



INVESTMENT POLICY

of the

City of La Mesa, California

FY 2016-2017

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of the
City of La Mesa, California

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City of La Mesa, California

Investment Policy

1. POLICY STATEMENT

La Mesa is a “general law” city that derives its power from California State Law. Founded in 1869, the City was incorporated on February 16, 1912. La Mesa employs a “Council – Manager” form of government under which the Council determines policy and the City Manager assures that the policy is implemented.

All funds of the City of La Mesa shall be invested in accordance with principles of sound treasury management and in accordance with the provisions of the California Government Code Sections 53600 et seq. and this Investment Policy (“Policy”). These funds are defined and detailed in the City’s Basic Financial Statements and Independent Auditor’s Report and includes any new funds created unless specifically excluded by the City Council.

Specifically excluded funds are:

- Funds deposited with the State Public Employees’ Retirement System and;
- Bond proceeds that are subject to covenants and restrictions as defined in the Bond’s indenture or are administered under the direct control of the Bond Trustee.

2. INVESTMENT POLICY OBJECTIVES

A. Overall Risk Profile

The objectives of the City of La Mesa’s Investment Program are, in order of priority:

1. Safety of principal of invested funds;
2. Maintenance of sufficient liquidity to meet cash flow needs; and
3. Attainment of the maximum yield possible consistent with the first two objectives.

To achieve these objectives, The City shall consider the following when making an investment:

1. Safety of Principal of Invested Funds

The City shall mitigate the risk to the principal of invested funds by limiting credit and interest rate risks. Credit Risk is the risk of loss due to the failure of a security’s issuer or backer. Interest Rate Risk is the risk that the market value of the City’s portfolio will fall due to an increase in general interest rates.

a) Credit risk will be mitigated by:

- (i) Limiting investments to only the most creditworthy types of securities as evaluated “investment grade” by one of the four Nationally Recognized Statistical Rating Organizations (NRSRO) as determined by the

- Securities and Exchange Commission (SEC), including (1) Standard & Poor's Rating Service, (2) Moody's Investors Service, (3) Fitch Ratings and (4) Dominion Bond Rating Service.
- (ii) By pre-qualifying the financial institutions with which it will do business; and
 - (iii) By diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the City.

b) Interest rate risk will be mitigated by:

- (i) Structuring the City's portfolio so that securities mature to meet the City's cash requirements for ongoing obligations, thereby avoiding the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and
- (ii) Investing primarily in shorter term securities.
- (iii) Not paying a premium for any secondary market security which includes a "call feature", thereby obviating the possibility that the interest realized will be less than anticipated, and/or that the call price will be substantially less than book value, resulting in a potential loss of principal.

2. Liquidity

The City's investment portfolio shall be structured in a manner which emphasizes that securities mature at the same time the cash is needed to meet anticipated demands (Static Liquidity). Additionally, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary markets (Dynamic Liquidity). The maximum percentage of different investment instruments and maturities is described in Section 3 of this Policy.

3. Yield

Yield on the City's investment portfolio is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. While it may occasionally be necessary or strategically prudent for the City to sell a security prior to maturity to either meet unanticipated cash needs or to restructure the portfolio, this policy specifically prohibits trading securities for the sole purpose of speculating on the future direction of interest rates.

B. Basic Investment Strategy

The City shall pursue a "passive" strategy of investment under which investments shall be of "laddered" maturities, facilitating a "buy and hold" process where financial instruments are held until maturity rather than actively bought and sold at various times. An "active" strategy of market timing, sector rotation, indexing to a benchmark and similar strategies are considered inappropriate for the size of the City's portfolio. It is understood that it may be appropriate to sell a particular

security prior to maturity to meet unanticipated cash needs with the approval of the City Treasurer.

The City's investment portfolio shall be structured to provide that sufficient funds from investments are available each month to meet the City's anticipated cash needs. Subject to the objectives stated above, the choice in investment instruments and maturities shall be based upon an analysis of future anticipated cash needs, existing and anticipated revenues, interest rate trends and specific market opportunities. No investment may have a maturity of more than five (5) years from its date of purchase without receiving prior City Council approval. After approval by City Council, reserve funds associated with bond issues may have a maturity of more than five (5) years, up to the earliest date the bonds may be redeemed or mature.

3. INVESTMENTS

This section of the Investment Policy identifies the types of investments in which the City will invest its idle or surplus funds.

A. Standard of Prudence

The City operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states in essence that: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency".

This standard shall be applied in the context of managing the overall portfolio. Investment officers, acting in accordance with written procedures and this investment policy and exercising the above standard of diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

B. Eligible Securities

The City is provided a broad spectrum of eligible investments under California Government Code Section 53600 et seq. The City may choose to restrict its permitted investments to a smaller list of securities that more closely fits the City's cash flow needs and requirements for liquidity. If a type of investment is added to California State Code 53600, it will not be added to the City's Authorized Investment List until this policy is amended and approved by the City Council. If a type of investment permitted by the City should be removed from California State Code 53600, it will be deemed concurrently removed from the City's Authorized Investment List, but existing holdings may be held until they mature.

The City's Authorized Investment List

Allowable investment instruments per State Government Code Section 53600 et seq. (as of January 1, 2013)^A applicable to all local agencies^B and detailed in the Local Agency Investment Guidelines (version 13.02) as published by the California Debt and Investment Advisory Commission

Figure 1

INVESTMENT TYPE	MAXIMUM MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% ^E	None
Commercial Paper - Select Agencies ^F	270 days	25% of the agency's money ^G	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^H
Commercial Paper - Other Agencies ^I	270 days	40% of the agency's money ^J	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^H
Negotiable Certificates of Deposit	5 years	30% ^K	None
CD Placement Service	5 years	30% ^K	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^L	20% of the base value of the portfolio	None ^M
Medium-Term Notes ^N	5 years	30%	"A" Rating
Mutual Funds and Money Market Mutual Funds	N/A	20% ^O	Multiple ^{P,Q}
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" Rating ^R
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple ^S
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund ^T	N/A	None	None

See "Table of Notes for Figure 1" on the next page for footnotes related to this exhibit

TABLE OF NOTES FOR FIGURE 1	
A	Sources: Government Code Sections 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, and 53638.
B	Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
C	Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
D	Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
E	No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
F	"Select Agencies" are defined as a "city, a district, or other local agency that do[es] not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."
G	No more than 10 percent of the agency's money may be invested in any one issuer's commercial paper.
H	Issuing corporation must be organized and operating within the U.S. and have assets in excess of \$500 million.
I	"Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.
J	No more than 10 percent of the agency's money may be invested in the commercial paper of any one corporate issuer.
K	No more than 30 percent of the agency's total funds may be invested in CDs authorized under Sections 53601.8, 53635.8, and 53601(i).
L	Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
M	Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
N	"Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S."
O	No more than 10 percent invested in any one mutual fund.
P	A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.
Q	A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.
R	Issuer must have an "A" rating or better for the issuer's debt as provided by a nationally recognized rating agency.
S	A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
T	Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.

Appendix A, "Description of Authorized Investments" is a more detailed description of the authorized investments listed in Figure 1 above.

A thorough investigation of any pool or fund is required prior to investing and on a continual basis. The investigation will, at a minimum, obtain the following information:

- A description of eligible investment securities, and a written statement of investment policies and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are distributed.
- A description of how securities are safeguarded (including the settlement process) and how often the securities are marked to market and how often an audit is conducted.
- A description of who may invest in the program, how often, what size deposits and withdrawals are permitted.
- A schedule for receiving statements and portfolio listings.
- Does the pool/fund maintain a reserve or retain earnings or is all income after expenses distributed to participants?
- A fee schedule which also discloses when and how fees are assessed.
- Is the pool or fund eligible for bond proceeds and/or will it accept such proceeds?

The purpose of this investigation is to determine the suitability of a pool or fund and evaluate the risk of placing funds with that pool or fund.

One of the purposes of this Investment Policy is to define what investments are permitted. If a type of security is not specifically authorized by this policy, it is not a permitted investment.

C. Qualification of Brokers, Dealers and Financial Institutions

The City Treasurer or his/her designee will establish and maintain a list of the financial institutions and broker/dealers authorized to provide investment and depository services to the City, will perform an annual review of the financial condition and registrations of the authorized financial institutions and broker/dealers, and require annual audited financial statements to be on file for each approved entity. The Investment Committee may limit the number of broker/dealers as deemed appropriate. The City shall annually provide its current Investment Policy to all interested parties, including all financial institutions and broker/dealers approved to do business with the City, by posting the Investment Policy on the City's official website. Upon annual notification of the approved Investment Policy, receipt of the Policy, including confirmation that it has been reviewed by the person(s) handling the City's account, shall be acknowledged in writing within thirty (30) days of such notification. Audited financial statements as required herein shall be submitted annually within 90 days of such notification.

All broker-dealers and financial institutions that desire to become qualified bidders for investment transactions must submit a “Broker-Dealer Application” and related documents relative to eligibility. This includes a current audited financial statement, proof of state registration, proof of FINRA registration and a certification that all persons handling the City’s account have received and reviewed the City’s Investment Policy and agree to comply with the provisions outlined in the Investment Policy. The City Treasurer or his/her designee may establish any additional criteria deemed appropriate to evaluate and approve any financial services provider. The selection process for broker-dealers shall be open to both “primary dealers” and “secondary/regional dealers” that qualify under Securities and Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule). The provider must have an office in California and the provider’s representative must be experienced in institutional trading practices and familiar with the California Government Code as it relates to investments by a City. The current form of the Broker Dealer Questionnaire appears as Appendix B of this policy.

D. Collateralization Requirements

Uninsured Time Deposits with banks and savings and loans shall be collateralized in the manner prescribed by state law for depositories accepting municipal investment funds.

Repurchase Agreements shall be collateralized in accordance with terms specified in the Master Repurchase Agreement. The valuation of collateral securing a Repurchase Agreement will be verified weekly to ensure a minimum of 102% of the value of the transaction being held by the City’s depository agent.

E. Diversification

The City will diversify its investments by security type and investment. With the exception of bond reserve funds, bond escrow funds, and any other specific funds approved by the City Council, the City Treasurer or his/her designee and the City’s Investment Committee will adopt a strategy that combines current market conditions with the City’s cash needs to maintain the maximum degree of safety of principal and liquidity throughout market and budgetary cycles. This strategy will include diversification by investment type and maturity allocations and will be included in the regular quarterly reports to Council. This strategy will be reviewed quarterly and can be changed accordingly.

F. Confirmations

Receipts for confirmation of purchases or sales of authorized securities shall include at a minimum the following information: trade date, settlement date, description of the security, par value, interest rate, price, yield to maturity, City’s name, net amount due and third party custodial information.

4. SAFEKEEPING OF SECURITIES

The City shall contract with a bank or banks for the safekeeping of securities that are owned by the City as a part of its investment portfolio or transferred to the City under the terms of a Repurchase Agreement.

All securities owned by the City shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and the City. **All securities will be received and delivered using standard delivery versus payment (DVP) procedures.** The third party bank trustee agreement must comply with Section 53608 of the California Government Code. No outside broker/dealer or advisor may have access to City funds, accounts or investments and any transfer of funds must be approved by the City Treasurer.

The City's current custodian is:

MUFG Union Bank, N.A.
Global Custody Services
350 California Street, Suite 600
San Francisco, CA 94104
ATTN: Elena Aguba
Telephone 415.705.7206.

5. STRUCTURE AND RESPONSIBILITIES

This section of the policy defines the overall structure and areas of responsibility within the investment management program.

A. Responsibilities of the City Treasurer

The City Treasurer is charged with responsibility for maintaining custody of all public funds and securities belonging to or under the control of the City, and for the deposit and investment of those funds in accordance with principles of sound treasury management, applicable laws, ordinances and this Investment Policy. This includes establishing written procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, master repurchase agreements, wire transfer agreements, banking services contracts and depository agreements. Such procedures shall also include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer and approved by the Investment Committee.

The current delegation of authority, Appendix C hereof, will be provided to all approved financial institutions. They will be notified of any changes to this delegation in a timely fashion and acknowledge receipt.

B. Responsibilities of the Director of Finance

The Director of Finance is responsible for keeping the City Council fully advised as to the financial condition of the City.

C. Responsibilities of the City Council

The City Council shall consider and adopt a written Investment Policy. As provided in that policy, the Council shall receive, review and accept quarterly investment reports.

D. Responsibilities of the Investment Committee

There shall be an Investment Committee consisting of the Director of Finance, the City Manager, the City Treasurer and their designees. The Committee shall meet quarterly to discuss cash flow requirements, the quarterly investment reports, investment strategies, investment and banking procedures and significant investment related work projects being undertaken in each department that will affect the cash flow management of the City Treasurer. This will require timely reports from the department heads to the Director of Finance concerning significant future cash flow requirements. The Investment Committee, with the approval of the City Council, may retain an external investment manager on behalf of the City. The investment manager will be required to act in accordance with this investment policy.

E. Ethics and Conflicts of Interest

All City officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Those employees and investment officials shall disclose to the appropriate City executive (City Manager, City Attorney, or the Director of Finance) any material financial interests in financial institutions that conduct business within the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's investments.

6. REPORTING

The City Treasurer shall prepare a quarterly investment report, including a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made. This management summary shall be prepared in a manner that will allow the Director of Finance and the City Council to ascertain whether investment activities during the reporting period have complied with the City's Investment Policy.

The quarterly report shall include the following:

- A. A list of individual securities held at the end of the reporting period.
- B. Unrealized gains or losses resulting from amortization or accretion of principal versus market value changes by listing the cost and market value of securities owned by the City.
- C. Dollar weighted yield of the City's investments.
- D. Maturity schedule by type, of each of the City's investments.
- E. Statement of compliance of the City's Investment Policy with California Government Code Section 53601 et seq.

- F. Statement as to ability to meet all scheduled expenditure requirements for the next six months.
- G. Market value, book value, par value and cost basis of all investments.

7. PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the standards established within this Investment Policy and should obtain a market rate of return throughout budgetary and economic cycles. The Investment Committee will establish and periodically review the City's portfolio benchmarks and performance. A benchmark will be selected that compares with the portfolio composition, structure and investment strategy at that time.

8. REVIEW OF INVESTMENT POLICY

A. Policy Review

This Investment Policy shall be reviewed annually by the City Council to ensure its consistency with respect to the overall objectives of safety, liquidity and yield. Proposed amendments to the policy shall be prepared by the Treasurer and reviewed by the Investment Committee and City Attorney and then be forwarded to the City Council for consideration. The Investment Committee shall annually review the Investment Policy and any proposed amendments and forward to the City Council for its consideration and adoption at a public meeting.

B. Internal Control and Review

The external auditors shall annually review the investments and general activities associated with the investment program to ensure compliance with this Investment Policy. This review will provide internal control by assuring compliance with policies and procedures established by this Investment Policy.

9. DEFINITIONS

The City has adopted the glossary of terms as published by the State of California Debt and Investment Advisory Commission (Appendix A).

10. ADOPTION OF POLICY

This Policy was duly adopted by the City Council of the City of La Mesa on the 9th day of August, 2016.

APPENDICES

- A. Description of Authorized Investments and Glossary
- B. Broker/Dealer Questionnaire
- C. Delegation of Authority
- D. Quarterly Investment Report Format

APPENDIX A

DESCRIPTION OF AUTHORIZED INVESTMENTS

The City of La Mesa's investments may be placed in those securities as outlined below; the allocation between the various investment instruments may change in order to give the City the best combination of safety, liquidity and higher yield. Surplus funds of local agencies may only be invested in certain eligible securities. The City limits its investments to allowable securities under the State of California statutes (Government Code Section 53601, et seq., Section 53356, et seq., and Section 53595, et seq.) and is further limited to those listed below.

Certificates of Deposit

Certificates of deposit allow the City to select the exact amount and day of maturity as well as the exact depository. Certificates of deposit are issued in any amount for periods of time as short as fourteen days and as long as several years. At any given time, the City may have certificates of deposit in numerous financial institutions.

Collateral is not required for that portion of a deposit, which is insured pursuant to federal law. Currently, the first \$250,000 of a deposit is federally insured by FDIC. Non-negotiable CD's for amounts in excess of federal insurance are not permitted.

Local Agency Investment Fund

The Local Agency Investment Fund (LAIF) of the State of California offers high liquidity because deposits can be wired to the City checking account within twenty-four hours. Interest is computed on a daily basis.

This is a special fund within the State Treasury, which local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000 in multiples of \$1,000 above that, with a maximum of \$50,000,000 for any city. It offers high liquidity because deposits can be converted to cash within twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly by adding it to the principal.

The State charges participants a small fee to cover reasonable costs associated with operating the investment pool, not to exceed one-quarter of one percent of the earnings.

The interest rates received are fairly stable because of the pooling of the State's surplus cash with the surplus cash deposited by local governments. This creates a well- diversified multi-billion dollar money pool.

U.S. Treasury Securities

U.S. Treasury securities are highly liquid and considered the safest of all investments because they are backed by the full faith and credit of the United States Government.

- **U.S. Treasury Bills** are direct obligations of the United States Government. They are issued weekly with maturity dates up to six months. They are issued and traded on a discount basis and the interest is figured on a 360-day basis using the actual number of

days to maturity. They are issued in the minimum amount of \$10,000 and in multiples of \$5,000 thereafter.

- **U.S. Treasury Notes** are direct obligations of the United States Government. They are issued throughout the year with maturities up to 30 years. Notes are coupon securities paying a fixed amount every six months. The City will not invest in notes having maturities longer than five years.

Federal Agency Securities and Government Sponsored Enterprises

Federal Agency securities are highly liquid and considered to be virtually without credit risk. Federal Agency issues have a partial guarantee directly by the United States Government and are considered "moral" obligations of the U.S. Government (implied guarantee). All Agency obligations that are fixed-rate and meet the maturity restrictions of the State Code and this policy qualify as legal investments and are acceptable as security for public deposits. They usually provide higher yields than regular Treasury issues with all of the same advantages. Examples are:

- **FNMA's (Federal National Mortgage Association)** are used to assist the home mortgage market by purchasing mortgages insured by the Federal Housing Administration and the Farmers Home Administration, as well as those guaranteed by the Veterans Administration.
- **FHLB's (Federal Home Loan Bank Notes and Bonds)** are issued by the Federal Home Loan Bank System to help finance the housing industry. The notes and bonds provide liquidity and home mortgage credit to savings and loan associations, mutual savings banks, cooperative banks, insurance companies and mortgage-lending institutions.
- Other Federal Agency issues are **Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), Small Business Administration Notes (SBA's), Tennessee Valley Authority (TVA's)** and the **Student Loan Marketing Association (SLMA's)**.

Negotiable Certificate of Deposit

Negotiable certificates of deposit are high-grade instruments, generally paying a higher interest rate than regular certificates of deposit. They are liquid because they can be traded in the secondary market.

Local agencies may invest up to 30% of their surplus money in negotiable certificates of deposit. Negotiable certificates of deposit shall at no time exceed the FDIC insurance limit of \$250,000.

Commercial Paper

Commercial paper allows the investment of large amounts of money on a short-term basis at rates higher than passbook savings accounts. Commercial paper is a short-term unsecured promissory note issued by a corporation to raise working capital. These negotiable instruments are purchased at a discount to par value. As an example, corporations such as American Express, International Business Machines (IBM) and General Electric issue commercial paper.

Local agencies are permitted by State law to invest in commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investor's Service, Inc. or Standard and Poor's Corporation (**A1/p1 or A1+/p1**). Purchases of eligible

commercial paper may not exceed 270 days maturity nor exceed 25% of the City's surplus funds.

Medium-Term Corporate Notes

A City may invest in medium term corporate notes with a maximum maturity of five years issued by a corporation organized and operating within the United States, a depository institution licensed by the United States government or any state government and operating within the United States. The California State Code (53601 et seq.) permits cities to invest in corporations with a rating category of "A" or better, but the City will limit its investments in corporate medium term notes to those issued by corporations that have been rated "AA" or its equivalent by two nationally recognized ratings agencies.

Passbook Savings or Money Market Account

Passbook savings account allows us to transfer money from checking to savings and earn interest on smaller amounts of money, which are not available for a longer-term investment.

The passbook savings account is similar to a CD, except not for a fixed term. The interest rate is much lower than CD's, but the savings account provides daily liquidity and funds can be deposited and withdrawn according to our daily needs.

Mutual Funds

Mutual funds allow the City to maintain liquidity and receive money market rates. Mutual Funds are referred to in the Government Code, Section 53601.L, as "shares of beneficial interests issued by diversified management companies". The Mutual Fund must be restricted by its prospectus to be a "Money Market" mutual fund and be limited to the same approved investments as LAIF. These investments include U.S. Treasury and Agency issues, Bankers Acceptances, Commercial Paper, Repurchase Agreements, Certificates of Deposit, and Negotiable Certificates of Deposit. The quality rating and percentage restrictions in each investment category applicable to LAIF also apply to any Mutual Fund.

One of the stated objectives of the Money Market Mutual Fund must be to attempt to maintain a \$1.00 Net Asset Value (NAV). A further restriction is that the purchase price of shares of any mutual fund shall not include any sales commission. Investments in mutual funds shall not exceed 20% of the City's surplus money.

Repurchase Agreements

Repurchase agreements are purchases of securities by the City under an agreement with a term of one (1) year or less whereby the seller will "repurchase" the same securities on or before a specified date or on demand of either party and for a specified amount. The underlying securities must be delivered to the City's custodial account by book entry, physical delivery or a third-party custodial agreement.

GLOSSARY

A

ACCRUED INTEREST

Coupon interest accumulated on a bond or note since the last interest payment or, for a new issue, from the dated date to the date of delivery.

ARBITRAGE

Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets. The 1986 Tax Reform Act made this practice by municipalities illegal solely as a borrowing tactic, except under certain safe-harbor conditions.

ASSET-BACKED SECURITIES

Securities that are supported by pools of assets, such as installment loans or leases, or by pools of revolving lines of credits. Asset-backed securities are structured as trusts in order to perfect a security interest in the underlying assets.

AVERAGE

An arithmetic mean of selected stocks intended to represent the behavior of the market or some component of it.

B

BANK DEPOSITS

To deposit collateral in the form of currency that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

BANK NOTES

A senior, unsecured, direct obligation of a bank or U. S. branch of a foreign bank.

BANKERS' ACCEPTANCE

A draft or bill of exchange accepted by a bank or trust company. The accepting institution, as well as the

issuer, guarantees payment of the bill.

BASIS POINTS

Refers to the yield on bonds. Each percentage point of yield in bonds equals 100 basis points (1/100% or 0.01%). If a bond yield changes from 7.25% to 7.39%, that is a rate of 14 basis points.

BENCHMARK

A passive index used to compare the performance, relative to risk and return, of an investor's portfolio.

BOND PROCEEDS

The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

BONDS

A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, in interest on the principal.

BOOK VALUE

The value at which an asset is carried on a balance sheet.

BROKER

A person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account.

C

CALLABLE SECURITIES

An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

CASH FLOW

A comparison of cash receipts (revenues) to required payments (debt service, operating expenses, etc.).

CERTIFICATE OF DEPOSIT

A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposit (CDs) differ in terms of collateralization and marketability. Those appropriate to public agency investing include:

Negotiable Certificates of Deposit

Generally, short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

Non-Negotiable Certificates of Deposit

CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for these non-negotiable CDs, but include a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the Federal Deposit Insurance Corporation up to the amount of \$250,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities including Treasuries or agency securities such as those issued by the Federal National Mortgage Association.

CDARS (CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM)

A private CD placement service that

allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

CD PLACEMENT SERVICE

A service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution while still maintaining FDIC insurance coverage. See "CDARS".

COLLATERALIZATION

Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER

An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

CORPORATE NOTES AND BONDS

Debt instruments, typically unsecured, issued by corporations, with original maturities in most cases greater than one year and less than ten years.

COUNTY POOLED INVESTMENT FUNDS

The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

COUPON

The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

CREDIT RATING

Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Ratings use the same system, starting with their highest rating, of AAA, AA, A, BBB, BB, B, CCC, CC, C, and D for default. Moody's Investors Service uses AAA, AA, A, BAA, BA, B, CAA, CA, and D. Each of the services use pluses (+), minuses (-), or numerical modifiers to indicate steps within each category. The top four letter categories are considered investment grade ratings.

CREDIT RISK

The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of a corporation's credit will cause the market value of a security to fall, even if default is not expected.

CUSIP NUMBER

The Committee on Uniform Security Information Procedures (CUSIP) Number refers to a security's identification number assigned to each publicly traded security by the CUSIP Service Bureau operated by Standard & Poor's for the American Bankers Association. The CUSIP Number is a nine-character identifier unique to the issuer, the specific issue and the maturity, if applicable (the first six characters identifying the issuer, the next two identifying the security and the last digit providing a check digit to validate the accuracy of the preceding CUSIP number).

CUSTODIAN

A bank or other financial institution that keeps custody of stock certificates and other assets.

D

DEALER

Someone who acts as a principal in all transactions, including underwriting, buying, and selling securities, including from his/her own account.

DEFEASED BOND ISSUES

Issues that have sufficient money to retire outstanding debt when due so that the agency is released from the contracts and covenants in the bond document.

DERIVATIVE

Securities that are based on, or derived from, some underlying asset, reference date, or index.

DISCOUNT

Discount means the difference between the par value of a security and the cost of the security, when the cost is below par. Investors purchase securities at a discount when return to the investor (yield) is higher than the stated coupon (interest rate) on the investment.

DURATION

A measure of the timing of the cash flows to be received from a security that provides the foundation for a measure of the interest rate sensitivity of a bond. Duration is an elasticity measure and represents the percentage change in price divided by the percentage change in interest rates. A high duration measure indicates that for a given level of movement in interest rates, prices of securities will vary considerably.

E

EFFECTIVE DURATION

Duration measures the weighted average of the present value of the cash flows of a fixed-income investment. Effective duration measures the price sensitivity of fixed-income investments, especially for those with

embedded option features such as call options. As yields rise, the effective duration of a callable investment rises to reflect the fact that it has become less likely to be called. The more rates rise, the longer the effective duration will become, approaching the duration to maturity. The converse is true in a declining interest rate environment (that is, the more rates fall, the shorter the effective duration will become, approaching the duration to call). For securities without an embedded option, the duration to call, maturity, and effective duration are all the same. The calculation for effective duration is complicated and involves averaging the duration under a simulation of many possible interest rate scenarios in the future.

EXTENDABLE NOTES

Securities with maturity dates that can be extended by mutual agreement between the issuer and investor. When investing in these types of securities, the maturity date plus the stated extendable option must not exceed the time frames that are allowed in California Government Code or the investment policy for the investment type. F

FIDUCIARY

An individual who holds something in trust for another and bears liability for its safekeeping.

FIRST TIER SECURITIES

Securities that have received short-term debt ratings in the highest category from the requisite nationally recognized statistical-rating organizations (NRSROs), or are comparable unrated securities, or are issued by money market funds, or government securities. [See SEC Rules: Paragraph (A)(12) of rule 2A-7.]

G

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB)

A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS)

An agreement acknowledging receipt of funds for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

I

INTEREST

The amount a borrower pays to a lender for the use of his or her money.

INVESTMENT AGREEMENTS

Investment agreements are contracts with respect to funds deposited by an investor. Investment agreements are often separated into those offered by banks and those offered by insurance companies. In the former case, they are sometimes referred to as "bank investment contracts."

INVESTMENT OVERSIGHT COMMITTEE

A committee of three to eleven members formed under Section 27131 to monitor and review a county's investment policy by causing an annual audit and discussing its findings at an open meeting. Although cities and other local agencies are not required to compose an investment oversight committee, the State Legislature has declared that all local agencies "should participate in reviewing the policies that guide the investment of those funds."

L

LIQUIDITY

The measure of the ability to convert an instrument to cash on a given date at full face or par value.

LIQUIDITY RISK

The chance that a security, sold prior to maturity, will be sold at a loss of value. For a local agency, the liquidity risk of an individual investment may not be as critical as how the overall liquidity of the portfolio allows the agency to meet its cash needs.

LOCAL AGENCY INVESTMENT FUND

A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP)

Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

M**MARKET RISK**

The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly.

MARKET VALUE

The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

MATURITY

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

MEDIUM-TERM NOTE

Corporate or depository institution debt securities meeting certain minimum

quality standards (as specified in the California Government Code) with a remaining maturity of five years or less.

MONEY MARKET MUTUAL FUNDS

MMF's are mutual funds that invest exclusively in short-term money market instruments. MMF's seek the preservation of capital as a primary goal while maintaining a high degree of liquidity and providing income representative of the market for short term investments.

MORTGAGE BACKED SECURITIES

Mortgage-backed securities (MBS) are created when a mortgagee or a purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interests or participations in the pool. MBS owners receive a prorata share of the interest and principal cash flows (net of fees) that are "passed through" from the pool of mortgages. MBS are complex securities whose cash flow is determined by the characteristics of the mortgages that are pooled together. Investors in MBS face prepayment risk associated with the option of the underlying mortgagors to pre-pay or payoff their mortgage. Most MBS are issued and/or guaranteed by federal agencies and instrumentalities (e.g., Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC)).

MORTGAGE PASS-THROUGH OBLIGATIONS

Securities that are created when residential mortgages (or other mortgages) are pooled together and undivided interests or participations in the stream of revenues associated with the mortgages are sold.

MUNICIPAL NOTES, BONDS, AND OTHER OBLIGATIONS

Obligations issued by state and local governments to finance capital and operating expenses.

MUTUAL FUNDS

An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

N

NET ASSET VALUE

Net asset value (NAV) is a term used in the mutual fund industry to determine the average price per share of a pool or mutual fund. How this measure varies over time provides information on whether the pool is stable or variable. NAV is the market value of all securities in a mutual fund, less the value of the fund's liabilities, divided by the number of shares in the fund outstanding. Shares of mutual funds are purchased at the fund's offered NAV.

NET PRESENT VALUE

An amount that equates future cash flows with their value in present terms.

NOTE

A written promise to pay a specified amount to a certain entity on demand or on a specified date. Usually bearing a short-term maturity of a year or less (though longer maturities are issued—see “Medium-Term Note”).

O

OPTIONS

An option is a contract that gives the buyer the right to buy or sell an obligation at a specified price for a specified time. Exchange Traded Options are standardized option contracts that are actively traded on the Chicago Board of Exchange on a daily basis whereas Over-the-Counter

Options are traded directly between the buyer and seller at agreed upon prices and conditions (the former type of option is therefore more liquid than the latter).

P

PAR AMOUNT OR PAR VALUE

The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the “face amount” of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

PORTFOLIO

Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

PREMIUM

Premium means the difference between the par value of a security and the cost of the security, when the cost is above par. Investors pay a premium to purchase a security when the return to the investor (yield) is lower than the stated coupon (interest rate) on the investment.

PRICE

Price is the amount of monetary consideration required by a willing seller and a willing buyer to sell an investment on a particular date.

PRINCIPAL

The face value or par value of a debt instrument, or the amount of capital invested in a given security. PROSPECTUS A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified

financial statements (also known as an “official statement”).

PRUDENT INVESTOR STANDARD

A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in such a situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

R

REPURCHASE AGREEMENTS

An agreement of one party (for example, a financial institution) to sell securities to a second party (such as a local agency) and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

REVERSE REPURCHASE AGREEMENTS

An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

RISK

The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD

Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

S

SAFEKEEPING SERVICE

Offers storage and protection of assets provided by an institution serving as an agent.

SAFETY

In the context of investing public funds, safety relates to preserving the principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

SECURITIES AND EXCHANGE COMMISSION (SEC)

The federal agency responsible for supervising and regulating the securities industry.

SECURITIES LENDING AGREEMENT

An agreement of one party (for example, a local agency) to borrow securities at a specified price from a second party (for example, another local agency) with a simultaneous agreement by the first party to return the security at a specified price to the second party on demand or at a specified date. These agreements generally are collateralized and involve a third CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION party custodian to hold the securities and collateral. Economically similar to reverse repurchase agreement.

T

TAX AND REVENUE ANTICIPATION NOTES (TRANS)

Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

TIME DEPOSITS

Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit

notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

TRUSTEE, TRUST COMPANY OR TRUST DEPARTMENT OF A BANK

A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

U

UNDERWRITER

A dealer that purchases a new issue of municipal securities for resale.

U.S. TREASURY OBLIGATIONS

Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

W

WEIGHTED AVERAGE MATURITY (WAM)

The average maturity of all the securities that comprise a portfolio, typically expressed in days or years.

Y

YIELD

The current rate of return on an investment security generally expressed as a percentage of the securities current price.

YIELD CURVE

A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way

except maturity.

Z

ZERO-INTEREST BOND

A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-interest bonds are typically issued at a discount and repaid at par upon maturity.

APPENDIX B



Investment Policy

Broker/Dealer Questionnaire

1. Name of Firm: _____

2. Address: _____

3. Telephone: _____

4. Principal(s)/Manager(s)/Partner(s):

Name: _____ Title: _____

Name: _____ Title: _____

5. Is Your Firm:

Broker? Yes No (a firm that does not own the securities being offered)

Dealer? Yes No (a firm that owns a position in the securities being offered)

6. Year Founded: _____

7. Firm's Total Volume of U.S. Government Securities Traded in Most Recent Fiscal Year:

\$ _____

8. Financial Instruments Most Regularly Offered: _____

9. References: (Public sector clients in the local geographical area are preferred):

Name: _____ Title: _____ Telephone: _____

Address: _____

Name: _____ Title: _____ Telephone: _____

Address: _____

Name: _____ Title: _____ Telephone: _____

Address: _____

10. Local Office and Representative assigned to the City of La Mesa account:

NOTE: Your firm must have an office in California (See 3.c of the Policy)

Address: _____

Name: _____ Title: _____ Telephone: _____

11. Has any client sustained a loss on a securities transaction engendered from a misunderstanding or misrepresentation of the risk characteristic of the financial instrument?

Yes No

If Yes, please explain: _____

12. Has your firm, its employees, or local office been the subject of a state or federal investigation for alleged unfair, illegal, or fraudulent activities?

Yes No

If Yes, please explain: _____

13. Please explain your usual custody or delivery process. Who audits these fiduciary systems?

14. Describe the capital line and trading limits imposed on the office that would service the account and conduct business with the City of La Mesa:

15. Please enclose recent audited financial statements and/or other indications of your firm's capitalization.

16. Please describe the limits of insurance (Securities Investor Protection Corporation, excess SIPC, etc.) available:

17. Please provide proof of Financial Industry Regulatory Authority (FINRA) certification.

18. Please provide proof of registration with the State of California.

19. Please provide proof that your firm is qualified under SEC Rule 15C3-1 (Uniform Net Capital Rule).

20. What information do you require of the City of La Mesa?

21. What transaction documents can the City of La Mesa expect to receive from you?

22. Please confirm that you and your representatives have read and understand the City of La Mesa’s Investment Policy and are familiar with Government Code Sections 53600 et seq by signing below:

Name: _____ **Signature:** _____
Title: _____ **Date:** _____

Attach resumes of all persons receiving a copy of our investment policy.

APPENDIX D

June 2016

CUSIP	Issuer	Type of Investment	Interest			Par Value	Book Value	Market Value
			Rate	Beginning Date	Due Date			
Federal Agencies								
3133EA3J5	FFCB	Medium Term - Fixed Rate	0.900%	10/10/2012	10/10/2017	1,000,000	998,980	1,000,030
3134G3Y38	FHLMC	Medium Term - Step-up	0.900%	11/27/2012	11/27/2017	1,000,000	996,820	1,000,080
3135G0XMO	FNMA	Medium Term - Fixed Rate	1.125%	5/30/2013	5/25/2018	1,000,000	995,880	1,000,380
3135G0GY3	FNMA	Medium Term - Fixed Rate	1.250%	6/28/2013	1/30/2017	1,000,000	1,010,370	1,004,520
3133EE5Y2	FFCB	Medium Term - Fixed Rate	1.940%	8/7/2015	8/4/2020	1,000,000	999,000	1,000,160
3133EFFL6	FFCB	Medium Term - Fixed Rate	1.090%	9/28/2015	9/28/2020	1,000,000	1,000,000	1,001,040
3130A6LR6	FHLB	Medium Term - Fixed Rate	1.750%	10/19/2015	10/19/2020	975,000	975,000	976,307
3137EADM8	FHLMC	Medium Term - Fixed Rate	1.250%	11/13/2015	10/2/2019	1,000,000	986,800	1,011,880
3133EFSJ7	FFCB	Medium Term - Fixed Rate	1.300%	12/14/2015	12/14/2018	1,000,000	1,000,000	1,012,290
3134G8SF7	FHLMC	Medium Term - Fixed Rate	1.900%	3/30/2016	12/30/2020	1,000,000	1,000,000	1,001,190
3136G3LG8	FNMA	Medium Term - Fixed Rate	1.550%	4/28/2016	7/28/2020	1,000,000	1,000,000	1,001,210
3134G9CP0	FHLMC	Medium Term - Fixed Rate	1.300%	5/13/2016	2/13/2020	1,000,000	1,000,000	1,001,760
3134G9FT9	FHLMC	Medium Term - Fixed Rate	1.875%	5/24/2016	5/24/2021	1,000,000	1,000,000	1,000,520
3130A7ZK6	FHLB	Medium Term - Fixed Rate	1.600%	5/25/2016	5/25/2021	1,000,000	1,000,000	1,000,790
3134G9DV6	FHLMC	Medium Term - Fixed Rate	1.850%	5/26/2016	5/26/2021	1,000,000	1,000,000	1,000,540
3134G9NG8	FHLMC	Medium Term - Fixed Rate	1.800%	6/30/2016	6/30/2021	1,000,000	1,000,000	1,000,800
Total Federal Agencies							15,962,850	16,013,497
Bank Certificates of Deposits								
254671DQ0	Discover Bank	Certificate of Deposit--Fixed Rate	1.750%	7/3/2012	7/3/2017	247,000	251,115	249,687
38143AVY8	Goldman Sachs Bank USA	Certificate of Deposit--Fixed Rate	1.800%	7/5/2012	7/5/2017	247,000	250,861	249,574
36160XH34	GE Capital Financial INC	Certificate of Deposit--Fixed Rate	1.800%	7/6/2012	7/6/2017	247,000	250,858	249,579
36157PH11	GE Capital Retail Bank	Certificate of Deposit--Fixed Rate	1.800%	7/6/2012	7/6/2017	247,000	250,858	249,579
337641KQ7	First Bank of Puerto Rico	Certificate of Deposit--Fixed Rate	1.250%	8/24/2012	8/24/2016	249,000	251,388	249,259
29976DNV8	Everbank Jacksonville FLA	Certificate of Deposit--Fixed Rate	0.850%	9/28/2012	9/28/2016	248,000	248,608	248,201
02587DLC0	American Express Centurion Bar	Certificate of Deposit--Fixed Rate	1.350%	10/4/2012	10/4/2016	248,000	250,473	248,585
58403BZ01	Medallian Bank Salt Lake City	Certificate of Deposit--Fixed Rate	0.850%	10/26/2012	10/26/2016	249,000	251,370	249,266
05967ERK7	Bank Popular de Pr Hato Re	Certificate of Deposit--Fixed Rate	1.000%	11/14/2012	11/14/2016	249,000	250,006	249,446
17284ASJ3	CIT Bank	Certificate of Deposit--Fixed Rate	1.100%	2/21/2013	2/21/2018	248,000	248,583	250,088
060624XJ7	Bank Baroda	Certificate of Deposit--Fixed Rate	1.350%	3/8/2013	3/8/2018	248,000	248,159	249,902
20033ABE5	Comenity Cap Bank Salt Lake CI	Certificate of Deposit--Fixed Rate	1.000%	5/3/2013	5/3/2018	249,000	248,746	250,955
06740AZB8	Barclays BK Del Wilmington	Certificate of Deposit--Step Up	0.700%	5/10/2013	4/30/2018	247,000	248,382	250,191
025121JG0	American Chartered Dkschai	Certificate of Deposit--Fixed Rate	1.600%	7/25/2013	7/25/2018	249,000	250,579	252,678
29266NXM4	Enerbank USA Salt Lake City	Certificate of Deposit--Fixed Rate	2.000%	9/26/2013	9/26/2018	249,000	252,152	254,204
32065TAF8	First Kentucky Bank, Inc	Certificate of Deposit--Fixed Rate	1.750%	11/15/2013	11/15/2018	249,000	251,764	254,316
20786AA19	ConnectOneBank	Certificate of Deposit--Fixed Rate	1.850%	12/13/2013	12/13/2018	249,000	251,565	254,391
88413QA55	Third Fed Svgs & Ln Assn Ofc	Certificate of Deposit--Fixed Rate	1.750%	1/22/2014	10/22/2018	248,000	250,187	252,712
94768NJP0	Webster BK Waterbury Conn	Certificate of Deposit--Fixed Rate	1.800%	3/19/2014	3/19/2019	248,000	248,112	252,469
704692AL6	Peapack Gladstone Bank	Certificate of Deposit--Fixed Rate	1.800%	5/28/2014	5/28/2019	248,000	249,272	254,081
628779FJ4	NBT BK Natl Assn Norwich	Certificate of Deposit--Fixed Rate	1.800%	6/6/2014	6/6/2019	245,000	246,076	250,958
66736AAN9	Northwest Bank	Certificate of Deposit--Fixed Rate	1.700%	7/18/2014	7/18/2019	249,000	249,804	255,265
74267GUQ8	Private Bank and TC CHI	Certificate of Deposit--Fixed Rate	2.000%	7/21/2014	7/22/2019	248,000	248,660	254,126
02587CA77	American Express Bank	Certificate of Deposit--Fixed Rate	1.950%	7/17/2014	7/19/2019	248,000	248,707	254,123
856284Y81	State Bank of India	Certificate of Deposit--Fixed Rate	2.050%	8/15/2014	7/29/2019	247,000	247,692	253,177
32082BDH9	First Merchants Bank	Certificate of Deposit--Fixed Rate	1.900%	8/14/2014	8/6/2019	248,000	248,625	254,230
981571BL5	Worlds Foremost BK Sydney	Certificate of Deposit--Fixed Rate	2.100%	6/11/2015	6/11/2020	200,000	197,374	204,658
05580ACB8	BMW Bank of North America	Certificate of Deposit--Fixed Rate	2.100%	6/26/2015	6/26/2020	247,000	245,301	254,165
140420SX9	Capital One Bank USA	Certificate of Deposit--Fixed Rate	2.250%	7/1/2015	7/1/2020	247,000	247,000	254,143
14042E4P2	Capital One, National Associatio	Certificate of Deposit--Fixed Rate	2.300%	7/15/2015	7/15/2020	247,000	247,000	255,099
45780PAL9	Institute for Savings in Newbury	Certificate of Deposit--Fixed Rate	2.050%	7/31/2015	7/31/2020	249,000	249,000	257,732
02006LST1	Ally Bank Midvale Utah	Certificate of Deposit--Fixed Rate	1.700%	8/7/2015	8/6/2018	245,000	244,878	247,869
27113PAK7	East Boston Savings Bank	Certificate of Deposit--Fixed Rate	1.700%	8/24/2015	8/23/2019	249,000	249,000	256,012
46176PEU0	Investors Bank	Certificate of Deposit--Fixed Rate	2.000%	8/25/2015	8/25/2020	247,000	247,000	256,161
46174UQS2	Investors Community Bank	Certificate of Deposit--Fixed Rate	1.950%	8/26/2015	8/26/2020	249,000	249,000	258,265
149159KT1	Cathay Bank	Certificate of Deposit--Fixed Rate	0.950%	8/28/2015	5/13/2017	249,000	249,000	249,807
06251AK58	Hapoim BM New York	Certificate of Deposit--Fixed Rate	1.650%	10/29/2015	10/27/2019	247,000	247,000	253,153
05573J6C3	BMO Harris Bank	Certificate of Deposit--Fixed Rate	1.100%	11/4/2015	11/6/2017	248,000	248,000	249,101
795450WU5	Sallie Mae Bank	Certificate of Deposit--Fixed Rate	1.600%	11/4/2015	11/5/2018	248,000	248,000	251,023
49306SVL7	Keybank National Association	Certificate of Deposit--Fixed Rate	1.100%	11/12/2015	11/13/2017	248,000	248,000	249,131
40434AC72	HSBC Bank USA	Certificate of Deposit--Fixed Rate	1.600%	11/17/2015	11/17/2020	247,000	247,000	249,421
9497482T3	Wells Fargo Bank	Certificate of Deposit--Fixed Rate	1.550%	11/18/2015	11/19/2018	249,000	249,000	252,279
687377DU2	Orrstown Bank	Certificate of Deposit--Fixed Rate	2.000%	12/28/2015	12/28/2020	249,000	249,000	250,975
31938QQ72	First Business Bk Madison WI	Certificate of Deposit--Fixed Rate	1.900%	12/22/2015	12/22/2020	247,000	247,000	251,831
33715LAD2	First Technology Federal CU	Certificate of Deposit--Fixed Rate	1.750%	6/30/2016	6/30/2021	247,000	247,000	247,590
Total Bank CD's							11,147,152	11,289,458
Custodian								
98-37-421	LAIF State of California	Demand	0.552%			32,819,346	32,819,346	32,819,346
Drefus	Union Bank Money Mkt Sweep	Sweep	0.000%			-	-	-
Total Custodian							32,819,346	32,819,346
Totals							59,929,348	60,122,301