



DATE: 10/23/2013

TO: Board of Directors

FROM: Treasurer

SUBJECT: Treasurer's Annual Statement of Investment Policy

1. This statement is intended to provide guidelines for the prudent investment of Casitas Municipal Water Districts (hereinafter "District") Reserves and to outline policies for maximizing the efficiency of the Districts Investment Cash management system. The ultimate goal is to enhance the economic status of the District while protecting its pooled Investment Cash.
2. Prudent Investor Standard – Directors of the District, Treasurer and all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, prudence, and diligence considering existing circumstances, general economic conditions and the anticipated needs of the District, to safeguard the principal and maintain the liquidity needs of the District.

It is the Districts full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time.

The Districts Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other

written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individuals security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

3. Investment of pooled investment funds of Casitas shall be made in securities in which Casitas is legally empowered to invest such funds, in accordance with Section 53601 of the Government Code, taking into consideration the probable income as well as the probable safety of said funds, exercising the judgment and care, under the circumstances then prevailing, which men 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 said funds.
4. As far as possible, all money shall be deposited for safekeeping in state or national banks or state or federal savings and loan associations or may be invested as provided in Section 53635 of the Government Code.
5. Money may be invested in the Local Agency Investment Fund (LAIF) as well as those deposited in Ventura County's pooled investment fund in accordance with Section 16429.1 of the Government Code.
6. Investment of funds under 1, 2, 3, 4 and 5 above shall be limited as follows:
 - a. Not more than 25% of Casitas' funds shall be invested in any one single institution.
 - b. Local Agency Investment Fund (LAIF) which shall not exceed 95%
 - c. United States Treasury Bills, Bonds, and Notes shall have no limit.
 - d. Government National Mortgage Association (GNMA), The Federal Farm Credit System (FFCB), The Federal Home Loan Bank Board (FHLB), The Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Association (FHLMC) shall have no limit.
 - e. Casitas' investments in any savings and loan institution and bank shall be

limited to FDIC Limitations.

- f. Casitas' investments in any savings and loan institution and bank shall be invested following the procedure below.
 - 1. Determine how much Casitas would want to invest on CDs.
 - 2. The Accounting Manager will discuss with current investment firm approved by the Board to determine which banks have the highest CD rate of interest and determine length of term to get the best possible interest rate.
 - 3. Verify that they are federally insured by getting the FDIC number from the bank and go to the FDIC web-site and verify the bank's FDIC number and to get a report on the bank's strength.
 - 4. Once the bank is determined, purchase the CD, limiting investments to FDIC Limits per on-line institution, and retain all of the documentation to verify that this is a legitimate investment that Casitas wanted.
 - 5. Report to the Board of Directors each month on the transactions that have been made in purchasing CDs and the results of all investigations.
- g. The staff shall follow an investment pattern of investing not more than 10% of Casitas' invested funds with CD's at savings and loans or Banks at Investment Grade or better, 25% with savings and loans with a rating above "AA", 50% with banks 100% in treasury bills and/or government securities and 95% in LAIF and that the guidelines shall be reviewed by the Board on an annual basis.
- h. The above percentages may be exceeded for a period of 90 days due to

cash flow or other circumstances.

7. No investments shall be made in financial futures or financial options contracts which are otherwise allowed pursuant to Section 53601.1 of the Government Code.
8. Interest earned and received on investments on the reserves for the United States Bureau of Reclamation and the State Water Plan as well as the Mira Monte Special Assessment Fund and the Mira Monte Reserve for Bond Redemption shall be credited to those funds in the same proportion that such funds bear to the total money invested.
9. Interest earned and received on Capital Facility Charges shall be credited to that fund on a proportional basis. All other interest, including interest on the reserve for capital outlay, reserve for variation in water sales, the general reserve, and any other general reserves shall be credited to the general fund.
10. Accounts shall be established and maintained in Casitas' accounting records to record the surplus and inactive funds invested at all times in accordance with the State Controller's chart of accounts as authorized by Section 53891 of the Government Code.
11. Reserve fund account balances shall be maintained separately and shall reflect, at all times, the balance in each reserve fund in a manner consistent with generally accepted accounting practices.
12. Depositories having custody of Casitas funds shall be directed to forward copies of all correspondence concerning Casitas funds to the Treasurer of Casitas.
13. Verification that moneys have been on deposit at all times and collateralized in amounts equal to or in excess of funds designated by the Board of Directors as reserve funds shall be made in the annual audit of Casitas records.
14. The Treasurer should be delegated the authority and responsibility to invest or to reinvest funds of Casitas or to sell or exchange securities so purchased in accordance with Section 53607 of the Government Code and/or this policy

which ever is more prudent.

15. The Board should annually determine which reserve funds are surplus and which are inactive.
16. The Treasurer shall render a monthly report to the Board in accordance with Section 53646(b) of the Government Code.