

Investments:

22.1 Policy

It is the policy of the Mark Twain Health Care District (“District”) to provide guidelines for the prudent investment of District funds and to maximize the efficiency of the District’s cash management. The ultimate goal is to enhance the economic status of the District consistent with the prudent protection of the District’s investments. This investment policy has been prepared in conformance with all pertinent existing laws of the State of California including California Government Code Sections 53600, *et seq.*

22.2 Scope

This policy covers all funds and investment activities of the District except for (1) the proceeds of bond issues, which are invested in accordance with provisions of their specific bond indentures, and (2) funds invested in retirement or deferred compensation plans. All funds covered by this policy are defined and accounted for in the District’s audited annual Basic Financial Statements Report. Further, any new funds created shall be covered by this policy unless specifically excluded by District management and the Board of Directors.

22.3 Prudent Investor Standard

The District operates its investment portfolio under the Prudent Investor Standard (California Government Code Section 53600.3) which states, 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 District, that a prudent person in a like capacity and familiar with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principle and maintain the liquidity needs of the District. “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 istaken to control adverse developments.

22.4 Investment Objectives

- A. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds,
1. The primary objective is to safeguard the principle of the funds.
 2. The secondary objective is to meet the liquidity needs of the District.
 3. The third objective is to achieve a reasonable market rate of return on invested funds.

It is the policy of the District to invest public funds in a manner to obtain the highest yield obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

B. Safety of Principle

Safety of principle is the foremost objective of the District. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they arise from securities defaults, institution default, broker-dealer default, or erosion of market value of securities. The District shall mitigate the risk to the principle 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 District's portfolio will fall due to an increase in general interest rates.

1. Credit risk will be mitigated by:
 - a. Limiting investments to only the most creditworthy types of securities;
 - b. Diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place undue burden on the District.
2. Interest rate risk will be mitigated by:
 - a. Structuring the District's portfolio so that securities mature to meet the District's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and
 - b. Investing a portion of the portfolio in shorter-term securities.

C. Liquidity

Availability of sufficient cash to pay for current expenditures shall be maintained in money market funds, local government investment pools that offer daily liquidity, repurchase agreements, or short-term securities that can easily be converted into

cash because they have secondary markets. The accounting management system of the District shall be designed to accurately monitor and forecast expenditures and revenues to ensure the investment of monies to the fullest extent possible.

D. Rates of Return

Yield on investments shall be considered only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market average rate of return throughout economic cycles, taking into account the District's risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

22.5 Delegation of Authority

A. Responsibilities of the Accounting Department

The Accounting Department is charged with the responsibility for maintaining custody of all public funds and securities belonging to or under the control of the District, and for the deposit and investment of those funds in accordance with principles of sound treasury management and with applicable laws and ordinances.

B. Responsibilities of the Chief Financial Officer, or contracted financial services vendor

The Chief Financial Officer, or contract financial services vendor, shall perform the monthly review and reconciliation of accounting investments as well as be responsible for the conduct of all Accounting Department functions.

C. Responsibilities of the Executive Director

The Chief Executive Officer is responsible for directing and supervising the assigned designee and is responsible further to keep the Board of Directors fully advised as to the financial condition of the District.

D. Responsibilities of the Board of Directors

The Board of Directors shall annually review the written Investment Policy. As provided in the Policy, the Directors shall receive, review, and accept quarterly investment reports which may be included in the Consent Calendar of the regularly scheduled meeting of the Board of Directors in the month following the meeting of the Finance/Investment Committee.

E. Responsibilities of the Finance/Investment Committee

There shall be a Finance Committee consisting of two (2) members of the Board of Directors and no more than two (2) citizens having experience in accounting, banking, or financial investments. No members of the Finance/Investment Committee shall profit in any way from activities of the Committee. The Chief Executive Officer and assigned designee(s) shall serve as staff liaison to the Committee. The Committee shall meet no less than quarterly to discuss the quarterly investment reports, investment strategy, investment and banking procedures, as well as the anticipated cash flow projection and any other significant investment-related activities being undertaken. The Committee's meetings will be summarized in minutes, which are distributed to the Board of Directors with the quarterly investment report.

22.6 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any material financial interest in financial institutions that conduct business with this District, and they shall further disclose any large personal financial / investment positions that could be related to the performance of the District's portfolio.

22.7 Authorized Financial Dealers and Institutions

- A. The Chief Executive Officer will establish and maintain a list of the financial institutions and broker / dealers authorized to provide investment and depository services to the District.

1. Depositories

In selecting depositories, the creditworthiness of institutions shall be considered, and the Chief Executive Officer shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history as part of the application process.

22.8 Diversification and Risk

The District recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. To minimize the District's exposure to these types of risk, the portfolio should be diversified among several types of institutions, instruments, and maturities. The Chief Executive Officer with the Finance Committee shall minimize default risk by prudently selecting

only instruments and institutions, which at the time of placement have been evaluated for their financial viability and compliance with this policy. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

22.9 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, taking into account the District's investment risk constraints, cash flow needs, and maturities of the investments.

22.10 Reporting

The District has adopted California Government Code 53607 and 53646 et seq to define the District's reporting responsibilities.