County strives for professionalism and accountability in the investment of its funds. In order to ensure the highest possible professional standards, as well as following WSACT (Washington State Association of County Treasurers) Best Practices recommendations, the County Investment Officer shall attend and complete 36 hours of continuing education programs for each 3-year reporting period.

### **XXIV. Investment Policy Adoption**

Revised and adopted this 2<sup>nd</sup> day of June 2020 by the Benton County Finance Committee.



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Kenneth Spencer  
Benton County Treasurer  
Chairman, Benton County Finance Committee



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Brenda Chilton  
Benton County Auditor  
Secretary, Benton County Finance Committee



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James Beaver  
Benton County Commissioner  
Member, Benton County Finance Committee

## XXV. 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.
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.



Corporate Notes	Debt securities that are issued by corporations; purchased on the secondary market. Corporate Notes are 10 years and in.
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.
Debt 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.
Federal Agricultural Mortgage Corp (FAMCA)	Also known as Farmer Mac, is a stockholder-owned, publicly traded company that was chartered by the United States federal government in 1988 to serve as a secondary market in agricultural loans such as mortgages for agriculture and rural housing. The company purchases loans from agricultural lenders, and sells instruments backed by those loans.
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 lend 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.
Generally Accepted Accounting Principles (GAAP)	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.
General Fund	The Fund used to account for all financial resources except those required to be accounted for in another fund.
Governmental Accounting Standards Board (GASB)	The authoritative accounting and financial reporting standard-setting body for government entities.
Government Finance Officers Association (GFOA)	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>
Interest Rate Risk	The risk of reinvesting returned principal at a lower interest rate. This risk is relevant to investments in fixed obligations such as bonds.
Internal Service Funds	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.
Liquidity	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.
Local Government Investment Pool (LGIP)	The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.
Market Value	The value at which a security can be bought or sold at a given time.
Market Risk	The risk that investments will lose money based on the daily fluctuations of the market.
Maturity	The time when a security becomes due and at which time the principal and interest or final coupon payment is paid to the investor.
Net Asset Value (NAV)	Calculation determined by Market Value divided by Investment Value. Rising Interest rates will cause market values to decrease; therefore decreasing NAV.
Nationally Recognized Statistical Rating Organization (NRSRO)	A credit rating agency that issues credit ratings that the US Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.
Par Value	The face or stated value of a bond or stock.
Portfolio	Collection of securities held by an investor.

Premium	The amount by which a bond sells above its par value.
Primary Dealers	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.
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.
Registered Warrants	Allowable investment (RCW 39.59.020) of 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.
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. <a href="http://apps.leg.wa.gov/rcw">http://apps.leg.wa.gov/rcw</a>
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.
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.
Securities Industry and Financial Markets Association (SIFMA)	An association that represents firms of all sizes in all financial markets in the U.S. and worldwide. SIFMA is committed to enhancing the public's trust and confidence in the markets, delivering an efficient, enhanced member network of access and forward-looking services, as well as premiere educational resources for industry professionals and the investors they serve. SIFMA was formed through a merger of the Bond Market Association and Securities Industry Association in 2006.

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.
Supranational Securities	International Development Institutions that provide financing advisory services, and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth. (AAA Rated)
Tennessee Valley Authority (TVA)	A government-owned corporation established in 1933 to develop the Tennessee River area. The company provides power to large industries and power distributors that serve consumers in seven southeastern states.
Treasury Obligations	Government backed securities with maturities of one to seven years, with interest paid every six months.