



AGENDA

Finance/Audit Committee Meeting

October 14, 2021

12:00 noon GUC Board Room

Call to Order and Ascertain Quorum

[Committee Chair Peter Geiger]

Safety Brief

[Tony Cannon]

Acceptance of the Agenda

[Committee Chair Peter Geiger]

1. Approval of Minutes

[Committee Chair Peter Geiger]

June 1, 2021

2. Annual Review of Investment Policy

[Jeff McCauley]

3. Annual FY 2020-2021 Audit Update

[Jeff McCauley]

Adjournment



Agenda Item # 1

Meeting Date: October 14, 2021

Board Committee:	Finance/Audit Committee
Item:	Approval of Minutes
Contact:	Tony Cannon
Explanation:	Finance/Audit Committee Meeting: June 1, 2021
Strategic Plan Elements:	Strategic Themes: <ul style="list-style-type: none">• Exceptional Customer Service• Shaping Our Future Objectives: <ul style="list-style-type: none">• Exceeding customer expectations• Embracing change to ensure organizational alignment and efficiency Core Values: <ul style="list-style-type: none">• Exceed customers' expectations• Support the community• Deliver reliable services
Previous Board Actions:	N/A
Fiscal Note:	N/A
Recommended Action(s):	Approval of minutes as presented or amended

GREENVILLE UTILITIES COMMISSION
FINANCE/AUDIT COMMITTEE
GREENVILLE, NORTH CAROLINA
June 1, 2021

The Finance/Audit Committee of the Greenville Utilities Commission met on Tuesday, June 1, 2021, at 2:00 p.m. virtually via Zoom with the following members and others present.

Committee Members Present:

Tommy Stoughton, Committee Chair
Minnie Anderson, Committee Vice-Chair
Peter Geiger
Lindsey Griffin

GUC Staff Present:

Tony Cannon, General Manager/CEO
Chris Padgett
Jeff McCauley
Amy Wade
Anthony Miller
Keith Jones
Anthony Miller
Freddie Martin
Robby Bright

Others in attendance:

Ginger Livingston, The Daily Reflector

Committee Chair Stoughton called the meeting to order at 2:00 p.m. Executive Secretary Wade called roll and ascertained that a quorum was present.

A motion was made by Ms. Anderson, seconded by Mr. Griffin, to accept the agenda as presented. The motion carried unanimously.

APPROVAL OF MINUTES (Agenda Item 1)

A motion was made by Ms. Anderson, seconded by Mr. Griffin, to approve the May 10, 2021, Finance/Audit Committee minutes as presented. The motion carried unanimously.

CONSIDERATION OF ADOPTION OF RESOLUTION AUTHORIZING NEGOTIATION AND EXECUTION OF A NATUARL GAS SUPPLY AGREEMENT WITH GULF STATES GAS DISTRICT (Agenda Item 2)

Mr. Anthony Miller, Director of Gas Systems, reported that to further diversify Greenville Utilities Commission's (GUC's) natural gas supply portfolio and reduce costs, staff has evaluated the option of GUC participating in a natural gas pre-payment (prepay) transaction with Gulf States Gas District (GSGD) and BP Energy Company (BPEC). Mr. Freddie Martin, Gas Supply Officer, provided a presentation and explained that a prepay is a transaction where a municipal utility can issue tax-exempt bonds to prepay for delivery of gas on a long-term basis to achieve an ongoing discount to the prevailing market price. Under the proposed agreement, GSGD will be the issuer of the bonds. In executing such an agreement, GUC would be a purchaser of gas from GSGD at a discount to prevailing market prices and would not have any liability associated with the bonds issued by GSGD.

GUC is currently in year 15 of a 15-year prepay with Patriots Energy Group (PEG), year 4 of a 30-year prepay with Black Belt Energy (BBE) and year 3 of a 30- year prepay with Public Energy Authority of Kentucky (PEAK). The PEG prepay has saved GUC and its customers \$1,741,600 since February 2007 and the agreement ends on January 31, 2022. Delivery under the BBE prepay began on November 1, 2018 with projected savings of \$8,071,106 over the term of the agreement. Delivery under the PEAK prepay began on July 1, 2019 with projected savings of \$4,634,449 over the term of the agreement. Also, a 30-year agreement is pending with Minnesota Municipal Gas Agency with project savings of \$5,811,600 over the term of the agreement.

GUC has an opportunity to participate in a new 30-year natural gas pre-payment deal with GSGD. Closing of this agreement is targeted for June 30, 2021. To participate in the prepay, GUC will need to approve and execute a gas supply contract with Gulf States Gas District prior to June 30, 2021.

The key provisions of the proposed agreement are listed below:

- GUC enters the agreement to purchase volumes up to, but not to exceed, 3,000 dekatherms per day for a term of 30 years.
- GUC receives a discount of \$0.30 or more per dekatherm from the applicable first-of-the-month gas index price.
- Remarketing provision - If demand drops GSGA will use commercially reasonable efforts to remarket the gas for an administrative charge of \$0.05 per dekatherm.
- Limited Liability Clause that keeps GUC from being obligated financially except as expressly described in contract
- Compensation for failure to perform.
- Termination rights (bankruptcy, failure to issue bonds, etc.)

Following discussion, a motion was made by Mr. Geiger, seconded by Ms. Anderson, to adopt a resolution and authorize the General Manager/CEO to negotiate and execute the Natural Gas Supply Agreement with Gulf States Gas District for a volume up to, but not to exceed, 3,000

dekatherms per day over 30 years and recommend similar action by the full Board of Commissioners.

Following further discussion about the pending agreement with Minnesota Municipal Gas Agency, the motion was amended by Mr. Geiger, seconded by Ms. Anderson, to adopt a Resolution and authorize the General Manager, CEO to negotiate and execute a Natural Gas Supply Agreement with either Gulf States Gas District or Minnesota Municipal Gas Agency for a volume up to, but not to exceed 3,000 dekatherms per day over 30 years and recommend similar action by the full Board of Commissioners. The amended motion passed unanimously.

ADJOURNMENT

With no further business to conduct, a motion was made by Mr. Griffin, seconded by Mr. Geiger, to adjourn the meeting. The motion carried unanimously, and the Finance/Audit Committee meeting adjourned at 2:19 p.m.

Respectfully submitted,

Amy Carson Wade
Executive Secretary



Agenda Item # 2

Meeting Date: October 14, 2021

Board Committee:	Finance/Audit Committee
Item:	Annual Review of Investment Policy
Contact:	Jeff McCauley
Explanation:	<p>It is the policy of GUC to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of GUC and conforming to all state and local statutes governing the investment of public funds. To that end, GUC's Investment Policy requires that a review of the investment policy be conducted on an annual basis by the Finance/Audit Committee.</p>
Strategic Plan Elements:	<p>Strategic Themes:</p> <ul style="list-style-type: none">• Exceptional Customer Service• Safety, Reliability & Value• Shaping Our Future <p>Objectives:</p> <ul style="list-style-type: none">• Providing competitive rates, while maintaining the financial stability of the utility• Exceeding customer expectations <p>Core Values:</p> <ul style="list-style-type: none">• Exceed Customers' Expectations• Act with Integrity• Value Employees• Support the Community
Previous Board Actions:	October 21, 2020 – The Investment Policy was reviewed with no changes by the Finance/Audit Committee.
Fiscal Note:	N/A
Recommended Action(s):	Review of Investment Policy

GREENVILLE UTILITIES COMMISSION

INVESTMENT POLICY

I. POLICY

It is the policy of Greenville Utilities Commission to invest public funds in a manner which will provide the highest return with the maximum security while meeting the daily cash flow demands of Greenville Utilities Commission and conforming to all state and local statutes governing the investment of public funds.

II. SCOPE

These investment policies apply to all cash-related assets included within the scope of the Commission's audited financial statements and held directly by the Commission. These funds are accounted for in the Commission's Comprehensive Annual Financial Report and include:

1. Operating Fund
2. Capital Projects Fund
3. Capital Reserve Fund
4. Rate Stabilization Fund

 Funds of the Commission will be invested in compliance with the provision of North Carolina General Statutes 159-30.

 Deposits into trustee held funds including proceeds from debt financings and investments into the Other Post-Employment Benefits Trust Fund (OPEB) are excluded from the scope of this policy.

III. OBJECTIVES

The Commission's investment objectives, in priority order are:

 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Greenville Utilities Commission shall be undertaken in a manner that seeks to ensure the preservation of capital in the total portfolio.

 Liquidity: The Director of Financial Services shall assure that funds are constantly available to meet immediate payment requirements including payroll, accounts payable and debt service.

Yield: Market Yield: The Commission's investment strategy utilizes a passive approach and is the basis used to determine whether market yield is being achieved. The investment portfolio shall be designed with the objective of regularly exceeding the average return on 90-day U.S. Treasury Bills.

| _____*The 90-day T bill is considered a benchmark for risk-free investment transactions and therefore represents a minimum standard for the portfolio's rate of return.

IV. PRUDENCE

Investments shall be made with judgement and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise, in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be received.

The standard of prudence to be used by investment officials shall be the “prudent person” ~~described above, and/or~~ “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, the investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security’s ~~performance~~ credit risk or market price changes, provided ~~that~~ deviations from expectations are reported in a timely ~~manner~~ fashion and appropriate action is taken to control adverse developments.

_____ *This is a realistic standard of knowledge and professional expertise to expect from a reasonably well-informed person who will be responsible for managing the Commission’s investments.

V. RESPONSIBILITY

The authority for investing the funds of Greenville Utilities Commission lies with the Chief Financial Officer and the Director of Financial Services. The primary authority is the Chief Financial Officer. Management responsibility for the investment program is delegated to the Director of Financial Services who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate investment activity and appropriate procedures in the absence of the Chief Financial Officer. The Director of Financial Services is charged with the day-to-day operations of the Commission’s investment portfolio, including the placement of purchase and sell orders with dealers and financial institutions and the preparation of reports as required.

~~The Director of Financial Services is the Investment Officer for the Commission and prepares cash flow forecasts and budgets as needed to assist in the decision making process for the placement of the Commission’s funds to achieve the best yields while meeting the cash flow requirements of the Commission.~~

The Director of Financial Services shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should reference safekeeping, wire transfer agreements, banking service contracts, collateral/depository agreements and selection of appropriate investments. Investment procedures shall 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 Director of Financial Services.

VI. INVESTMENT DIVERSIFICATION

Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, purchasing from sound and different financial institutions and brokers to reduce the chance of loss, and varying maturity length to ensure availability of funds to meet cash needs.

 The funds of the Commission may be invested in the following instruments, as allowed by North Carolina General Statutes 159-30, in the following percentages that are listed in ~~table~~Table 1. If applicable, the table also defines other restrictions to reduce risk in the Commission's portfolio.

Table
TABLE 1

INSTRUMENT	MAXIMUM % OF <u>PORTFOLIO</u>	Other Restrictions
U.S. TREASURY OBLIGATIONS (BILLS, NOTES, BONDS)	100%	None
U.S. GOVERNMENT AGENCY SECURITIES ALLOWED BY STATE STATUTES	100%	No more than 50% of the Commission's total portfolio may be invested in any one agency
NORTH CAROLINA CAPITAL MANAGEMENT TRUST (LOCAL GOVERNMENT POOL)	100%	None
MONEY MARKET ACCOUNTS	100%	No more than 50% of the Commission's total portfolio may be invested in any one financial institution
CERTIFICATES OF DEPOSIT (BANKS AND SAVINGS AND LOAN ASSOCIATIONS)	70%	No more than 50% of the Commission's total portfolio may be invested in any one financial institution
BANKER'S ACCEPTANCES (BA'S)	45%	No more than 25% of the Commission's total portfolio may be invested in any one entity
COMMERCIAL PAPER (CP)	50%	No more than 25% of the Commission's total portfolio may be invested in any one entity
STATE OF NORTH CAROLINA AND LOCAL GOVERNMENT SECURITIES WITH AAA RATING OR BETTER	20%	None

With respect to those instruments that are allowed under the state statutes the following have been omitted from this list and will not be purchased unless this investment policy is amended to include those instruments. They are:

- Repurchase agreements
- Commingled investment pool established by G.S. 160-A-464
- Participating shares in a mutual fund for local government
- Evidences of ownership of future interest and principal payments of direct obligations of the U.S. government

Relative safety and liquidity of each investment type determine the appropriate percentage of the portfolio. Investments are arranged approximately by level of risk, with the safest investments first. State and local government securities with a AAA rating are low risk but also low interest.

~~VIII.~~VII. DIVERSIFICATION BY MATURITY

Recognizing the Commission's need for funds is not constant, the Director of Financial Services shall schedule investments in coordination with all funds such that there is as little idle cash as practical. Investments shall be limited to maturities not exceeding five years. Maturities should be selected in consideration of the Commission's cash flow requirements.

Investments in Treasuries, Agencies and Instrumentalities may be purchased with maturities exceeding 3 years. All others (with maturities greater than 3 years) are prohibited without the expressed approval of the Commission Board.

Length of Maturity is calculated to be the number of days from the date of the purchase of the investment to the maturity date of the investment.

~~IX.~~VIII. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Before the Commission invests any surplus funds in secondary market investments, competitive bids shall be obtained. Records will be kept of the bids offered, the bids accepted, and a brief explanation of the decision made.

X.IX. QUALIFIED INSTITUTIONS

The Commission shall maintain a listing of all authorized dealers and financial institutions which are approved for investment purposes. Written procedures and criteria for selection of financial institutions will be established by the Director of Financial Services. Any firm is eligible to apply to provide investment services to the Commission and will be added to the list if the selection criteria are met. Additions or deletions to the list will be made by the Director of Financial Services. Firms performing investment services for the Commission shall provide their most recent financial statements upon request.

XI.X. INVESTMENT POOLS / MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. The following information should be available to the Investment Officer:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced, and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

XI.XI. SAFEKEEPING AND COLLATERALIZATION

In accordance with state statutes, the Governing Board shall designate as its official depositories one or more banks, or trust companies in North Carolina. The amount of funds on deposit shall be secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home Loan Bank, or investment securities of such nature, in a sufficient amount to protect the Commission.

Investment securities purchased by the Commission shall be delivered by either book entry or physical delivery, and held in third party safekeeping by a bank designated as primary agent. The trust department of the bank designated as primary agent may be ~~considered to be~~ a third party for the purposes

of safekeeping of securities purchased from that bank. The purchase and sale of all securities will be on a payment versus delivery basis. The primary agent shall issue a safekeeping receipt to the Investment Officer listing the specific instrument, rate, maturity, and other pertinent information.

Deposit-type securities (i.e. certificates of deposit, money market accounts, and checking accounts) shall be 100% collateralized as required by North Carolina General Statutes.

~~XIII.~~XII. ACCOUNTING METHOD

Investments will be recorded at cost. Realized gains or losses from investments will be credited or charged to interest income at the time of maturity or sale. For instruments purchased at a price greater than par or less than par and not sold, the purchase price premium or discount will be accounted for in accordance with generally accepted accounting principles (GAAP). Investments will be reported annually at market value.

~~XIV.~~XIII. REPORTING REQUIREMENTS

The Chief Financial Officer and/or ~~the~~ Director of Financial Services shall submit an Annual Statement of Investment Policy to the Commission, noting compliance with Commission policies. This statement shall be filed ~~by~~ no later than August 31 of each year.

The General Manager/~~CEO~~ and appropriate Finance Department staff will review the Investment Policy with the Finance/Audit Committee annually by no later than October 31 of each year.

The Chief Financial Officer and/or ~~the~~ Director of Financial Services shall provide the Commission with a monthly investment report, which will provide, at a minimum, the following information:

- CUSIP Number
- Issuer or Broker/Dealer (Financial Institution)
- Type of Investment
- Effective Yield
- Purchase Date
- Maturity Date
- Cost
- Par Value
- Where Held (Safekeeping)

The monthly investment report shall include all investments held in the Commission's portfolio as of the end of the month, and shall be issued with the monthly financial report. Market values shall be reported semi-annually.

Any investment that does not meet policy guidelines due to Board adopted changes will be temporarily exempted for a period not to exceed six months. Investments must come in conformance with the policy within six months of the policy's adoption or the Board must be presented with a plan through which investments will come into conformance.

If a violation does occur, the Chief Financial Officer and/or the Director of Financial Services shall report such violation in a timely manner to the General Manager/CEO along with a plan to address the violation. The violation and plan will then be reported to the Board.

~~XV.~~XIV. INTERNAL CONTROLS

The Director of Financial Services shall maintain a system of written internal controls, which shall be reviewed by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

~~XVII.~~XV. 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 officials shall disclose to the General Manager/CEO any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Commission. -This disclosure need not include normal banking or brokerage relationships that are at normal market rates and conditions available to the ~~general~~ public.

~~XIX.~~XVI. POLICY REVIEW AND ADOPTION

This investment policy may be reviewed by the Board of Commissioners of Greenville Utilities Commission at their pleasure and amended and adopted at any time.

Last Revised: ~~November 16, 2017~~ September 29, 2021

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

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.

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

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

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.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

~~insures bank deposits, currently up to \$250,000 per deposit.~~

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking

services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are back by the FHA, VA or ~~FmHA~~FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

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.

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.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have

the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

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.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

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

SEC RULE 15C3-1: See Uniform Net Capital Rule.

TREASURY BILLS: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

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.



Agenda Item # 3

Meeting Date: October 14, 2021

Board Committee:	Finance/Audit Committee
Item:	Annual FY 2020-21 Audit Update
Contact:	Jeff McCauley
Explanation:	<p>The fiscal year-end audit has been progressing nicely. Staff has been providing the auditors with information in a timely manner. At this time the auditors have not made staff aware of any auditing issues and it is anticipated that the Commission will receive a clean audit opinion.</p> <p>Staff is on track to deliver the audited financial statements to the State Treasurer's Office by October 31, 2021. Presentation of the full audit report to the Board will be scheduled to occur in November.</p> <p>Based on Generally Accepted Accounting Principles (GAAP) the Commission generated \$8.6 million in net income for fiscal year-ended June 30, 2021. A presentation on the status of the audit will be provided at the Finance/Audit Committee meeting.</p>
Strategic Plan Elements:	<p>Strategic Themes:</p> <ul style="list-style-type: none">• Exceptional Customer Service• Safety, Reliability & Value• Shaping Our Future <p>Objectives:</p> <ul style="list-style-type: none">• Providing competitive rates, while maintaining the financial stability of the utility• Exceeding customer expectations <p>Core Values:</p> <ul style="list-style-type: none">• Exceed Customers' Expectations• Act with Integrity• Value Employees
Previous Board Actions:	Approved Audit Contract in March 2021
Fiscal Note:	N/A

**Recommended
Action(s):**

N/A