

**INVESTMENT POLICY
FOR
PINAL COUNTY TREASURER
FINAL— 07/07/2026**

1.0 Policy

It is the policy of the Pinal County Treasurer to invest public funds and trust funds to maximize returns while ensuring maximum security of principal, maintaining liquidity to meet daily cash flow demands, and achieving competitive investment returns compared to peer group portfolios of similar composition and risk profile. The Treasurer will conform to all state statutes, including A.R.S. §35-323 and §35-324, and applicable federal regulations governing the investment of public funds. All applicable statutes and other authorities referenced within this policy are located in **Exhibit A**, attached hereto.

2.0 Scope

This investment policy applies to all financial assets under the authority and control of the County Treasurer, including funds of the county, school districts, fire districts, special districts, and other entities authorized by their governing bodies to be invested by the Treasurer. These funds are accounted for in the Pinal County Treasurer's Monthly Report required by A.R.S. §11-501.

3.0 Standards of Care

Investments shall be made with judgment and care under prevailing circumstances, adhering to the "prudent person" standard, which prioritizes the probable safety of capital and probable income, not speculation.

3.1 Prudence:

The "prudent person" standard shall be applied in managing the overall portfolio. Investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

3.2 Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program or impair impartial decision-making. They shall disclose material interests in financial institutions and any personal financial/investment positions related to the portfolio's performance.

3.3 Delegation of Authority:

Authority to manage the investment program is granted to the County Treasurer per A.R.S. §35-323. The Treasurer shall establish written procedures and internal controls, including safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in investment transactions except as provided under this policy. The County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the Chief Deputy Treasurer and Investment Administrator.

4.0 General Objective

The primary objectives, in priority order, of the Pinal County Treasurer's investment activities shall be safety, liquidity, and yield.

4.1 Safety:

Safety of principal is the foremost objective. Investments of the Pinal County Treasurer shall be undertaken to ensure capital preservation by mitigating credit risk and interest rate risk.

A. Credit Risk: The County Treasurer will minimize risk of loss due to issuer or counterparty failure by:

- Limiting investments to those specified in A.R.S. §35-323(A) and §35-324.
- Pre-qualifying financial institutions, broker/dealers, intermediaries, and advisors.
- Diversifying the portfolio to minimize potential losses on individual securities.

B. Interest Rate Risk: The County Treasurer will minimize risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

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

4.1 Liquidity:

The Pinal County Treasurer's investment portfolio will remain sufficiently liquid to enable the County Treasurer to meet all operating requirements which might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

4.2 Yield:

The Pinal County Treasurer's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the County Treasurer's risk constraints and the cash flow characteristics of the portfolio. The Treasurer shall use comparable U. S. Treasury yields as the benchmark in defining "market rate of return".

5.0 Safekeeping and Custody:

- A. Authorized Financial Dealers and Institutions:** The County Treasurer shall maintain a list of authorized financial institutions and broker/dealers selected by creditworthiness, qualifying under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). They must provide:
- Audited financial statements
 - Proof of National Association of Securities Dealers (NASD) certification
 - Proof of state registration
 - Certification of having read and understood and agreeing to comply with the Pinal County Treasurer's investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the County Treasurer.

- B. Internal Control:** The County Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the county are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The Pinal County Treasurer shall perform annual due diligence reviews of financial institutions and their representative conducting securities transactions with the County Treasurer and their investment officials for compliance with relevant NASD rules and regulation.

6.0 Authorized & Suitable Investments:

Investments are limited to those specified in A.R.S. §35-323(A) and, for trust funds, A.R.S. §35-324:

- Certificates of deposit (CDs) in eligible depositories, awarded to the highest bidder at a rate not less than 103% of the equivalent U.S. Treasury bill yield for amounts over \$100,000.
- Interest-bearing savings accounts in insured banks or savings and loan institutions, with uninsured deposits collateralized at 102%.
- Repurchase agreements with a maximum maturity of 180 days, collateralized at 102%.
- Pooled investment funds established by the State Treasurer per A.R.S. §35-326.
- U.S. government or agency obligations rated AAA by Moody's and S&P.
- Bonds, notes, or debt instruments of Arizona or its political subdivisions, including registered warrants per A.R.S. §11-635.
- Bonds, notes, or debt instruments of any state's counties, municipal districts, or special taxing districts, payable from pledged revenues or taxes, with no default in the past five years.
- Bonds or notes of county or municipal improvement districts, payable from real property assessments, with restrictions per A.R.S. §35-323(A)(8).
- Commercial paper rated P1 by Moody's or A1 or better by S&P, issued by U.S. corporations.
- Corporate bonds, debentures, or notes rated A or better by Moody's and S&P, denominated in U.S. dollars.
- Negotiable or brokered CDs issued by insured banks or savings and loan associations.
- Securities of open-end or closed-end investment companies or trusts, registered under the Investment Company Act of 1940, with underlying investments allowed by state law.
- For trust funds, fixed income securities of corporations rated in the top two categories by Moody's or S&P.

7.0 Collateralization:

Collateralization is required by an Authorized Agent, before receiving a deposit in excess of the insured amount. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least one hundred one percent of market value of principal and accrued interest. Collateral shall be any of the following:

- A bond executed by a surety company that is approved by the Treasury Department of the United States and authorized to do business in this state. The bond shall be approved as to form by the legal advisor of the treasurer.
- Securities or instruments of the following character:
 - A. United States government or agency obligations.
 - B. State, county, school district and other district municipal bonds.
 - C. First mortgages and trust deeds on improved, unencumbered real estate located in this state with restrictions per A.R.S. §35-323(G). No single first mortgages or trust deeds may represent more than ten percent of the total collateral. The Treasurer may require that the first mortgages or trust deeds comprising the total collateral security be twice the amount the eligible depository receives on deposit. First mortgages or trust deeds qualify as collateral subject to the following limitations:
 - (i) The promissory note or other evidences of indebtedness secured by such first mortgage or trust deed shall have been in existence for at least three years and shall not have been in default during this period.
 - (ii) An eligible depository shall at its own expense execute, deposit with the treasurer and record with the appropriate county recorder a complete sale and assignment with recourse in a form approved by the attorney general, together with an unconditional assumption of obligation to promptly pay to the entitled parties public monies in its custody upon lawful demand and tender of resale and assignment.
- The safekeeping receipt of a federal reserve bank or any bank located in a reserve city, or any bank authorized to do business in this state, whose combined capital, surplus and outstanding capital notes and debentures on the date of the safekeeping receipt are ten million dollars or more per A.R.S. §323(G), evidencing the deposit therein of any securities or instruments described in this section. A safekeeping receipt shall not qualify as security, if issued by a bank to secure its own public deposits, unless issued directly through its trust department. The safekeeping receipt shall show upon its face that it is issued for the account of the treasurer and shall be delivered to the treasurer. The safekeeping receipt may provide for the substitution of securities or instruments that qualify under this section with the affirmative act of the treasurer.

8.0 Diversification:

The Pinal County Treasurer will diversify its investments by security type and institution when practical and feasible to do so. The County Treasurer shall limit investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities), securities that have higher credit risks. The County Treasurer will invest in securities with varying maturities with a maximum of five years, and continuously invest a portion of the portfolio in readily available funds such as overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

9.0 Maximum Maturities:

To the extent possible, the Pinal County Treasurer will attempt to match its investments with anticipated cash flow requirements. Reserve funds may be invested in securities with a maximum maturity appropriate to the underlying document governing the reserve fund if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

10.0 Reporting

A. Methods: The County Treasurer shall prepare as required by A.R.S. §11-501, an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the County Treasurer to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Board of Deposit and the County Treasurer. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks per GASB Statement 31.
- Listing of investment by maturity date
- Percentage of the total portfolio that each type of investment represents.

B Performance Standards: The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

C. Marking to Market: The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools. In defining market value, considerations should be given to the GASB Statement 31.

D. Monthly Reporting: Monthly Reconciliations of the investment ledger and trustee statements shall be performed and reported to the Board of Supervisors. Credit quality ratings shall be disclosed per GASB Statement 40 annually.

11.0 Interest Apportionment:

Pooled investment income shall be allocated pro rata to agency pool participants per A.R.S. §35-327(F). School district interest shall be apportioned quarterly based on average monthly balance per A.R.S. §15-996. Involuntary pool participants' earnings shall be deposited in the collecting agency's general fund. The requirements are outlined above, however, it is the practice of the Treasurer's Office to allocate interest within three business days of receiving funds.

12.0 Policy Considerations

- A. Exemption:** Existing investments not meeting this policy are exempt until maturity, after which reinvestments must comply.
- B. Amendments:** This policy shall be reviewed on an annual basis. Any changes must be approved by the County Treasurer.

This policy has been adopted by the Pinal County Treasurer and acknowledged by signature below on this 8 day of July, 2026.



Michael P. McCord
Pinal County Treasurer

PINAL COUNTY BOARD OF SUPERVISORS

Jeffrey McClure, Chairman

ATTEST:

Natasha Kennedy, Clerk of the Board

GLOSSARY OF TERMS

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

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.

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

PORTFOLIO: Collection of securities held by an investor.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state, the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

EXHIBIT "A"
UPDATED 05/05/2026
Resource for all Arizona State Statutes Listed in Exhibit "A":
<https://www.azleg.gov/arstitle/>

11-501. Monthly and annual reports to the board; posting

A. The county treasurer shall report accounts of collection, custody and disbursement of public revenue to the county board of supervisors on the fifteenth day of each month for the preceding month. For that purpose the treasurer shall prepare a statement, under oath, of the amount of monies or other property received, the sources from which the monies or property derived, the amount of payments or disbursements and to whom, with the amount remaining on hand.

B. The treasurer shall deposit all paid warrants issued by the board of supervisors with the clerk of the board.

C. The treasurer shall also make a full report to the board annually as of the last business day of June.

D. The treasurer shall post all annual and monthly reports on the treasurer's website. The treasurer shall post a report within five days after the treasurer submits the report to the board of supervisors.

11-635. Warrants, substitute checks and electronic funds transfers unpaid for lack of monies; interest; definitions

A. If a revolving line of credit has not been obtained for a political subdivision or if the revolving line of credit has been spent and if there are insufficient monies in the issuer's account, the county treasurer may invest in the warrant, substitute check or electronic funds transfer prescribed in section 35-323, subsection A, paragraph 7.

B. The county treasurer shall keep a register of warrants and substitute checks and a record of electronic funds transfers presented for payment.

C. If the county treasurer does not invest in the presented warrant, substitute check or electronic funds transfer, the county treasurer shall notify the servicing bank that the warrant or substitute check will not be paid for lack of monies and from that time until there are sufficient monies to pay the original warrant, the original warrant may not bear more than ten percent interest per year.

D. For the purposes of this section:

1. "Substitute check" has the same meaning prescribed in section 9-249.
2. "Warrant" has the same meaning prescribed in section 9-249 and includes a record from which an electronic funds transfer may be made.

11-681.09. Investment of monies in the bond proceeds fund and the debt service fund

A. The board may authorize the county treasurer to invest monies in the bond proceeds fund in the manner prescribed by this section. The order directing an investment shall state a date on which the proceeds from the sale of the bonds will be needed for use, and the treasurer shall make the investment in such a way as to mature at the specified date. All monies earned as interest or otherwise derived from the investment of the monies in the bond proceeds fund shall be credited to the debt service fund.

B. The board may authorize the county treasurer to invest and reinvest any monies in the debt service fund as provided by this section. All monies earned as interest or otherwise derived from the investment of the monies in the debt service fund shall be credited to that fund.

C. The monies in either the bond proceeds fund or the debt service fund may be invested and reinvested in any of the following:

1. United States treasury obligations.
2. Consolidated farm loan bonds.
3. Obligations issued by the federal intermediate credit banks or by bonds for cooperatives on authority of the farm credit act of 1933.
4. Any other obligations guaranteed by the United States government.
5. Any investments that are authorized by any other agencies of the United States government and that are authorized to secure public deposits.
6. State and local government series United States treasury securities.
7. The pooled investment funds established by the state treasurer pursuant to section 35-326.
8. State, county or municipal bonds issued in this state and on which the payments of interest have not been deferred.

9. Investment agreements and repurchase agreements collateralized by investments described in paragraphs 1 through 5.

D. The board may place any restrictions on reinvestment yield on the bonds or on any monies pledged to pay the bonds if necessary to comply with federal income tax laws and regulations to gain any federal tax benefits available with respect to the bonds. Monies shall be invested under this section in a manner that avoids arbitrage penalties prescribed by federal law.

E. The purchase of the securities shall be made by the county treasurer on authority of a resolution of the board. The treasurer shall act as custodian of all securities purchased.

15-996. Duties of county treasurer relating to school district's monies

The county treasurer shall:

1. Receive and hold all school district monies and keep a separate account for each school district and for the special county school reserve fund. The county treasurer may maintain separate accounts for each fund of a school district or the county treasurer may maintain only two accounts for each school district's monies in addition to the funds provided for in sections 15-1024, 15-1025 and 41-5741. If only two accounts are maintained, the first account shall consist of maintenance and operation, unrestricted capital outlay and adjacent ways monies and the classroom site fund prescribed in section 15-977 and the second account shall consist of federal and state grant monies and all other monies.

2. Pool school district monies for investment except as provided in sections 15-1024 and 15-1025. Interest earned on the monies pooled for investment shall be apportioned at least quarterly to the appropriate school district based on an average monthly balance as prescribed in the uniform system of accounting for county treasurers as provided in section 41-1279.21.

3. Notwithstanding section 11-605, register warrants only as follows:

(a) If separate accounts are maintained for each fund, warrants may only be registered on the maintenance and operation, unrestricted capital outlay and adjacent ways accounts and the classroom site fund prescribed in section 15-977 and only if the total cash balance of all three accounts is insufficient to pay the warrants, except that, during the period of time when a school district is under receivership pursuant to section 15-103, a warrant may be registered on the debt service account for which the cash balance in the debt service account is insufficient to cover the debt service payment if there are not sufficient monies in the debt service account to cover the debt.

(b) If the county treasurer maintains only two accounts as provided in paragraph 1 of this section:

(i) The county treasurer may register warrants only on the first account and only if the balance of that account is insufficient to pay the warrants.

(ii) The county treasurer may honor warrants for any federal or state grant fund with a negative balance as long as the total balance in the second account is positive. If the second account total balance is negative, the warrant for a federal or state grant fund shall be charged to the maintenance and operation fund. Any interest charged to the federal or state grant fund as a result of a negative balance that is in excess of interest earned on the fund shall be transferred to the maintenance and operation fund at the end of the fiscal year or the end of the grant year. If a federal or state grant fund has a negative balance at the end of the fiscal year or grant year, sufficient expenditures shall be transferred to the maintenance and operation fund to eliminate the negative balance.

4. Notify the county school superintendent by the fifteenth day of each calendar month of the month end balances of each school district account.

5. Pay warrants issued by the county school superintendent and duly endorsed by the person entitled to receive the monies.

6. On each property tax bill and each property tax statement prepared, separately state and identify by name each school district's primary property tax rate, the secondary property tax rate that is associated with overrides, the secondary property tax rate that is associated with class A bonds and the secondary property tax rate that is associated with class B bonds. For the purposes of this paragraph, "class A bonds" and "class B bonds" have the same meanings prescribed in section 15-101.

35-321. Definitions

In this article, unless the context otherwise requires:

1. "Agency pool participant" means a subdivision or an entity of a subdivision that has monies maintained by the treasurer and that has the authority to draw negotiable instruments on the treasurer or make other disbursements from monies that the treasurer holds for the subdivision or entity.
2. "Board of deposit" means, in the case of a county, the board of supervisors, and in the case of a city or town, the common council.
3. "Capital structure" means the amount of the capital of the eligible depository shown by the latest call statement of condition as defined by rule of the department of insurance and financial institutions for the purpose of administration of this article.
4. "Collecting entity" means the entity from which the treasurer receives general funding including the county for collections performed by a county treasurer, the city for collections performed by a city treasurer or the district for collections performed by a district treasurer.
5. "Eligible depository" means any:
 - (a) Commercial or savings bank or savings and loan association that has either a branch in this state or its principal place of business in this state and that is insured by the federal deposit insurance corporation or its successor or any other insuring instrumentality of the United States according to the applicable federal law.
 - (b) Credit union that is insured by the national credit union administration or its successor.
6. "Involuntary pool participant" means a subdivision that only receives the principal ratio of the monies collected, for which the principal monies are mandated to be distributed on a specific date and for which the interest earned on the monies between the time of collection and other statutory requirements reverts to the general fund of the collecting entity.
7. "Permissible rate of interest" means a rate of interest that an eligible financial institution is permitted to pay by state or federal law or valid state rules or federal regulations.
8. "Public deposit" means public monies deposited in an eligible depository pursuant to this article.
9. "Public monies" includes subdivision monies.
10. "State monies" means all monies in the treasury of this state or coming lawfully into the possession or custody of the state treasurer.
11. "Subdivision" means any county, non-charter city or town. Cities governed by charter have the option of operating under this article.
12. "Subdivision monies" means all monies in the treasury of a subdivision or coming lawfully into the possession or custody of the treasurer.
13. "Treasurer" includes the treasurer or officer exercising the functions of treasurer of any subdivision but excludes the state treasurer.
14. "Trust funds" means those monies entrusted to a public body or official for preservation and investment, as prescribed by the instrument establishing such funds.

35-323. Investment of public monies; bidding; security and other requirements

A. The treasurer shall invest and reinvest public monies in securities and deposits with a maximum maturity of five years. All public monies shall be invested in eligible investments. Eligible investments are:

1. Certificates of deposit in eligible depositories.
2. Deposits in one or more federally insured banks or savings and loan associations placed in accordance with the procedures prescribed in section 35-323.01.
3. Interest bearing savings accounts in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry, but only if deposits of more than the insured amount are secured by the eligible depository to the same extent and in the same manner as required under this article.
4. Repurchase agreements with a maximum maturity of one hundred eighty days.
5. The pooled investment funds established by the state treasurer pursuant to section 35-326.
6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
7. Bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts, including registered warrants, substitute checks, and electronic funds transfer vouchers that bear interest pursuant to section 11-635.
8. Bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district of any state that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal of and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if a default in payment on principal or interest on the obligations to be purchased has not occurred within five years after the date of investment, or, if such obligations were issued less than five years before the date of investment, a default in payment of principal or interest has not occurred on the obligations to be purchased or any other obligations of the issuer within five years after the investment five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.
9. Bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if:

(a) The face value of all such obligations, and similar obligations outstanding, exceeds fifty percent of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.

(b) A default in payment of principal or interest on the obligations to be purchased has occurred within five years after the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years after the investment.

10. Commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency. All commercial paper must be issued by corporations organized and doing business in the United States.

11. Bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry at a minimum an "A" or better rating, at the time of purchase, from at least two nationally recognized rating agencies.

12. Negotiable or brokered certificates of deposit issued by a nationally or state-chartered bank or savings and loan association.

13. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by state law, registered under the investment company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended.

B. Certificates of deposit shall be purchased from the eligible depository bidding the highest permissible rate of interest. Monies over \$100,000 may not be awarded at any interest rate less than one hundred three percent of the equivalent bond yield of the offer side of United States treasury bills having a similar term. If the eligible depository offering to pay the highest rate of interest has bid only for a portion of the monies to be awarded, the remainder of the monies shall be awarded to eligible depositories bidding the next highest rates of interest.

C. An eligible depository is not eligible to receive total aggregate deposits from this state and all its subdivisions in an amount exceeding twice its capital structure as outlined in the last call of condition of the deputy director of the financial institutions division of the department of insurance and financial institutions.

D. If two or more eligible depositories submit bids of an identical rate of interest for all or any portion of the monies to be deposited, the award of the deposit of the monies shall be made to the eligible depository among those submitting identical bids having, at the time of the bid opening, the lowest ratio of total public deposits in relation to its capital structure.

E. Each bid that is submitted and not withdrawn before the time specified constitutes an irrevocable offer to pay interest as specified in the bid on the deposit, or portion bid for, and the award of a deposit in accordance with this section obligates the depository to accept the deposit and pay interest as specified in the bid pursuant to which the deposit is awarded.

F. The treasurer shall maintain a record of all bids received and shall make available to the board of deposit at its next regularly scheduled meeting a correct list showing the bidders, the bids received and the amount awarded. These records shall be available to the public and shall be kept in the possession of the treasurer for at least two years after the date of the report.

G. Any eligible depository, before receiving a deposit of more than the insured amount under this article, shall deliver collateral for the purposes of this subsection equal to at least one hundred two percent of the deposit. The collateral shall be any of the following:

1. A bond executed by a surety company that is approved by the treasury department of the United States and authorized to do business in this state. The bond shall be approved as to form by the legal advisor of the treasurer.

2. Securities or instruments of the following character:

- (a) United States government or agency obligations.

- (b) State, county, school district and other district municipal bonds.

3. The safekeeping receipt of a federal reserve bank or any bank located in a reserve city, or any bank authorized to do business in this state, whose combined capital, surplus and outstanding capital notes and debentures on the date of the safekeeping receipt are \$10,000,000 or more, evidencing the deposit therein of any securities or instruments described in this section. A safekeeping receipt shall not qualify as security, if issued by a bank to secure its own public deposits, unless issued directly through its trust department. The safekeeping receipt shall show on its face that it is issued for the account of the treasurer and shall be delivered to the treasurer. The safekeeping receipt may provide for the substitution of securities or instruments that qualify under this section with the affirmative act of the treasurer.

4. Letters of credit issued by a federal home loan bank if:

- (a) The letter of credit has been delivered pursuant to this section or chapter 10, article 1 of this title to the statewide collateral pool administrator.

- (b) The letter of credit meets the required conditions of:

- (i) Being irrevocable.

- (ii) Being issued, presentable and payable at a federal home loan bank in United States dollars. Presentation may be made by the beneficiary submitting the original letter of credit, including any amendments, and the demand in writing, by overnight delivery.

(iii) If the letter of credit is for purposes of chapter 10, article 1 of this title, containing a statement that identifies the statewide collateral pool administrator as the beneficiary.

(iv) Containing an issue date and a date of expiration.

(c) For the purposes of chapter 10, article 1 of this title, the eligible depository, if notified by the statewide collateral pool administrator, is not allowed to use new letters of credit issued by a federal home loan bank if that federal home loan bank fails to pay a draw request as provided for in the letters of credit or fails to properly complete a confirmation of such letters of credit.

H. The securities, instruments or safekeeping receipt for the securities and instruments shall be accepted at market value if not above par, and, if at any time their market value becomes less than the deposit liability to that treasurer, additional securities or instruments required to guarantee deposits shall be deposited immediately with the treasurer who made the deposit and deposited by the eligible depository in which the deposit was made.

I. The condition of the surety bond, or the deposit of securities, instruments or a safekeeping receipt, must be such that the eligible depository will promptly pay to the parties entitled public monies in its custody, on lawful demand, and will, when required by law, pay the monies to the treasurer making the deposit.

J. Notwithstanding the requirements of this section, any institution qualifying as an eligible depository may accept deposits of public monies to the total then authorized insurance of accounts, insured by federal deposit insurance, without depositing a surety bond or securities in lieu of the surety bond.

K. An eligible depository shall report monthly to the treasurer the total deposits of that treasurer and the par value and the market value of any pledged collateral securing those deposits.

L. When a security or instrument pledged as collateral matures or is called for redemption, the cash received for the security or instrument shall be held in place of the security until the depository has obtained a written release or provided substitute securities or instruments.

M. The surety bond, securities, instruments or safekeeping receipt of an eligible depository shall be deposited with the treasurer making the deposit, and the treasurer is the custodian of the bond, securities, instruments or safekeeping receipt. The treasurer may then deposit with the depository public monies then in the treasurer's possession in accordance with this article, but not in an amount of more than the surety bond, securities instruments or safekeeping receipt deposited, except for federal deposit insurance.

N. The following restrictions on investments apply:

1. Public operating fund monies shall not be invested for a maturity of longer than five years.

2. The board of deposit may order the treasurer to sell any of the securities, and any order shall specifically describe the securities and fix the date on which they are to be sold. Securities so ordered to be sold shall be sold for cash by the treasurer on the date fixed in the order, at the then-current market price. The treasurer and the members of the board are not accountable for

any loss occasioned by sales of securities at prices lower than their cost. Any loss or expense shall be charged against earnings received from investment of public monies.

3. Investments shall not be made in companies identified pursuant to section 35-392, subsection A, paragraph 1.

O. If the total amount of subdivision monies available for deposit at any time is less than the maximum coverage amount of the federal deposit insurance corporation, the subdivision board of deposit shall award the deposit of the monies to an eligible depository in accordance with an ordinance or resolution of the governing body of the subdivision. Deposits of less than the maximum coverage amount of the federal deposit insurance corporation are not subject to the requirements of this chapter.

35-323.01. Investment of government monies in deposits; conditions; definition

A. If an investing entity invests in deposits pursuant to this section, the investing entity shall invest those monies in accordance with all of the following conditions:

1. The monies are initially invested through an eligible depository in this state selected by the investing entity.
2. The selected eligible depository arranges for the deposit of the monies in one or more federally insured banks or savings and loan associations wherever located, for the account of the investing entity.
3. The full amount of principal and any accrued interest of each such deposit is insured by the federal deposit insurance corporation.
4. The selected eligible depository acts as custodian for the investing entity with respect to such deposits.
5. On the same date that the investing entity's monies are deposited pursuant to paragraph 2 of this subsection, the selected eligible depository receives an amount of federally insured deposits from customers of other financial institutions equal to or greater than the amount of the monies initially invested by the investing entity through the selected eligible depository.

B. Monies invested in accordance with all of the conditions prescribed in this section are not subject to any security or collateral requirements.

C. For the purposes of this section, "investing entity" means this state, a political subdivision, the governing body of a municipality or the governing body of a school district.

35-324. Investment of trust funds

The treasurer shall invest and reinvest monies of trust funds in:

1. Any securities allowed for the investment of public monies.
2. Fixed income securities of corporations organized and doing business in any state of the United States or the District of Columbia that carry one of the two highest ratings of Moody's investors service and Standard and Poor's rating service or their successors. If only one of these services rates the security, it must carry the highest rating of that service. If a rating change occurs after purchase, it is not mandatory to sell the security.

35-325. Servicing bank of public monies

- A. Any bank that qualifies to become an eligible depository of the deposits of public monies, that has a total capital structure of ten million dollars or more, resources of one hundred million dollars or more and that is otherwise in a sound condition is eligible to be the servicing bank for the deposits of state and county monies.
- B. No later than the first Monday in March of each year of award, the county boards of deposit shall in writing notify each of the banks qualified to be a servicing bank of the time and place at which servicing bids will be received. Notification of bids shall clearly specify all services required to be performed by the servicing bank. The servicing bid solicited shall be the sum of dollars for which the qualified bank will agree to perform the required services as a servicing bank for the ensuing period of designation as established by the board of deposit. The award shall be made for an initial period of not more than three years with the option to renew for two years on the mutual consent of the parties and may be paid from general fund interest earnings according to rules adopted by the board of deposit.
- C. No later than the fourth Monday in April of the year of the award, county boards of deposit shall meet and receive the servicing bids in writing. Only those bids which conform to the specifications set forth in the notification of bids shall be considered. Bids shall be evaluated based on response, price, services, qualifications and other scope of work factors that are detailed in the bid documents. The qualified bank representing the highest rated bid shall be designated as the servicing bank. Designations shall be evidenced by the signing of the notification of bid by the treasurer and the designee bank.
- D. A treasurer or servicing bank may terminate a servicing bank contract at any time after one hundred eighty days' prior written notice is given.
- E. This section does not require any treasurer to utilize a servicing bank.
- F. This section or the specifications set forth in the notification of bids shall not be construed to require the servicing bank to purchase warrants.

35-326. Local government investment pool: definition

- A. The state treasurer may maintain one or more pooled investment funds for the collective investment of monies in this state. Securities or other instruments in which the monies may be invested are those that are provided for in article 2 of this chapter.
- B. The state treasurer may deposit state monies in a pooled investment fund and may also receive into a fund monies that are deposited by any political subdivision or public entity in this state or public trust that is legally authorized or required to deposit monies with the state treasurer for investment. When a depositor provides monies to a pooled investment fund, the state treasurer may require the depositor to specify the date or dates on which it will require the monies. The assets of a pooled investment fund shall be invested by the state treasurer for such periods as will facilitate the return of the monies to the depositing entities in accordance with the instructions received at the time of deposit. Earnings shall be credited promptly after calculation.
- C. The state treasurer shall compute on a monthly basis the rate of earnings on the pooled investment fund for that month, and each depositor shall be credited with an amount determined by applying the calculated monthly rate to the principal amount of its deposit balance for the period of the deposit. Interest shall be credited monthly.
- D. The governing body of any political subdivision, public trust or public entity, by adopting a resolution of continuing effect, may authorize and request the state treasurer to invest monies for the governing body pursuant to this section.
- E. For the purposes of this section, "political subdivision" means any governmental entity operating under the authority of this state, including a city, town, county, school district or community college district or any other entity organized under state law.

35-326.01. Long-term local government investment pools; management fees; deposit

A. The state treasurer may establish new long-term local government investment pools for trust and treasury monies, cities, towns, tribal governments, counties and political subdivisions of this state. The terms of the investment pools shall be as determined by the state board of investment.

B. Monies received by the state treasurer from management fees of the long-term local government investment pools shall be deposited in the state treasurer's operating fund established by section 35-316.

35-327. Treasurer; duties; safekeeping of securities; warrants of financial officers; earnings; exemptions; responsibilities

A. In investing trust monies, the responsible financial officer shall draw a warrant, check or electronic funds transfer voucher at the direction of the treasurer, payable from the proper fund to pay for the security purchased.

B. A treasurer is responsible for the safekeeping of all securities acquired by the treasurer under this section. Any such securities may be deposited for safekeeping with any trust company that has its principal place of business in this state or that is qualified to do a trust business in this state.

C. A treasurer shall regularly account for, itemize and inventory according to general public fund accounting practices all securities coming lawfully into the treasurer's possession. Such practice shall be audited by the auditor general for the counties and by an independent auditor for cities and towns at the time of the regular audit as prescribed by law.

D. The treasurer, at the expense of the subdivision and with the approval of the governing board, may enter into an agreement with the trust department of any bank or banks authorized to do a trust business in this state for safekeeping and handling securities of which the treasurer is lawful custodian. The agreement shall be entered into under terms and conditions that secure the proper safeguarding, inventory, withdrawal and handling of the securities. Access to, deposits of or withdrawals of the securities from any place of deposit selected by the officers shall not be permitted or made except as the terms of the agreement provide. The agreement need not require that securities be physically located in this state if the securities are represented by safekeeping receipts issued for the account of the treasurer by a federal reserve bank or any bank located in a reserve city whose combined capital and surplus on the date of the safekeeping receipt is \$10,000,000 or more.

E. When securities acquired under this section mature and become due and payable, the treasurer shall present them for payment according to their terms and collect the monies payable on them. The monies collected shall be treated as subdivision monies subject to reinvestment or operating needs or trust monies subject to the provisions of the trust.

F. The treasurer shall allocate pooled income earnings on a pro rata basis to agency pool participants. Involuntary pool participants shall have the income earnings for their monies deposited in the general fund of the collecting entity.

G. As provided in this article, the governing body of any subdivision or of any agency, department, board or commission of this state or of any subdivision, by adopting a resolution of continuing effect, may authorize the treasurer to invest monies collected for the governing body.

H. The investment of public monies as provided in this section is exempt from section 35-142, subsection B and sections 35-154, 35-181.01, 35-181.02, 35-182, 35-183, 35-184, 35-185, 35-185.01, 35-185.02, 35-186, 35-187, 35-188, 35-189, 35-190, 35-191, 35-192, 35-192.01, 35-192.02, 35-193, 35-193.02 and 41-732.

I. A treasurer is responsible for safekeeping, managing and disbursing any investment made and any interest received in compliance with this article.

35-328. Investment of sinking funds

A. All sinking funds of this state, or a county, city, town or school district, or hospital, irrigation or drainage district organized as provided by law may be invested and reinvested by the governing body or officer in charge of the sinking funds. The investment shall be made for the best interests of the state or political subdivision described in this subsection.

B. In the absence of specific direction in the bond indenture, the funds may be invested or reinvested in any of the investment securities allowed for trust funds.

35-329. Funds of charter cities

The provisions of this article relating to collateral for deposits of public monies in financial institutions apply to deposits in financial institutions of the funds of cities governed by charter.

SEC Rule 15c3-1

15c3-1 Net capital requirements for brokers or dealers.

15c3-1(a) Every broker or dealer must at all times have and maintain net capital no less than the greater of the highest minimum requirement applicable to its ratio requirement under paragraph (a)(1) of this section, or to any of its activities under paragraph (a)(2) of this section, and must otherwise not be “insolvent” as that term is defined in paragraph (c)(16) of this section. In lieu of applying paragraphs (a)(1) and (a)(2) of this section, an OTC derivatives dealer shall maintain net capital pursuant to paragraph (a)(5) of this section. Each broker or dealer also shall comply with the supplemental requirements of paragraphs (a)(4) and (a)(9) of this section, to the extent either paragraph is applicable to its activities. In addition, a broker or dealer shall maintain net capital of not less than its own net capital requirement plus the sum of each broker's or dealer's subsidiary or affiliate minimum net capital requirements, which is consolidated pursuant to appendix C, § 240.15c3-1c.

15c3-1(a)(1) Ratio Requirements

Aggregate Indebtedness Standard

15c3-1(a)(1)(i) No broker or dealer, other than one that elects the provisions of paragraph (a)(1)(ii) of this section, shall permit its aggregate indebtedness to all other persons to exceed 1500 percent of its net capital (or 800 percent of its net capital for 12 months after commencing business as a broker or dealer).

15c3-1(a)(1)(ii)

Alternative Standard

A broker or dealer may elect not to be subject to the Aggregate Indebtedness Standard of paragraph (a)(1)(i) of this section. That broker or dealer shall not permit its net capital to be less than the greater of \$250,000 or 2 percent of aggregate debit items computed in accordance with the Formula for Determination of Reserve Requirements for Brokers and Dealers (Exhibit A to Rule 15c3-3, § 240.15c3-3a). Such broker or dealer shall notify its Examining Authority, in writing, of its election to operate under this paragraph (a)(1)(ii). Once a broker or dealer has notified its Examining Authority, it shall continue to operate under this paragraph unless a change is approved upon application to the Commission. A broker or dealer that elects this standard and is not exempt from Rule 15c3-3 shall:

15c3-1(a)(1)(ii)(A) Make the computation required by §240.15c3-3(e) and set forth in Exhibit A, §240.15c3-3a, on a weekly basis and, in lieu of the 1% reduction of certain debit items required by Note E (3)

in the computation of its Exhibit A requirement, reduce aggregate debit items in such computation by 3%; provided, however, that, if a broker or dealer is required to make the computation required by §240.15c3-3(e) and set forth in Exhibit A, §240.15c3-3a, on a daily basis, the broker or dealer may reduce aggregate debit items in such computation by 2%;

15c3-1(a)(1)(ii)(B) Include in Items 7 and 8 of Exhibit A, § 240.15c3-3a, the market value of items specified therein more than 7 business days old;

15c3-1(a)(1)(ii)(C) Exclude credit balances in accounts representing amounts payable for securities not yet received from the issuer or its agent which securities are specified in paragraphs (c)(2)(vi)(A) and (E) of this section and any related debit items from the Exhibit A requirement for 3 business days; and

15c3-1(a)(1)(ii)(D) Deduct from net worth in computing net capital 1 percent of the contract value of all failed to deliver contracts or securities borrowed that were allocated to failed to receive contracts of the same issue and which thereby were excluded from Items 11 or 12 of Exhibit A, § 240.15c3-3a.

Resource:

<https://www.finra.org/rules-guidance/guidance/interpretations-financial-operational-rules/sea-rule-15c3-1-and-related-interpretations>

TREASURY AND INVESTMENT MANAGEMENT

Mark-to-Market Reporting for Public Investment Portfolios

GFOA recommends that state and local government officials responsible for investment portfolio reporting determine the market value of all securities in the portfolio on at least a quarterly basis. These values should be obtained from a reputable and independent source and disclosed to the governing body or other oversight body at least quarterly in a written report.

Market risk is significant in public investment portfolios. Due to price volatility, valuing investments at their current price is necessary to provide a realistic measure of a portfolio's true liquidation value. Over time, reporting standards for state and local government investment portfolios have been enhanced so that investors, governing bodies, and the public remain informed of the current market value of the portfolio. Regular disclosure of the value of a governmental entity's investments is an important step to furthering taxpayer and market confidence in state and local government investment practices. The Governmental Accounting Standards Board (GASB) has also recognized the need to report investments at fair value at fiscal year end. Government officials should be aware of state, local, accounting, and rating agency requirements regarding mark to-market practices.

GFOA recommends that state and local government officials responsible for investment portfolio reporting determine the market value of all securities in the portfolio on at least a quarterly basis. These values should be obtained from a reputable and independent source and disclosed to the governing body or other oversight body at least quarterly in a written report. The independent source of pricing should not be one of the parties to the transaction being valued and could include:

1. a broker or other financial institution who was not a counterparty to the transaction,
2. the custodial bank if the bank was not a counterparty to the transaction,
3. publicly available publications such as the *Wall Street Journal*, or
4. other pricing services for which a separate fee would be paid.

It is recommended that the written report include the market value, book value, and unrealized gain or loss of the securities in the portfolio.

If there is a significant event in the local or national economy that might affect the value of the portfolio, then a mid-term valuation of the portfolio should be conducted. Governments that employ a more active portfolio management style should consider more frequent marking to market and reporting.

References:

- *GASB Statement 31 and Implementation Guide, Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, March, 1997.
- *Investing Public Funds, Second Edition*, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.

- *Investment Procedures and Internal Controls Guideline*, GFOA, May 2003.
- *Elected Official's Guide Investing, Second Edition*, Sofia Anastopoulos, GFOA, 2007.

Board approval date: Thursday, February 28, 2008

Resource:

<https://www.gfoa.org/materials/mark-to-market-reporting-for-public-investment-portfolios>

1. Governmental Accounting Standards Board:
Summary of Statement No. 40

Statement No. 40

Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3

(Issued 03/03)
SUMMARY

The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed.

The Board reconsidered the disclosures required by Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Portions of that Statement are modified or eliminated. The custodial credit risk disclosures of Statement 3 are modified to limit required disclosures to:

- Deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name
- Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Statement 3 disclosures generally referred to as category 1 and 2 deposits and investments are eliminated. However, this Statement does not change the required disclosure of authorized investments or the requirements for reporting certain repurchase agreements and reverse repurchase agreements, and it maintains, with modification, the level-of-detail disclosure requirements of Statement 3.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2004. Earlier application is encouraged.

How the Changes in This Statement Improve Financial Reporting

Deposit and investment resources often represent significant assets of governmental, proprietary, and fiduciary funds. These resources are necessary for the delivery of governmental services and programs, or to carry out fiduciary responsibilities. This Statement is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. The Board believes that there are risks inherent in all deposits and investments, and it believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions.

The Board adopted fair value accounting for most investments in Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value portrays the market's estimate of the net future cash flows of investments, discounted to reflect both time value and risk. In order to understand the measurement of investments at fair value, the timing of cash flows (including investment time horizons) and investment risks need to be communicated. This Statement results from the Board's formal reviews of its existing standards. These reviews—part of the Board's strategic plan—are designed to evaluate the continuing usefulness of current requirements. The reduction of existing custodial credit risk disclosures follows from federal banking reforms adopted since the release of Statement 3.

Resource:

<https://gasb.org/page/pronouncement?pageId=/standards-and-guidance/pronouncements/summary-statement-no-40.html&isStaticPage=true>

2. Governmental Accounting Standards Board:

Summary of Statement No. 31

Statement No. 31

Accounting and Financial Reporting for Certain Investments and for External Investment Pools

(Issued 3/97)

SUMMARY

This Statement establishes accounting and financial reporting standards for *all* investments held by governmental external investment pools. For most other governmental entities, it establishes fair value standards for investments in (a) participating interest-earning investment contracts, (b) external investment pools, (c) open-end mutual funds, (d) debt securities, and (e) equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values. Participating investment contracts are investments whose value is affected by market (interest rate) changes. They participate because they are negotiable or transferable, or their redemption value considers market rates. For defined benefit pension plans and Internal Revenue Code Section 457 deferred compensation plans, this Statement provides guidance for applying fair value to certain investment transactions.

Governmental entities, including governmental external investment pools, should report investments at fair value in the balance sheet (or other statement of financial position). Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. However, governmental entities other than external investment pools are permitted to report certain money market investments at amortized cost, provided that the investment has a remaining maturity of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days. This Statement also provides guidance for reporting the fair value of investments in open-end mutual funds and external investment pools.

All investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement (or other statement of activities). For internal and external investment pools, this Statement requires the equity position of each fund and component unit of the reporting entity that sponsors the pool to be reported as assets in those funds and component units. It also provides reporting standards when income from investments associated with one fund is assigned to another fund.

Governmental external investment pools that are 2a7-like pools are permitted to report their investments at amortized cost. A 2a7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows money market mutual funds to use amortized cost to report net assets. This Statement also establishes minimum requirements for the financial statements to be presented and the disclosures to be made in the separate financial reports of governmental external investment pools.

A governmental entity that sponsors one or more external investment pools should report the external portion of each pool as an investment trust fund that reports transactions and balances using the economic resources measurement focus and the accrual basis of accounting. This Statement establishes minimum requirements for the financial statements to be presented and the disclosures to be made in the sponsor's report concerning those pools, including expanded disclosure requirements if separate pool financial reports are not issued. It also provides standards for reporting individual investment accounts that a governmental entity provides to other entities.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 1997. Earlier application is encouraged.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments, public benefit corporations and authorities, public employee retirement systems, utilities, hospitals and other healthcare providers, and colleges and universities. Paragraphs 2 through 6 discuss the applicability of this Statement.

Resource:

<https://gasb.org/page/PageContent?pageId=/standards-and-guidance/pronouncements/summary-statement-no-31.html>

Investment Company Act of 1940:

Resource:

<https://www.govinfo.gov/content/pkg/COMPS-1879/pdf/COMPS-1879.pdf>

TITLE 2. ADMINISTRATION

CHAPTER 14. OFFICE OF THE ARIZONA STATE TREASURER - STATEWIDE COLLATERAL POOL

Authority: A.R.S. § 35-1202

ARTICLE 1. STATEWIDE COLLATERAL POOL

Section	
R2-14-101.	Definitions
R2-14-102.	Participation Mandatory
R2-14-103.	Collateral Required
R2-14-104.	Increasing, Releasing, and Substituting Eligible Collateral
R2-14-105.	Reports Required
R2-14-106.	Use of Reports
R2-14-107.	Fee Assessment
R2-14-108.	Payment of Losses
R2-14-109.	Civil Penalty for Noncompliance; Hearing

ARTICLE 1. STATEWIDE COLLATERAL POOL

- R2-14-101. Definitions**
- A. The definitions in A.R.S. § 35-1201 apply to this Chapter.
- B. Additionally, in this Chapter:
1. "Collateral pool" means the method of securing repayment of uninsured balances of public deposits made with an eligible depository through the pledge of eligible investments specified under A.R.S. § 35-323.
 2. "CUSIP" means Committee on Uniform Security Identification Procedures and refers to a nine character alphanumeric code that uniquely identifies a financial security.
 3. "EST" means Eastern Standard Time.
 4. "FDIC" means the Federal Deposit Insurance Corporation.
 5. "Treasurer" means the Office of the Arizona State Treasurer.
 6. "Uninsured" means public monies deposited with an eligible depository that exceed the amount insured by an instrumentality of the United States.

Historical Note

New Section made by final rulemaking at 21 A.A.R. 233, effective April 4, 2015 (Supp. 15-1).

R2-14-102. Participation Mandatory

- A. Public depositories.
1. Except as provided under A.R.S. § 35-1204(B), all public depositories shall place deposits of uninsured public monies with an eligible depository.
 2. A public depository that decides to exercise the exemption provided under A.R.S. § 35-1204(B) shall provide written notice of the decision to the Administrator.
- B. Eligible depositories. Except as provided in subsections (B)(1) and (2), an eligible depository that accepts or retains public monies shall pledge required collateral to the collateral pool.
1. An eligible depository that accepts and retains only insured public monies is not required to pledge collateral to the collateral pool. However, the eligible depository shall provide a notarized statement to the Administrator that lists:
 - a. Each public depository for which the eligible depository is retaining public monies,
 - b. The deposit balance for each public depository, and
 - c. The total insurance available for each public depository.
 2. An eligible depository that accepts and retains all public monies in the trust department of the eligible depository and secures the public monies under 12 U.S.C. Section 92a is not required to pledge collateral to the collateral pool.
- C. An eligible depository doing business in Arizona that does not accept or retain public monies shall attest to this fact on a notarized statement that is available from the Administrator.

Historical Note

New Section made by final rulemaking at 21 A.A.R. 233, effective April 4, 2015 (Supp. 15-1).

R2-14-103. Collateral Required

- A. An eligible depository that intends to accept and retain uninsured public monies shall execute a Collateral Security Agreement with the Treasurer, using a form that is available on the web site of the Treasurer. In the agreement, the eligible depository shall pledge for the benefit of the Treasurer eligible collateral having a market value of at least 102 percent of the retained amount of uninsured public monies.
- B. An eligible depository shall deposit all eligible collateral, including a letter of credit that satisfies the requirements at A.R.S. §§ 35-312(A)(4) and 35-323(G)(4), with a qualified escrow agent that will hold the required collateral in trust for the use and benefit of the Treasurer on behalf of the collateral pool.
- C. An eligible depository that does not have a preferred qualified escrow agent may ask the Administrator for permission to use the Treasurer's existing custodial contracts as a qualified escrow agent.
- D. An eligible depository that has pledged required collateral to a housing authority in an amount and manner required by the United States Department of Housing and Urban Development is not required to pledge additional collateral to the collateral pool. However, the eligible depository shall include the HUD-related public monies in the reports required under R2-14-105.
- E. If an eligible depository uses a security as eligible collateral, the eligible depository shall:
1. At the time the security is deposited with a qualified escrow agent, forward to the Administrator the par and market value of the security, identified by the security's CUSIP, and the source of the valuation. The Administrator shall, from time to time, test the market value of the security using an independent source; and
 2. If the security matures or is called for redemption, the cash proceeds will be retained by the qualified escrow agent until substitute collateral is pledged to replace the matured or called security.

Historical Note

New Section made by final rulemaking at 21 A.A.R. 233, effective April 4, 2015 (Supp. 15-1).

R2-14-104. Increasing, Releasing, and Substituting Eligible Collateral

- A. If a public depository anticipates making a late-day (5:00 p.m. EST or later) increase in the amount of public monies deposited with an eligible depository, the public depository shall notify the Administrator. The Administrator shall notify the eligible depository of the anticipated deposit and if needed, require that additional eligible collateral be pledged.
- B. If an eligible depository determines that the amount of eligible collateral deposited with a qualified escrow agent exceeds the amount required under R2-14-103(A), the eligible depository may request that the Administrator release the excess collateral or if the collateral is a letter of credit, consent to a reduction in the face amount of credit. The Administrator shall approve the request as soon as the Administrator determines that the amount of collateral held by the qualified escrow agent exceeds the amount required.
- C. Except as provided in A.R.S. § 35-1208(C), an eligible depository may make substitutions of pledged eligible collateral if the amount of required collateral is maintained.

Historical Note

New Section made by final rulemaking at 21 A.A.R. 233, effective April 4, 2015 (Supp. 15-1).

Resource:

https://apps.azsos.gov/public_services/Title_02/2-14.pdf

Subject: CODE OF CONDUCT

Date: August 21, 2024

Pages: 1 of 3

Replaces Policies Dated: August 21, 2008 and March 28, 2018

PURPOSE: To establish a code of conduct for Pinal County employees.

SCOPE: This policy applies to all Pinal County employees.

STATEMENT OF POLICY: County employees must manage business and personal affairs as to avoid situations that might lead to conflict, or the appearance of conflict, between self-interest and public duty. County employees must seek to diligently perform their public duties and responsibilities with integrity, honesty, and respect for all.

PERFORMANCE OF DUTIES: As public servants, employees must perform their duties and responsibilities in a fair and equitable manner.

A. Employee shall:

1. Perform official duties diligently during the hours the employee is paid to work for the County.
2. Always perform their duties with courtesy and respect toward the public and co-workers, without bias or prejudice, manifested by words or conduct, based upon race, color, national origin, ethnicity, religion, sex (including pregnancy, childbirth, or related medical conditions), gender, gender identity, sexual orientation, age, disability, military service, veteran status, genetic information, or political affiliation.
3. Perform their duties impartially irrespective of close personal relationships, position, partisan interests, public opinion or fear of criticism or reprisal.
4. Act with honesty and truthfulness.

B. Employees should not:

1. Use County resources for private use.
2. Use or attempt to use their official position to secure unwarranted privileges or exemptions.

3. Accept, solicit, or agree to accept any gift, favor or anything of value with the understanding that the official actions, decisions or judgment of any employee will be influenced.
4. Request or accept any fee or compensation, beyond that received by the employee in their official capacity, for advice or assistance given in the course of their public employment.
5. Exceed the authority of their official role to assist private entities or individuals in dealings with Pinal County where this would result in preferential treatment.
6. Grant or make available any special consideration, treatment, advantage, favor, service, or thing of value beyond that which is commonly granted to the public at large, unless specifically authorized by statute, ordinance, or regulation.
7. Treat any individual more or less favorably because of their race, color, national origin, ethnicity, religion, sex (including pregnancy, childbirth, or related medical conditions), gender, gender identity, sexual orientation, age, disability, military service, veteran status, genetic information, or political affiliation.
8. Employees shall not be insubordinate, willfully disobedient, or fail to follow reasonable direction from a supervisor.

C. Use of Public Property:

1. A Pinal County employee should not, directly or indirectly, use or allow the use of County property (including leased property) for anything other than official activities.
2. Pinal County is not permitted to use its personnel, equipment, materials, buildings, or other resources for the purpose of personal gain or influencing the outcome of elections. (ARS § 11-410.)
3. Each individual has a duty to protect and conserve County property, including equipment, supplies, and other property entrusted to them.

D. Confidentiality:

Employees should maintain the confidentiality of matters they handle assuring information about these activities is made public only upon appropriate authorization.

E. Solicitation:

Solicitation and fundraising are covered in PCPP 8.71.