Jefferson County, Washington

Investment Policy

Adopted October 27, 2020

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Section I. Introduction

Policy

It is the policy of the Jefferson County Treasurer to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting daily cash flow demands and conforming to all state and county statutes governing the investment of public funds. (R.C.W. 36.29.020)

Scope

This investment policy applies to all financial assets held by the Jefferson County Treasurer's office. These funds are accounted for in the County's annual financial report and include:

- General Funds
- Debt Service Funds
- Capital Project Funds
- Trust and Agency Funds
- Any new fund, unless specifically exempted

Section II. Ethical Standards Governing Conduct

The County Commissioners, the County Administrator, the members of the Finance Committee, and the Prosecuting Attorney shall adhere to standards of conduct as stipulated by the following:

- Jefferson County Personnel Administration Manual Chapter 4; Code of Ethics and Appendix B
- Public Disclosure Act, chapter 42.17 RCW; and
- Ethics in Public Service Act, chapter 42.52 RCW.

Section III. Policy Objectives

Primary objectives of the Jefferson County Treasurer's office investment procedures are three-fold:

1. Safety of principal is the foremost objective. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities defaults or erosion of market value.
2. The Treasurer's investment portfolio shall be sufficiently liquid as to enable county and districts to reasonably meet operating requirements.
3. The investment portfolio shall be designed to equal or exceed the average return on three or six month U.S. Treasury bills or the average rate obtained from the State's Local Government Investment Pool ("LGIP"), whichever is higher. This shall be considered minimum standard for the portfolio's rate of return. The U.S. Treasury bills rate may currently be found online at the U.S. Department of the Treasury Resource Center as "Daily Treasury Yield Curve Rates". The current web link is: http://www.treasury.gov/resource-center/data-chart-center.
4.

Section IV. Prudent Person Standard and Ethics

Prudent Person Rule

A. The Prudent Person Rule shall be the standard by which Jefferson County makes its' investments. Prudent Person Rule "Investment shall be made with the exercise of that judgment and care, under circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

B. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transactions that might impair public confidence in Jefferson County Government.

C. The Treasurer will avoid incurring unreasonable and avoidable risks, either with regards to individual financial institutions or types of investments (such as financial forwards and futures or any leveraged investment purchases).

Ethics and Conflicts of Interest

D. Persons authorized to invest shall not accept gifts from the institution with which the County places investments. Occasional meals are acceptable and must be reported to the Treasurer (see Treasurer's Policy Manual.)

E. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance. For the purposes of this policy, the Jefferson County Treasurer is the Investment official, and Deputy Treasurers work under the guidance and direction of the County Treasurer. Internal controls shall be in place to ensure the County Treasurer has knowledge and oversight of investment decisions. If a Deputy Treasurer is delegated the role of investment official, that person shall be bonded.

F. Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Jefferson County Finance Committee any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of Jefferson County's portfolio. Employees and officers shall subordinate their personal investment transactions to those of Jefferson County, particularly with regard to the timing of purchases and sales.

Section V. Internal Controls

Day-to-day procedures concerning investment management and accounting are outside the scope of this policy. The County is subject to annual independent review of its internal controls by the Office of State Auditor. This review will provide internal control by assuring that policies and procedures are being complied with. Such review also may result in recommendations to change operating procedures to improve internal control. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees or officers of the County .The specific internal controls maintained by the County are contained in normal operating procedures of the Treasurer.

Section VI. Investment Authority

According to R.C.W. 36.29.20, the Treasurer is the authorized Investment Officer for the county and its' taxing districts. That authority may be delegated to a Deputy designated as the Investment Officer. Investments shall be placed in authorized investments when directed by the governing body in whose name the funds are held. Length of time is determined by resolution of the governing body; specific investment is determined by the Treasurer and/or Investment Officer (Appendix A). (R.C.W. 39.29.020). Currently the Jefferson County Treasurer is the Investment Officer, and Deputy Treasurers work under the guidance and direction of the County Treasurer. Internal controls shall be in place to ensure the County Treasurer has knowledge and oversight of investment decisions. If a Deputy Treasurer is delegated the investment authority of Investment Officer, that person shall be bonded consistent with Section IV of this policy.

Section VII. Authorized Financial Dealers and Institutions

A. The County Treasurer will update a list of financial institutions through which investments may be made, at least annually. Banking institutions must be authorized as public depositories by the Public Deposit Protection Commission. (R.C.W. 39.58.080) (Appendix B). Broker/Dealers must provide evidence of membership with the National Association of Securities Dealers.

B. Quarterly reports of the PDPC will be used to assist in determining with which institutions investments are to be placed.

C. Banking investments may not be placed outside the State of Washington. In addition, a list will be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of Washington (Appendix). Out of state banking is permissible through the State Finance Committee's enactment of the Certificate of Deposit and Registry Service (CDARS) program operating within the state.

D. To obtain name placement on the list, broker/dealers who wish to handle investments for the County must apply for certification by the County Treasurer. The certification process will require detailed financial experience and existing client profiles be submitted to the County Treasurer in writing. Approval or non-approval will be determined upon review of the application.

E. Current financial statements are required of all institutions with whom the County invests.

F. Prior to undertaking any transaction other than the purchase of eligible Certificates of Deposit, each financial dealer and institution is required to read this investment policy, certify its understanding of the policy parameters, and pledge to honor the policy in all transactions with the County Treasurer.

Section VIII. Authorized Investments

The following investment instruments are authorized as follows:

A. U.S. Government and U.S. Agency Securities:
1. U.S. Treasury Bills
2. U.S. Treasury Bonds
3. U.S. Treasury Notes
4. Federal Home Loan Banks (FHLB)
5. Federal Farm Credit Bonds (FFCB)
6. Federal National Mortgage Assoc. (FNMA "Fannie Mae")
7. Federal Home Loan Mortgage Co. (FHLMC "Freddie Mac")
8. Student Loan Marketing Assoc. (SLMA "Sally Mae")

B. Bankers Acceptances
1. Bankers Acceptances will be purchased from State authorized Financial institutions and authorized broker/dealers. They will be delivery versus payment (DVP).
2. BA's will be limited to 6-month maturities.
3. May be either foreign or domestic

C. Bank and/or Credit Union Investment (made per statutory regulations)
1. Certificates of Deposit
2. Insured Money Market Funds
3. Checking and Saving Accounts held at approved banks in Washington State per the Public Deposit Protection Commission (PDPC)

D. Repurchase Agreements
1. Overnight or short-term monies are invested with the LGIP
2. The County does not use Repurchase Agreements, because the LGIP provides similar benefits at low risk and low cost to the County.

E. Registered Warrants
1. According to R.C.W. 39.59.020(3), the Treasurer is authorized to invest in (purchase) registered warrants of junior taxing districts in the County, within the liquidity needs of the County.
2. Interest rate on warrants will be fixed by the Treasurer on the first business day of each month, based on the LGIP rate plus a reasonable percentage to cover administrative costs.
3. Requirements of R.C.W. 36.29.060 are applicable to the call of these warrants.

F. State Local Government Investment Pool

1. Authorization is granted to the Treasurer by the Jefferson County Board of Commissioners, Resolution 102-86, to deposit and withdraw monies in the LGIP in the Washington State Treasury.

Section IX. Investment Restrictions, Limits and Diversification

A. Financial institutions must be insured by the Federal Deposit Insurance Corporation with investment limits as specified in the State Finance Committees Public Depository protection Commission documentation.

B. Investments in Bankers Acceptances must be in

1. Top twenty banks in the world or
2. Top twenty-five banks in the U.S. or
3. Selected approved banks in Washington State per the Public Deposit Protection Commission (PDPC) https://www.tre.wa.gov/pdpc/

C. Collateral must be marked to market daily.

D. PORTFOLIO INSTITUTION LIMIT: Districts with a portfolio over $2,000,000 shall have no more than sixty-five percent (65%) of any one fund of that district exposed to any one institution's credit worthiness. The LGIP is not considered an institution for the purposes of this limitation, and investments in the LGIP are allowed up to 100%.

E. PORTFOLIO INVESTMENT TYPE LIMIT: Jefferson County will diversify its investment portfolio so that no more than seventy percent (70%) will be invested in a single security type, except those investments in the State Pool will be allowed up to 100%. This limitation applies to Jefferson County funds and Districts. Bank accounts and CDs are not securities and do not fall under this limitation.

F. In the event any state or federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated in this policy. If new legislation or regulation should liberalize the permitted instruments or institutions, such changes shall be available and included in this policy only after review by the Finance Committee.

Section X. Maximum Maturities

The Treasurer will not directly invest in securities maturing more than five years from date of purchase. The Treasurer may collateralize using longer dated securities.

Bond sinking funds or reserve monies may be invested as set forth in the Bond Resolution or any agreement for bond insurance (which may specify the type and term of investments allowed).

Section XI. Investment Procedures

A. Selection of investments will be based on the following: yield, quality, liquidity, need for diversification, duration and institution limit.

B. Bids by brokers or financial institutions may not be disclosed to the other bidders until after investment closes. Bids may be disclosed, but the other bidder may not.

C. All things being equal, investment will be rotated between bidders.

Section XII. Portfolio Review

The Investment Officer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio accordingly.

XIII. Safekeeping Requirements

A. A signed safekeeping agreement shall be entered into with a Trust Department of a Federally regulated financial institution. U.S. Treasury Securities, Agencies and Bankers Acceptances are delivery versus payment (DVP). Jefferson County will utilize the safekeeping services of the Washington State authorized service contract.

B. Bankers Acceptances and wireable securities purchased from Federally Regulated banks may be held in the Trust Department of that bank in the name of Jefferson County.

C. Statewide Custody Contract: RCW 43.08.280 authorizes the Office of the State Treasurer (OST) to negotiate a statewide securities custody contract on behalf of local governments and institutions of higher education. The most important benefit of this program is the opportunity for local governments, at their option, to obtain the best rate and terms from a single financial institution for custody services.
This contract will save significant time and money for local entities, who will no longer have to do their own custody search. Financial institutions, by the same token, will need to participate in only one search process, rather than separate RFPs for each local entity. The "pooling" feature of the program will allow smaller jurisdictions to earn the same advantageous rates and terms now available to larger local governments.
OST's role has been to select the provider and negotiate a model contract. However, OST will not be a party to the contracts – individual contracts for custody services will be between the Statewide Custody Provider and the local participants.
The State Treasurer appointed the Wells Fargo Bank, N.A. as the Statewide Custody Provider effective April 1, 2016 through March 31, 2020 with an optional four-year

extension. Effective January 24, 2020, Principal Financial Group acquired Wells Fargo Bank, N.A. Institutional Retirement & Trust, and the Jefferson County Treasurer acknowledged and appointed Principal Financial Group as Jefferson County's Statewide Custody Provider.

XIV. Accounting Methods

A. Investments will be carried at cost. Gains or losses from investments will be credited or charged to investment income at the time of sale.

B. Five hundred ($500) will be the minimum required to open a new investment Fund account. Subsequently, smaller amounts may be added to the fund.

C. Any investments may be placed at the LGIP

D. Fixed rate investments will be credited with interest at the time of maturity, except for coupon items.

XV. Investment of Excess Monies of Municipal Corporation

A. In accordance with R.C.W. 36.29.020, the Treasurer will invest any and all Funds which meet the following conditions:

1. The funds belong to a municipal corporation, and
2. Are in the custody of the County Treasurer, and
3. Are not required for immediate expenditure, and
4. The governing body of the municipal corporation has not provided direction as to the investment of said funds.

B. The interest or other earnings thereon shall be deposited in the current Expense fund of Jefferson County and may be used for general county purposes.

XVI. Investment Service Fee

In accordance with R.C.W. 36.29.020, the Treasurer will charge a fee of Five percent (5%) on the interest or other earnings from investments made as directed by a written resolution from the board of a municipal corporation. This fee will be levied at the time the interest or other earnings is credited to the account. It shall not exceed $50.00 for any specific investment. For a multi-year investment, not more than $50.00 per year shall be authorized.

XVII. Finance Committee

A Finance Committee consisting of the Treasurer as Chairman, the Auditor as Secretary, and the Chairman of the Board of County Commissioners, shall meet quarterly to review the investment performance and the investment plan. (R.C.W.36.48.070)

The County Administrator and the County Central Services Director may attend Finance Committee meetings and provide advice to the Finance Committee.

XVIII. Investment Policy Adoption

The Jefferson County Investment Policy will be formally adopted by the Finance Committee and reviewed for appropriate modifications on a yearly basis. Any amendments to this policy must be approved by the Finance Committee. The Investment Policy of Jefferson County as set forth in this document has been reviewed and is hereby accepted.

Approved and adopted this 27th Day of October, by the Jefferson County Finance Committee.

Stacie Prada, Chair of Finance Committee and County Treasurer

Rose Ann Carroll

Rose Ann Carroll, Secretary Finance Committee and County Auditor

Greg Brotherton, Member of Finance Committee and Chair of County Board of Commissioners

APPENDIX A: Authorized Investments for All Funds

Authorized By Statute: Jefferson County's authorized investments are guided by RCW 36.29.020 and per RCW 39.59.040 whereby any local government in the state of Washington may invest in the following:

1) Bonds of the state of Washington and any local government in the state of Washington;
2) General obligation bonds of a state and general obligation bonds of a local government of a state, 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;
4) 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; or United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder;
5) 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;
6) Bankers' acceptances purchased on the secondary market;
7) Commercial paper purchased in the secondary market, provided that any local government of the state of Washington that invests in such commercial paper must adhere to the investment policies and procedures adopted by the state investment board; and
8) Corporate notes purchased on the secondary market, provided that any local government of the state of Washington that invests in such notes must adhere to the investment policies and procedures adopted by the state investment board.

Bank Depositories

FOLLOW LINK TO State Treasurer listing http://tre.wa.gov/pdpc-banks/

The Treasurer's Banking Contract is with 1st Security Bank of Washington effective May 2016. Additional funds are held in Pacific Premier Bank, formerly Opus Bank effective January 2018.

Certificates of Deposit held in banks with a physical presence in Jefferson County including Kitsap Bank, Sound Community Bank and First Federal. CDs may be purchased without modification to this Investment Policy if they comply with the criteria for the investment in this policy.

Credit Unions (FDIC)

FOLLOW LINK TO State Treasurer listing http://tre.wa.gov/pdpc-credit-unions/

APPENDIX B: Securities Not Eligible as Investments for County Funds

- Commercial Paper
- Collaterized Mortgage Obligations (includes REMICS)
- Mortgage-backed securities
- Corporate Stocks
- Corporate Bonds
- Foreign Government Obligations
- Options and Futures Contracts
- Real Estate
- Limited Partnerships

APPENDIX C: Investment Firms Accepted as Dealers by Jefferson County

Investment Firm	Acceptance Date of Firm
Vining Sparks IBG	January 22, 1996
Piper Jaffray	January 1999
Time Value Investments	January 2011
Wells Fargo N.D.	January 2011
Multi-Bank Securities, Inc.	October 27, 2015
Principal Financial Group*	January 2020

**Safekeeping contract purchased from Wells Fargo*

APPENDIX D: Glossary of Investment Market Terms

ACCRUED INTEREST: Interest due on a security from the issue date, or from the most recent interest payment date to the present. The buyer of the Security pays principal plus accrued interest.

ARBITRAGE: Applied to municipal bond market, is the act of paying one interest rate to bond holders and investing the principal at a higher rate of return.

ARBITRAGE REBATE: Return to the Internal Revenue Service the arbitrage earned as described above, using a system of calculations based on future valuing of funds involved.

BANK WIRE: A computer message system linking major banks and public depositors. Is used to advise the receiving bank of some action that has occurred.

BANKERS ACCEPTANCE: A draft or bill of exchange accepted by a bank or trust company. Once accepted, the bank or trust company guarantees payment of the bill.

BAN: Bond Anticipation Notes are used by states and municipalities to obtain interim financing for projects that will be funded long term through the sale of bond proceeds.

BASIS POINTS: A measure of small differences in yields, 100 basis points equal to 1 percent. If two bonds are quoted in yields of 1.30 and 1.10 percent, there is a spread of 20 basis points between them.

BEARER BONDS: Bonds whose principal and interest are paid to bearer --anyone in possession of the bond or coupon.

BOOK ENTRY SECURITIES: Treasury and Federal Agencies are moving to a book-entry system in which securities are not represented by engraved pieces of paper but are maintained by computerized records at the FED in the names of member banks, which in turn, keep records of the securities they own as well as their customers.

BONDS: Credit instruments that contain a promise to pay a specific amount of money on a specified date; usually more than 10 years after issuance. The relationship between the bondholder and issuer is that of creditor and debtor.

BROKERS: A middleman who brings buyers and sellers together and executes their orders, charging a commission for these services. Unlike a dealer, a broker does not own or take a position in the security.

BUY BACK: Another term for Repurchase Agreement.

CALLABLE SECURITY: A security with an embedded call provision that allows the issuer to repurchase or redeem the security by a specified date. Since the holder of a callable security is exposed to the risk of the security being repurchased, the callable security is generally less expensive than the comparable securities that do not have a call provision.

CERTIFICATES OF DEPOSIT (CDs): Certificates issued against funds deposited in a bank for a definite period of time and earning a specified rate of return. Certificates of Deposit typically bear rates of interest in line with money market rates current at the time of issuance.

COUPON: (1) The annual rate of interest on the bond's face value that a bond's issuer promises to pay the bondholder. (2) A certificate attached to a bond showing interest due on a payment date.

COLLATERAL: An obligation or security attached to another to secure its performance and protect the interest of the lender.

COLLATERAL TRUST BONDS: Bonds protected by a lien on specified securities which are deposited with a trustee as collateral. Obligations not secured by a specific lien on property are called debentures.

COMMERCIAL PAPER: An unsecured, short-term debt instrument issued by a corporation. Maturities on commercial paper rarely range longer than 270 days.

CORPORATE NOTE: An unsecured debt instrument issued by a corporation. Corporate bonds are considered to have higher risk than Treasurer notes and nearly always have higher yields.

CURRENT ISSUE: In Treasury Bills and Notes, the most recently auctioned issue. Trading is more active in current issues than in older issues.

CUSTODIAN: An independent third party (usually bank or trust company) that holds securities in safekeeping as an agent for the investor.

DEBENTURE: A bond secured only by the general credit of the issuer.

DEBT SECURITY: IOU created through loan-type transactions -bank CD's, bills, bonds, commercial paper, etc.

DEFAULT: Failure to pay debt interest or principal when due, or to perform other obligation required by contract.

DELIVERY: The providing of a security in an acceptable form to the agent independent of the seller. Acceptable forms can be physical securities or the transfer of book-entry securities.

DELIVERY VERSUS PAYMENT: Delivery of a security prior to release of monies.

DIVERSIFICATION: Dividing investment funds among a variety of instruments offering independent returns so as to minimize risk.

DISCOUNT SECURITIES: Non-interest bearing money market instruments issued at a discount and redeemed at maturity at full face value. The discount equals the difference between the price paid for a security and the security’s par value.

DURATION: A measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. The greater the duration, the greater the interest-rate risk or reward for bond prices.

FANNIE MAE: Securities sold by the Federal National Mortgage Association.

FREDDIE MAC: Securities sold by the Federal Home Loan Mortgage Company.

FICO: Investment securities backed by the Federal Insurance Corporation.

FEDERAL CREDIT AGENCIES: Agencies of the Fed. Govt. designed to supply credit to various classes of institutions and individuals.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A Federal Agency that insures bank deposits; the current limit is $100,000 per insurable fund.

FEDERAL FUNDS: Non-interest bearing deposits held by member banks at the Federal Reserve. Also refers to immediately available funds in the clearing sense.

FEDERAL HOME LOAN BANKS (FHLB):
Institutions that regulate and lend to savings and loan associations.

FLOAT: The difference between credits to an account and debits to that account. Float is always positive because in the clearing of checks, the credit sometimes precedes the debit. Float adds to the money supply.

G.O. BONDS: General obligation bonds to which the issuer pledges as security its' full faith, credit and taxing power. Most G.O. Bonds are supported by unlimited taxes (the taxing authority can legally levy any tax rate necessary to pay the debt).

GINNIE MAE: Debt security issued by the Government National Mortgage Association.

GOVERNMENTS: Negotiable U.S. Treasury securities.

INDENTURE: Document used in connection with a bond issue. A contract detailing the terms and conditions on which funds are borrowed; the rights and duties of the issuer and bondholder. Parties to the indenture are the borrowing company and the legal trustee for the bondholder. Indentures contain protective covenants designed to reduce the risk of the issuer defaulting.

INVESTMENT RISK: Degree of uncertainty of return on an investment.

JUNK BONDS: High-risk bonds that have low credit rating or are in default.

LIQUIDITY: The ability to convert a security into cash promptly with minimum risk of principal.

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 price at which a security is trading and could presumably be purchased or sold.

MONEY MARKET FUNDS: Financial institutions accept savings subject to withdrawal on demand and invest in short-term money market obligations.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination (generally $1 million) CD that can be sold but cannot be cashed before maturity.

NOTE: Coupon issues with relatively short maturity. Municipal notes have maturities ranging from a month to a year and pay interest only at maturity. Treasury notes are securities that have an original maturity of up to 10 years.

ORIGINAL MATURITY: Maturity at issue. A 5-year note has an original maturity at issue of 5 years; 1 year later it has a current maturity of 4 years.

PAPER: Money market instruments, commercial paper, etc.

PORTFOLIO: Collection of securities held by an investor.

PREMIUM BOND: Bond selling above par.

PRIMARY DEALER: A security firm who participates in the securities market and helps set price and distribute securities.

PRIME RATE: Rate at which banks lend to their best customers.

PRINCIPAL: Face amount or par value of a security.(2) One who acts as a dealer buying and selling his own account.

PROSPECTUS: A detailed statement prepared by an issuer and filed with the SEC prior to the sale of an issue.

RAN: Revenue Anticipation Note. An issue by states and municipalities to finance current needs in anticipation of the future receipt of non-tax revenues.

RATINGS: An evaluation given by Moodys, Standard & Poors, Fitch and other rating services of a security's credit worthiness.

REFUND: To replace one bond issue with another.

REVENUE BONDS: Bonds payable solely from the income produced by a publicly owned facility, such as a toll bridge or turnpike.

REPURCHASE AGREEMENT: (Repo): Sale of a security with a simultaneous commitment by a bank to repurchase the security from the investor at a specified price.

SAFEKEEPING: A service to customers of a bank for a fee whereby securities and valuables are held in the bank's vault for protection; in the case of book-entry securities, are held and recorded in the customer's name and are inaccessible to anyone else.

SAVINGS & LOAN ASSOCIATION: Federal or state chartered institution that accepts savings deposits and invests the bulk of the funds in mortgages.

SECONDARY MARKET: Market in which previously issued securities are traded.

SECURITIES: Bonds, notes, mortgages, or other forms of negotiable or non-negotiable instruments.

SECURITIES EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SETTLEMENT DATE: Date on which trade is cleared by delivery of securities against funds. Settlement date may be the trade date or a later date.

SHOPPING: Seeking to obtain the best bid or offer by calling a number of dealers/brokers.

SKIP-DAY SETTLEMENT: Trade is settled one business day beyond what is normal.

SLGS/SLUGS: State and Local Government Securities purchased from government for specified rate. Usually bond funds for arbitrary purposes.

SPREAD: Difference between bid and asked price on a security .

STATEWIDE CUSTODY CONTRACT: A contract negotiated between the state treasurer and a financial institution that establishes the terms and fees for custody services which are optional to any local government for the terms of the contract. Such institution may be referred to as “Custodian.”

TAN: Tax Anticipation Note issued by state or municipalities to finance current operations on future tax receipts.

TERM BONDS: Bond issue in which all bonds mature at the same time.

TIGHT MARKET: A tight market, as opposed to a thin market, is one in which volume is large, trading is active and highly competitive and spreads between bid and asking price are narrow.

TIME DEPOSIT: Interest-bearing deposit at a savings bank that has a specific maturity date.

TAX-EXEMPTs: A term applied to municipals, it refers to the fact that interest on these securities is fully exempt from income tax.

TREASURY BILL: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Bills are generally issued to mature in 3 and 6 months or 1 year.

VARIABLE RATE CD: Short-term CD that pays interest periodically on roll dates; on each roll date the coupon on the CD is adjusted to reflect current market rates.

YIELD TO SECURITY: Rate of return yielded by a debt security held to maturity when both interest payments and the investor's capital gain or loss on security are taken into account.