ROUTT COUNTY

INVESTMENT POLICY

ADOPTED AUGUST 23, 2022

CONTENTS

APPROVED AS TO FORM
ROUTT COUNTY ATTORNEY'S OFFICE
By: EK Date: 8/23/22

I. INTRODUCTION

Routt County is located on the western slope of the Continental Divide. The County seat is the City of Steamboat Springs, which is the largest community in the County. Routt County operates as a statutory county, with a three-member Board of County Commissioners. The County Treasurer is elected to a four-year term. The Treasurer's duties include receiving and paying moneys belonging to the County as well as investing the County's funds in accordance with applicable Colorado state statutes, C.R.S. Title 30, Article 10, Part 7, "Treasurer" and C.R.S. Section 30-10-102, "All Money Delivered to Treasurer".

The purpose of this investment policy is to specify various policies and procedures that will foster a prudent and systematic investment program designed to achieve Routt County's objectives of safety, liquidity and return on investment through a diversified investment portfolio. This policy also serves to organize and formalize Routt County's investment-related activities, while complying with all applicable statutes governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA) and the Association of Public Treasurers (APT).

This investment policy was adopted by Routt County's Board of County Commissioners and is effective as of the 23 day of August, 2022, and replaces any previous versions.

II. Scope

The provisions of this Policy shall apply to all investable funds of Routt County, Colorado ("Routt County"). Pension plan funds and deferred compensation plan funds are expressly excluded from this Policy.

- Proceeds of debt issuance shall be invested in accordance with Routt County's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.

- This Policy does not apply to DARE funds, special investigation funds, drug-buy funds, commissary funds, fair funds, and seizure funds, which shall be placed in interest-bearing accounts.

POOLING OF FUNDS

Except for cash in certain restricted and special funds, Routt County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. Prudence

The standard of prudence to be used for managing Routt County's assets is the "prudent person standard" which states, "fiduciaries…shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital." (C.R.S. § 15-1-304, Standard for Investments).

Routt County's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. Routt County shall recognize that no investment is totally riskless and that the investment activities of Routt County are a matter of public record. Accordingly, Routt County recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of Routt County.

The Treasurer and authorized investment personnel acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Treasurer and appropriate action is taken to control adverse developments.

IV. Objectives

The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- **SAFETY.** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, Routt County will diversify its investments by investing funds among a variety of securities with independent returns.

- **LIQUIDITY.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

- **RETURN ON INVESTMENTS.** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

V. Delegation of Authority

Authority to manage Routt County's investment program is derived from Colorado Revised Statutes (C.R.S. § 24-75-601.1). The Board of County Commissioners is responsible for the adoption of this Policy. Management responsibility for the administration of this Policy is hereby delegated to theTreasurer.

TheTreasurer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of Routt County's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of Routt County.

TheTreasurer may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to specifically authorized staff members. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

Routt County may engage the support services of advisors, consultants and professionals in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of Routt County's financial resources. Investment Advisors shall be registered with the Securities Exchange Commission under the Investment Advisors Act of 1940. Advisors shall be selected using Routt County's authorized purchasing procedures for selection of professional services. Advisors shall be subject to the provisions of this Policy, and shall not, under any circumstances, take custody of any Routt County funds or securities.

VI. Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process ("Investment Participants") shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Investment Participants shall disclose any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Investment Participants shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the Routt County.

Conflict of Interest

All Investment Participants (OR elected officials, members of an appointment board, or employees must adhere to Routt County's Policy as to Conflicts of Interest and the State Code of Ethics, C.R.S. 24-18-101 *et seq.* and 24-18-201 *et seq.*

Routt County also adheres to the Government Finance Officers Association's "Code of Professional Ethics" a copy of, which is included in Annex VI.

VII. Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by Routt County and/or the Board of County Commissioners, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

VIII. Authorized Financial Institutions, Depositories and Broker/Dealers

Public deposits will be made only in qualified public depositories pursuant to the Public Deposit Protection Act (C.R.S. 11-10.5-101, *et seq.*) for banks and the Savings and Loan Association Public Deposit Protection Act (C.R.S. 11-47-101, *et seq.*).

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The Treasurer will determine which financial institutions are authorized to provide investment services to Routt County. It shall be Routt County's policy to purchase securities only from authorized institutions and firms.

The Treasurer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by Routt County. Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Colorado and as such are subject to the provisions of the Colorado Revised Statutes, including, but not limited to C.R.S. § 24-75-604. Due diligence inquiry shall determine whether such authorized broker/dealers, and the individuals covering Routt County are reputable and trustworthy, knowledgeable and experienced in public agency investing and able to meet all of their financial obligations. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure;

2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with audited financials and a statement certifying that the institution has reviewed C.R.S.§ 24-75-601, *et seq.* and Routt County's investment policy. The Treasurer will conduct an annual review of the financial condition and registrations of such qualified bidders.

Selection of broker/dealers used by an external investment adviser retained by Routt County will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Routt County may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as the paper meets the criteria outlined in Section XI(3), "**Authorized Investments.**"

IX. Delivery, Safekeeping and Custody

Delivery-versus-Payment (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

Safekeeping and Custody. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in Routt County's portfolio shall be held in safekeeping in Routt County's name by a third party custodian, acting as agent for Routt County under the terms of a custody agreement executed by the bank and Routt County. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by Routt County from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable.

Routt County may utilize the services of the Depository Trust Corporation (DTC) as a depository for delivery of securities not wired through the Federal Reserve system.

X. Competitive Transactions

Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If Routt County is offered a security for which there is no other readily available competitive offering, then quotations on comparable or alternative securities will be recorded.

XI. Authorized Investments

Except as specifically defined in this Policy, all investments of Routt County shall be made in accordance with applicable laws contained in the Colorado Revised Statutes, as amended: C.R.S. § 11-10.5-101, *et seq.*, Public Deposit Protection Act; C.R.S. § 11-47-101, *et seq.*, Savings and Loan Association Public Deposit Protection Act; C.R.S. § 24-75-601, *et seq.*, Funds-Legal Investments; C.R.S. § 24-75-603, Depositories, and C.R.S. § 24-75-701, *et seq.*, Investment Funds - Local Government Pooling. . Any revisions or extensions of these sections of the Colorado Revised Statutes will be assumed to be part of this Investment Policy immediately upon the effective date thereof.

The credit quality of any eligible investment will be evaluated using the following Nationally Recognized Statistical Rating Organizations (NRSROs): Standard & Poor's, Moody's or Fitch (or any of their successor agencies).

Routt County has further defined the following types of securities and transactions as eligible for use by Routt County:

1. **U.S. Treasury Securities** fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment.

    - Maturities shall not exceed five years from the date of trade settlement.
    - There are no limits on the dollar amount or percentage that Routt County may invest in U.S. Treasuries.

2. **Federal Agency and U.S. Government-Sponsored Enterprise (GSE) Securities** issued by or fully guaranteed as to principal and interest by federal agencies or U.S. GSEs.

    - Maturities shall not exceed five years from the date of trade settlement.
    - There are no limits on the dollar amount or percentage that Routt County may invest in federal agency and GSE securities.

- No more than 25% of the total portfolio may be invested in any single Agency/GSE issuer.

3. **COMMERCIAL PAPER** denominated in United States dollars.

    - Must be rated at the time of purchase at least A1, P1, or F1 or their equivalent by at least two NRSROs.
    - The maximum maturity must not exceed 270 days.
    - At no time shall the book value of investments in Bankers Acceptances and Commercial Paper total more than 50% of the total book value of the total portfolio.
    - No more than 5% of the total portfolio may be invested in the securities of any single issuer.
    - No security issued by a corporation or bank that is not organized and operated within the United States may be purchased without authorization by the Board of County Commissioners to invest in such securities.

4. **BANKERS ACCEPTANCES** denominated in United States dollars.
    - Must be rated at the time of purchase at least A1, P1, or F1 or their equivalent by at least two NRSROs.
    - The maximum maturity must not exceed 180 days.
    - At no time shall the book value of investments in Bankers Acceptances and Commercial Paper total more than 50% of the total book value of the total portfolio.
    - No more than 5% of the total portfolio may be invested in the securities of any single issuer.
    - No security issued by a corporation or bank that is not organized and operated within the United States may be purchased without authorization by the Board of County Commissioners to invest in such securities.

5. **MONEY MARKET MUTUAL FUNDS** registered under the Investment Company Act of 1940, provided they:

    - Have a constant daily net asset value per share of $1.00;
    - Are "no-load" (*i.e.*: no commission or fee shall be charged on purchases or sales of shares) and charge no 12b1 fees;
    - Limit assets of the fund to securities authorized by state statute;
    - Have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and
    - Have a rating of AAAm by Standard and Poor's or Aaa by Moody's, or AAAmmf by Fitch Investors Service.

6. **Local Government Investment Pools** authorized under C.R.S. § 24-75-701, *et seq.*, provided they:

   - Are "no-load" (*i.e.*, no commission or fees shall be charged on purchases or sales of shares) and charge no 12b1 fees;
   - Limit assets of the fund to securities authorized by state statute;
   - Have a rating of AAAm by Standard and Poor's or Aaa by Moody's or AAAf/AAAmmf by Fitch Investors Service.
   - No more than 25% of the total portfolio may be invested in any single local government investment pool.

7. **Certificates of Deposits** with a maturity not exceeding five years in any bank that is a member of the Federal Deposit Insurance Corporation (FDIC).

   - Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act or the Savings and Loan Association Public Deposit Protection Act.
   - No more than 30% of the total portfolio may be invested in certificates of deposit.
   - No more than 5% of the total portfolio may be invested in any one issuer.

8. **Repurchase Agreements** collateralized with marketable U.S. Treasury, Agency or GSE securities listed in items #1 & 2 above and maintained at a market value plus accrued interest of at least 102% of the dollar value of the repurchase agreement.

   - Repurchase agreements are subject to a Master Repurchase Agreement between Routt County and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
   - Repurchase agreements shall be entered into only with dealers who have executed an approved Master Repurchase Agreement with Routt County and who are recognized as primary dealers with the Federal Reserve Bank of New York or have a primary dealer within their holding company structure.
   - For the purpose of this section, the term collateral shall mean purchased securities under the terms of the Master Repurchase Agreement and shall be delivered versus payment to Routt County's custodian bank for safekeeping on behalf of Routt County.
   - The collateral for the repurchase agreement may have a maturity in excess of five years.
   - The market value plus accrued interest of the collateral securities shall be marked-to-the-market no less frequently than weekly.

- Routt County may utilize Tri-party Repurchase Agreements provided that Routt County is satisfied that it has a perfected interest in the securities used as collateral and that Routt County has a properly executed Tri-party Agreement with both the counterparty and custodian bank.
- The maximum maturity of the repurchase agreement shall not exceed one year.

XII. Prohibited Investment Vehicles and Practices

State law notwithstanding, any investments not specifically authorized pursuant to this approved Investment Policy are prohibited, including but not limited to:

- Futures and options
- Investment in inverse floaters, range notes, or mortgage derived interest-only strips
- Investment in any security that could result in a zero interest accrual if held to maturity
- Trading securities for the sole purpose of speculating on the future direction of interest rates
- Purchasing or selling securities on margin
- The purchase of foreign currency denominated securities

XIII. Investment Pools/Mutual Funds

Routt County shall conduct a thorough investigation of any local government investment pool or money market mutual fund prior to making an investment, and on a continual basis thereafter. There shall be a questionnaire developed which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

XIV. Maximum Maturity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

Routt County will not invest in securities maturing more than 5 years from the date of trade settlement, unless the Board of County Commissioners has by resolution granted authority to make such an investment.

XV. Risk Management and Diversification

MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Routt County will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Securities and Transaction" section of this policy are designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be invested in securities of any single issuer per each category in "Authorized Securities and Transaction" section of this policy, except where the issuer is the U.S. Government, its Agencies and GSEs or where the security is Money Market Mutual Funds or Local Government Investment Pools.

- Routt County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or Routt County's risk preferences.

- If securities owned by Routt County are downgraded by a nationally recognized statistical ratings organization (NRSRO) to a level below the quality required by this Investment Policy, it will be Routt County's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

    - If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.

    - If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. Routt County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. Routt County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

Routt County further recognizes that certain types of securities, including variable rate securities, securities with principal pay downs prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. Routt County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- Routt County shall maintain at least 10% of its total portfolio in instruments maturing in 90 days or less to provide sufficient liquidity for expected disbursements.

- The maximum percent of callable securities (does not include "make whole call" securities as defined in the Glossary) in the portfolio will be 20%.

- The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy.

The duration of the portfolio will at all times be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by Routt County based on Routt County's investment objectives, constraints and risk tolerances.

XVI. Review of Investment Portfolio

The Treasurer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Board of County Commissioners.

XVII. Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account Routt County's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Treasurer shall monitor and evaluate the portfolio's performance relative to market benchmark, which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.

XVIII. Reporting

Quarterly Reports

The Treasurer will submit a quarterly investment report to the Board of County Commissioners which provides full disclosure of Routt County's investment activities within 30 days after the end of the quarter. These reports will disclose, at a minimum, the following information about Routt County's portfolio:

1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date, interest rate and interest rate.

2. Transactions for the period.

3. A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. local government investment pools, outside money managers and securities lending agents)

4. A one-page summary report that shows:
   a. Average maturity of the portfolio and modified duration of the portfolio;
   b. Maturity distribution of the portfolio;
   c. Percentage of the portfolio represented by each investment category;
   d. Average portfolio credit quality; and,
   e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to Routt County's market benchmark returns for the same periods;

5. A statement of compliance with the Investment Policy, including a schedule of any transactions or holdings which do not comply with this Policy or with Colorado Revised Statutes, including a justification for their presence in the portfolio and a timetable for resolution.

Annual Reports

A comprehensive annual report will be presented to the Board of County Commissioners. This report will include comparisons of Routt County's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

XIX. Review of Investment Policy

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the Board of County Commissioners for their consideration and adoption.

Prepared by: Lane Iacovetto

Lane Iacovetto, Routt County Treasurer

Approved: EK

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Routt County Board of County Commissioners

Date: 8/30/2022

Glossary of Investment Terms

Agencies. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

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

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL GOVERNMENT INVESTMENT POOL. An investment by local governments in which their money is pooled as a method for managing local funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Annex I

Authorized Personnel

The following persons are authorized to transact investment business and wire funds for investment purposes on behalf of Routt County, Colorado:

Lane Iacovetto, Treasurer/Public Trustee
Katrina Spivey, Chief Deputy Treasurer/Public Trustee

Annex II

Applicable Statutes

The following Colorado Revised Statutes are applicable to the investment operations of Routt County, Colorado:

CRS Section 11-10.5-101, *et seq.*, Public Deposit Protection Act;
CRS Section 11-60-101, *et seq.*, U.S. Agency Obligations;
CRS Section 30-10-708, et seq. Treasurer - Deposit of Funds in Banks and Savings and Loan Associations, which further sites CRS Section 11-47-101, et seq., Savings and Loan Association Public Deposit Protection Act;
CRS Section 24-75-601, *et. seq.*, Funds - Legal Investments;
CRS Section 24-75-603, *et seq.*, Depositories;
CRS Section 24-75-701, *et seq.*, Investment Funds - Local Government Pooling.

Annex III

Approved Broker/Dealers

The following broker/dealers have been approved by Routt County, Colorado.

Mizuho Securities USA
Merrill Lynch
Credit Suisse
Key Bank
Citigroup
Morgan Keegan
Cantor Fitzgerald

Annex IV

Approved Depositories and Custodians

The following depositories have been approved by Routt County, Colorado:
Alpine Bank
Wells Fargo Bank
Mountain Valley Bank
Yampa Valley Bank

The following custodian has been approved by Routt County, Colorado

Wells Fargo Brokerage Services LLC

Disapproved Depositories and Custodians

The following depositories have been disapproved by Routt County, Colorado:

Bank of the West,
First National Bank of the Rockies
Vectra Bank Colorado, NA
Millennium Bank

Annex VI

GOVERNMENT FINANCE OFFICERS ASSOCIATION
Code of Professional Ethics

The Government Finance Officers Association of the United States and Canada is a professional organization of public officials united to enhance and promote the professional management of governmental financial resources by identifying, developing and advancing fiscal strategies, policies and practices for the public benefit.

To further these objectives, all government finance officers are enjoined to adhere to legal, moral and professional standards of conduct in the fulfillment of their professional responsibilities. Standards of professional conduct as set forth in this code are promulgated in order to enhance the performance of all persons engaged in public finance.

I. Personal Standards

Government finance officers shall demonstrate and be dedicated to the highest ideals of honor and integrity in all public and personal relationships to merit the respect, trust and confidence of governing officials, other public officials, employees, and of the public.

- They shall devote their time, skills and energies to their office both independently and in cooperation with other professionals.
- They shall abide by approved professional practices and recommended standards.

II. Responsibility as Public Officials

Government finance officers shall recognize and be accountable for their responsibilities as officials in the public sector.

- They shall be sensitive and responsive to the rights of the public and its changing needs.
- They shall strive to provide the highest quality of performance and counsel.
- They shall exercise prudence and integrity in the management of funds in their custody and in all financial transactions.
- They shall uphold both the letter and the spirit of the constitution, legislation and regulations governing their actions and report violations of the law to the appropriate authorities.

III. Professional Development

Government finance officers shall be responsible for maintaining their own competence, for enhancing the competence of their colleagues, and for providing encouragement to those seeking to enter the field of government finance. Finance officers shall promote excellence in the public service.

IV. Professional Integrity-Information

Government finance officers shall demonstrate professional integrity in the issuance and management of information.

- They shall not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or which omits any material fact.
- They shall prepare and present statements and financial information pursuant to applicable law and generally accepted practices and guidelines.
- They shall respect and protect privileged information to which they have access by virtue of their office.
- They shall be sensitive and responsive to inquiries from the public and the media, within the framework of state or local government policy.

V. Professional Integrity-Relationships

Government finance officers shall act with honor, integrity and virtue in all professional relationships.

- They shall exhibit loyalty and trust in the affairs and interests of the government they serve, within the confines of this Code of Ethics.
- They shall not knowingly be a party to or condone any illegal or improper activity.
- They shall respect the rights, responsibilities and integrity of their colleagues and other public officials with whom they work and associate.
- They shall manage all matters of personnel within the scope of their authority so that fairness and impartiality govern their decisions.
- They shall promote equal employment opportunities, and in doing so, oppose any discrimination, harassment or other unfair practices.

VI. Conflict of Interest

Government finance officers shall actively avoid the appearance of or the fact of conflicting interests.

- They shall discharge their duties without favor and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.
- They shall not, directly or indirectly, seek or accept personal gain which would influence, or appear to influence, the conduct of their official duties.
- They shall not use public property or resources for personal or political gain.