

MINUTES OF THE APRIL 19, 2005 REGULAR MEETING OF THE PUEBLO CONSERVANCY DISTRICT

Directors Present: Sandstrom; Farley; Haynes

Also Present: Councilor Don Banner; Administrator Rick Kidd

President Sandstrom called the Pueblo Conservancy District board meeting to order at 8:08 am.

With a quorum present, the Minutes of the March 10, 2005 Regular Meeting were reviewed. Farley moved to approve the Minutes. The Minutes were unanimously approved as posted.

Treasurer's Report:

The accountant's March 2005 Compilation Report was discussed. Kidd reported that Wachovia had been directed to reinvest approximately \$55,000 from the money market account into bonds, per March 10 Board action. The actual buy-in was approximately \$54,000. This will be reflected in the April Accountant's Report. The \$4790 of accrued interest in the Accountant's Report is a projected adjustment and is not cash available. Therefore, additional investments were not made at PiperJaffray. Farley moved to receive and file the Accountant's report. Motion passed.

The State Auditor's letter concerning the Hartford Mutual Fund Inflation Plus investment was discussed. Hartford is reportedly contacting Colorado to get this fund qualified. Sandstrom is to prepare a letter to the State Auditor telling them that we want to wait on changing this investment until after Hartford has tried to secure qualification.

Farley moved that the Board approve payment of the following bills:

\$ 225.00	MBD&G, Accountant fees
\$ 49.00	Belmont Storage, April for Unit M10
\$ 114.52	Aquila, Electricity
\$ 100.00	HARP Authority
\$ 300.00	Don Banner, Attorney fees
\$ 400.00	Kidd Engineering, Administrator/Engineer fees
\$ 55.41	Sandstrom, Director's fee for December 15, 2004 meeting
\$ 55.41	Farley, Director's fee for December 15, 2004 meeting
\$ 55.41	Haynes, Director's fee for December 15, 2004 meeting
\$ 82.62	IRS, 1 st Quarter Form 941

Weed Control Plan – Kidd reported on cost proposals from Chem-Way. The proposals were as follows:

Concrete Levy Facing Union Depot	\$ 346.00
Earthen Bank in Grove Area	\$ 580.00
North Side of Levy from St. Joseph's	
West approximately 600-ft*	<u>\$ 612.00</u>
	\$1538.00

*This is a trial to see if it is more cost effective than utilizing Spaccamonti.

There is no cost proposal for the work on the bluff side of the River. With the current construction project and the responsibilities for re-vegetation, the scope of this work cannot be determined. Kidd talked to Jim Melby with the Colorado Division of Wildlife. Melby said that the trees and tamarisk could be taken out of the islands across and upstream from Dutch Clark Stadium. He would like for the grass to remain and does not want the stability compromised.

Books – Sandstrom and Kidd are to determine approximately how many books the District still has. The District may decide to donate several copies to schools and libraries.

April 19, 2005 Minutes, Page 2 of 2

Potential Land Sale – The prospect is to be told that the District may consider selling the properties of interest. The prospect would be responsible for the survey costs and assurances for maintenance of the area. Kidd is to get photographs for the next meeting. Sandstrom is to continue discussions with the prospect.

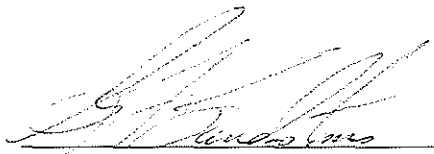
Storage – There was discussion about paying for the storage space in advance to alleviate conflicts between due dates and District meetings. Farley moved that storage be paid for six months in advance. Motion passed.

River Walk – Scheduled for May 12th (Thursday) at 7:30 am. We are to meet at Dutch Clark Stadium. The group will first go toward 11th Street and check the bridge. Other areas to be viewed will depend upon time available. The tour is to end by 9:30 am.

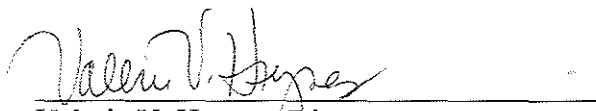
The next meeting is to be held on May 17, 2005, at 8:00 am. The meeting will be held at the HARP Authority Conference Room.

There being no further business to come before the Board, the meeting was adjourned at 8:55 a.m..

APPROVED:


Gus Sandstrom, Director


Kathleen Farley, Director


Valerie V. Haynes, Director

THE PUEBLO CONSERVANCY DISTRICT

NOTICE OF MEETING

DATE: APRIL 19, 2005 (Tuesday) AT 8:00 A.M.

PLACE: VECTRA BANK, 200 1ST STREET, PUEBLO, COLORADO
HARP FOUNDATION OFFICE, 3RD FLOOR CONFERENCE ROOM
(Off elevator, go right to hallway, left to HARP Foundation)

AGENDA

1. ROLL CALL
2. APPROVAL OF MARCH 10, 2005 MINUTES
3. TREASURER'S REPORT
 - a. MARCH 2005 ACCOUNTANT'S REPORT
 - b. PAYMENT OF BILLS
4. INVESTMENTS
 - a. State Auditor's letter concerning Hartford Mutual Fund Inflation Plus
 - b. Wachovia's recommendations
 - c. Wachovia profile packet
5. WEED CONTROL PLAN
6. BOOK INVENTORY AND SALES
7. OTHER BUSINESS AS MAY BE BROUGHT BEFORE THE BOARD
8. MAY MEETING DATE
9. ADJOURNMENT

Ground
9 580
549 4/19/05
346
1423

Land Sale



740 Thatcher Building
P. O. BOX 918
Pueblo, CO 81002-0918
Phone (719) 543-0516
Fax (719) 544-2849

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

We have compiled the accompanying balance sheet – general fund only – of the Pueblo Conservancy District as of March 31, 2005 and December 31, 2004, and the related comparative statement of revenue and expenditures – actual and budget – general fund for the one month and three months ended March 31, 2005, and the twelve months ended December 31, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements mentioned above, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

McPherson, Breyfogle, Daveline & Goodrich PC

April 13, 2005

PUEBLO CONSERVANCY DISTRICT
BALANCE SHEET - GENERAL FUND ONLY
MARCH 31, 2005 AND DECEMBER 31, 2004

	<u>3/31/2005</u>	<u>12/31/2004</u>
ASSETS		
VECTRA BANK CHECKING	\$ 15,928	\$ 12,149
VECTRA BANK MONEY MARKET	11,425	11,420
BROKERAGE MONEY MARKET ACCOUNTS	176,036	109,077
COLOTRUST INVESTMENT	25,000	25,000
WACHOVIA SECURITIES INVESTMENT	546,296	615,298
PIPER JAFFRAY INVESTMENT	351,571	356,459
ACCRUED INTEREST	4,790	4,790
BOOK INVENTORY	<u>6,290</u>	<u>6,429</u>
 TOTAL ASSETS	 <u>\$ 1,137,336</u>	 <u>\$ 1,140,622</u>
 LIABILITIES AND FUND EQUITY		
ACCOUNTS PAYABLE	\$ -	\$ 712
PAYROLL TAXES PAYABLE	41	73
DEFERRED INCOME	<u>417</u>	<u>1,042</u>
 TOTAL LIABILITIES	 <u>458</u>	 <u>1,827</u>
 RESERVE FOR EMERGENCIES	 6,000	 6,000
DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES	111,176	52,090
UNDESIGNATED	<u>1,019,702</u>	<u>1,080,705</u>
 TOTAL FUND EQUITY	 <u>1,136,878</u>	 <u>1,138,795</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,137,336</u>	 <u>\$ 1,140,622</u>

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND
FOR THE ONE AND THREE MONTHS ENDED MARCH 31, 2005
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2004

	<u>ACTUAL</u>				
	<u>CURRENT</u>	<u>YEAR</u>	<u>2005</u>	<u>UNUSED</u>	<u>2004</u>
	<u>MONTH</u>	<u>TO DATE</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUES					
INTEREST INCOME					
CERTIFICATES OF DEPOSIT	\$ -	\$ -	\$ -	\$ -	\$ 1,687
COLOTRUST	46	135	-	-	320
MONEY MARKET ACCOUNTS	177	309	-	-	336
WACHOVIA SECURITIES	1,501	5,826	-	-	31,045
PIPER JAFFRAY	1,155	3,471	-	-	14,208
UNREALIZED GAINS (LOSSES)	<u>(6,261)</u>	<u>(7,236)</u>	<u>-</u>	<u>-</u>	<u>8,274</u>
TOTAL INTEREST INCOME	(3,382)	2,505	50,000	47,495	55,870
LEASE PAYMENTS	208	624	2,500	1,876	5,308
OTHER INCOME	-	180	-	(180)	-
COST OF SALES	<u>(123)</u>	<u>(138)</u>	<u>-</u>	<u>138</u>	<u>-</u>
TOTAL REVENUES	\$ (3,297)	\$ 3,171	\$ 52,500	\$ 49,329	\$ 61,178
EXPENDITURES					
80 LEGAL FEES	\$ 300	\$ 900	\$ 3,600	\$ 2,700	\$ 3,600
81 DIRECTORS FEES	180	540	2,160	1,620	2,220
82 FICA TAXES	-	-	166	166	170
83 ENGINEER/ADMINISTRATIVE	400	800	4,800	4,000	4,400
90 AUDIT & BOOKKEEPING	450	450	2,400	1,950	2,200
92 INSURANCE/BONDS	-	1,616	2,500	884	2,823
96 OFFICE EXPENSE	46	46	650	604	433
97 OFFICE RENT	149	447	1,800	1,353	1,189
100 PROFESSIONAL FEES	-	-	5,000	5,000	691
103 TRAVEL	-	-	-	-	40
105 REPAIRS & MAINTENANCE	112	224	45,000	44,776	21,920
108 CONTINGENCIES	-	-	500	500	-
109 EMERGENCY REPAIR	-	-	20,000	20,000	-
110 CAPITAL IMPROVEMENTS	-	-	25,000	25,000	-
111 PLANNING & DEVELOPMENT	-	-	-	-	-
112 HARP - O & M	-	-	50,000	50,000	200
113 SALES TAX	<u>-</u>	<u>65</u>	<u>100</u>	<u>35</u>	<u>50</u>
TOTAL EXPENDITURES	<u>1,637</u>	<u>5,088</u>	<u>163,676</u>	<u>158,588</u>	<u>39,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>(4,934)</u>	\$ <u>(1,917)</u>	\$ <u>(111,176)</u>	\$ <u>(109,259)</u>	\$ <u>21,242</u>

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
INVESTMENTS
2/28/2005

4/13/2005 1:55 PM

<u>BROKER</u>	<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>RATE</u>	<u>PAR VALUE</u>	<u>BALANCE 12/31/2004</u>	<u>ADDITIONS</u>	<u>MKT VALUE CHANGE</u>	<u>REDEMPTION SALES</u>	<u>BALANCE 12/31/2005</u>	<u>INTEREST RECEIVED 12/31/2005</u>
<u>CASH ACCOUNTS</u>										
VECTRA BANK	Money Market Account				11,420.44	4.62	-	-	11,425.06	4.62
PIPER JAFFRAY	Money Market Account				21,407.33	587.02	-	-	21,994.35	56.26
WACHOVIA SEC.	Evergreen Money Mkt Fund				87,669.81	66,372.21	-	-	154,042.02	249.44
TOTAL CASH ACCOUNTS WITH BROKERS					120,497.58	66,963.85	-	-	187,461.43	310.32
<u>INVESTMENTS</u>										
COLOTRUST	Acct 7081 - PLUS		6.240%		25,000.00	-	-	-	25,000.00	134.50
TOTAL COLOTRUST					25,000.00	-	-	-	25,000.00	134.50
WACHOVIA SEC.	GNMA 03-54 MA REMIC MULTICLASS CMO	7/20/2033	5.000%	183,000.00	28,815.31	-	201.78	20,234.32	8,782.77	367.51
	FHLMC 2831 JJ RETAIL LOTTERY	1/15/2033	5.500%	9,000.00	9,036.36	-	(30.48)	3,000.00	6,005.88	119.17
	FHLMC 2841 AA RETAIL LOTTERY BOND	9/15/2034	5.500%	10,000.00	10,045.60	-	(29.52)	2,000.00	8,016.08	132.91
	FNMA 03-52 BD REMIC MULTICLASS CMO	3/25/1933	5.500%	28,000.00	28,301.28	-	(100.24)	-	28,201.04	384.99
	FHLMC 2810 KC REMIC MULTICLASS CMO	5/15/2033	5.500%	13,000.00	6,892.26	-	0.96	1,881.67	5,011.55	97.02
	FHLMC 2646 LL RETAIL LOTTERY	8/15/2033	5.000%	78,000.00	60,811.52	-	804.08	4,000.00	57,615.60	795.84
	FHLMC 2688 DD RETAIL LOTTERY	11/15/2033	5.500%	36,000.00	35,817.84	-	(462.60)	-	35,355.24	495.00
	FHLMC 2804 UC REMIC MULTICLASS CMO	11/15/2033	6.000%	8,000.00	5,420.91	-	(13.59)	835.52	4,571.80	81.02
	FHLMC 2810 AA RETAIL LOTTERY	3/15/2034	6.000%	12,000.00	6,012.66	-	(11.85)	3,000.00	3,000.81	85.00
	FNMA 04-50 DA RETAIL LOTTERY	6/25/2034	6.000%	79,000.00	19,198.45	-	(3.14)	19,154.82	40.49	285.07
	GNMA 04-39 AH REMIC MULTICLASS CMO	5/20/2032	5.500%	20,000.00	3,095.88	-	(11.04)	3,084.84	-	56.68
	BANK OF AMERICA 04-8 1A1 MULTICLASS CMC	9/25/2034	5.500%	28,000.00	18,494.17	-	(67.08)	8,931.60	9,495.49	249.84
	HARTFORD MUT FDS INC, INFLATION PLUS FD			389,693.00	383,355.96	-	(3,156.63)	-	380,199.33	2,676.12
TOTAL WACHOVIA SEC.					615,298.20	-	(2,879.35)	66,122.77	546,296.08	5,826.17
PIPER JAFFRAY	GNMA POOL #24920	6/15/2008	8.250%		4,536.97	-	(84.76)	187.08	4,265.13	88.01
	FEDL HOME LN MTG CORP FREDDIENOTES B/E	12/15/2009	3.000%	120,000.00	115,047.60	-	(1,664.40)	-	113,383.20	900.00
	FEDL NATL MTG ASSN INVT NOTES B/E	8/20/2010	4.000%	100,000.00	98,840.00	-	(1,140.00)	-	97,700.00	999.99
	FEDL NATL MTG ASSN INVT NOTES B/E	6/24/2011	4.000%	130,000.00	128,323.00	-	(1,300.00)	-	127,023.00	1,299.99
	FHLMC #170217	3/1/2017	8.000%		9,711.10	-	(167.96)	343.68	9,199.46	182.64
TOTAL PIPER JAFFRAY					356,458.67	-	(4,357.12)	530.76	351,570.79	3,470.63
TOTAL INVESTMENTS					996,756.87	-	(7,236.47)	66,653.53	922,866.87	9,431.30
TOTAL ALL ACCOUNTS					1,117,254.45	66,963.85	(7,236.47)	66,653.53	1,110,328.30	9,741.62

PUEBLO CONSERVANCY DISTRICT

MARCH - APRIL 2005

RECEIPTS

VENDOR	ITEM	AMOUNT
Wells Fargo	Colo Trust	\$ 53.87
First Clearing, LLC	Interest Payment	\$ 172.06
First Clearing, LLC	Interest Payment	\$ 540.19
First Clearing, LLC	Interest Payment	\$ 36.78
First Clearing, LLC	Dividend Payment	\$ 704.98
Piper Jaffray	Interest Payment	\$ 1,152.76
		\$ 2,660.64

DEBITS

VENDOR	ITEM	AMOUNT	CHECK
MBDG, PC	January Bookkeeping	\$ 225.00	3186
Belmont Self Storage	Storage Rental	\$ 49.00	3184
Aquila	Electrical Billing	\$ 114.52	3185
HARP Authority	4-20-05 Office Lease	\$ 100.00	3187
Don Banner	Attorney Fees	\$ 300.00	3188
Kidd Engineering	Engineer/Admin Fees	\$ 400.00	3189
Director Sandstrom	Fees	\$ 55.41	3190
Director Farley	Fees	\$ 55.41	3191
Director Haynes	Fees	\$ 55.41	3192
Internal Revenue Service	1st Qtr Form 941	\$ 82.62	3193
		\$ 1,437.37	



STATE OF COLORADO

JOANNE HILL, CPA
State Auditor

OFFICE OF THE STATE AUDITOR
LOCAL GOVERNMENT AUDIT DIVISION
(303) 869-2870
FAX (303) 869-2875

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

March 31, 2005

Board of Directors
Pueblo Conservancy District
c/o Raymond Koester, District Engineer
P. O. Box 234
Pueblo, Colorado 81002

RE: #2638

Dear Board Members:

We have reviewed the Application for Exemption from Audit of the Pueblo Conservancy District. The application for the year ended December 31, 2004 is approved. We noted the following item that we believe deserves your attention.

The application discloses an investment in the Hartford Mutual Fund Inflation Plus. This type of investment is not allowed for local governments. (Section 24-75-601, et seq., C.R.S.) We urge you to discuss this matter with your legal counsel. You may also want to contact an investment specialist at the Division of Local Government (303/866-2156) for assistance. Please tell us in writing within 90 days from the date of this letter what action the District plans to take to correct this situation.

If we may be of any assistance to you, please feel free to call us.

Sincerely,

Dianne E. Ray, CPA
Director of Local Government Audits

DER:js

cc: Division of Local Government

Janette Terry
State Conservation Board

44735

04/14/2005

11:42

CLED G-DIV	L D	.00	NET OPEN
		.00	FREE-CR
		.00	DIV/INT
W903 63846594 1 4C3 4C PUEBLO CONSERVANCY DISTRICT	PO BOX 234		MMF-X
117,473.28MFB*DETAIL SECTION*H			
22604	HARTFORD MUT FDS INC ^* DIV*	27 22404	291.75CR
	INFLATION PLUS FD CL A		
	022404 18,465.24800		

DIVS - 12,683.38
LCA P - 2167.91
SCAP 947.34
15,798.63

approx 3%
return net
of mv loss

7267.12

44735

04/14/2005

11:35

AHIS 04/14/05 13:35:50 001/001
FUNC FRWD CRNCY USD <<< AHIS - ACCOUNT HISTORY >>>> SUB 001
INQ ACCT 63846594 T 1 B/R FILTR SEC DATE M/M
ACCT NAME PUEBLO CONSERVANCY DISTRI BUS PHONE 719-544-6823 STMT CD
REP W903 HOME PHONE 719-542-8100
C TD .00 MM 117,544.41- TOT 117,544.41- M TD .00
T DATE QUANTITY DESCRIPTION PRICE/SOURCE AMOUNT
1 11/15/04 FHLMC 2841 AA INT* 45.83-
RETAIL LOTTERY BOND
REMIC MULTICLASS CMO
CPN 5.500% DUE 03/15/33
DTD 08/01/04
111504 10,000
1 11/12/04 HARTFORD MUT FDS INC ^* LCAP* 2,167.91-
INFLATION PLUS FD CL A
111004 35,073.73900
1 11/12/04 HARTFORD MUT FDS INC ^* SCAP* 947.34-
INFLATION PLUS FD CL A
111004 35,073.73900

F4=CNTRL#, F5=PREV, F6=NEXT, F7=BACK, F8=FRWD, F10=BMEN, F11=ACTV, F12=SWAP
ENTER TO CONTINUE.

44735

04/14/2005

11:42

CLED G-DIV	F D			.00	NET OPEN
				.00	FREE-CR
				.00	DIV/INT
W903 63846594 1 4C3 4C PUEBLO CONSERVANCY DISTRICT	PO BOX 234				MMF-X
117,473.28MFB*DETAIL SECTION*H					
PENDING DIVS		2,829.99+	CREDIT	8/15	
PENDING MATRTY		10,000.00	CREDIT		
112904	HARTFORD MUT FDS INC ^*	DIV*	5	112404	1,325.79CR
	INFLATION PLUS FD CL A				
	112404	35,073.73900			
122804	HARTFORD MUT FDS INC ^*	DIV*	4	122304	1,402.95CR
	INFLATION PLUS FD CL A				
	122304	35,073.73900			
12805	HARTFORD MUT FDS INC ^*	DIV*	3	12605	634.83CR
	INFLATION PLUS FD CL A				
	012605	35,073.73900			
22505	HARTFORD MUT FDS INC ^*	DIV*	2	22305	638.34CR
	INFLATION PLUS FD CL A				
	022305	35,073.73900			
33005	HARTFORD MUT FDS INC ^*	DIV*	1	32805	704.98CR
	INFLATION PLUS FD CL A				
	032805	35,073.73900			

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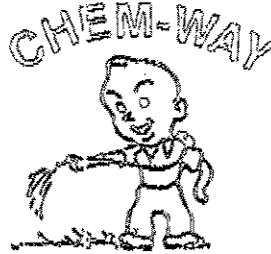
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11:42

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1017 S. Santa Fe Ave., Pueblo, Colorado 81006

Name Pueblo Conservancy Dist. Fax # _____
 Address _____ Cell # _____
 Order by Rick Kidd 544-5239 Bus. # _____
 Date 4-15-05 Home # _____
 FAX 583-1216

Est for Weed Control /
 \$ _____ regular price for _____ treatments of 5-STAR PROGRAM
 (- _____ % if pre-paid by _____)
 \$ _____ net for _____ treatments of 5-STAR
 or, pre-pay \$ _____ and we will include core aeration
 or, pay \$ _____ after each treatment; pay \$ _____ for aeration

* north side of levee from
St Joseph Church west approx.
600 ft.

Weed Control only; 4 treats,
4-6 weeks apart \$153.00/acre

All Accounts Due 15 Days		\$
INSPECTED BY DATE-TIME	CUSTOMER ACCOUNT #	AREA-SQUARE FEET
<u>Jam/4-15</u>		

Concrete Levee Facing Union Depot 9344
 Earthen Bank in Grove Area

Editor's note: This part 5 was originally enacted in 1983. For amendments prior to its repeal in 1985, consult the red book table distributed with the session laws, the 1982 replacement volume, and the 1983 and 1984 annual supplements.

PART 6

FUNDS - LEGAL INVESTMENTS

Cross references: For investments in U.S. agency obligations, see article 60 of title 11; for investment of teachers' retirement funds, see § 22-64-112; for investment by veterans administration fiduciaries, see part 3 of article 5 of title 28; for investment of public employees' retirement fund, see § 24-51-206; for investment of municipal funds, see § 31-20-303; for investment of police officers' and firefighters' pension funds, see part 5 of article 30.5 of title 31; for investments in special district bonds, see § § 32-4-544 and 32-11-810.

24-75-601. Definitions. As used in this part 6, unless the context otherwise requires:

(1) "Public entity" means the state of Colorado; any institution, agency, instrumentality, authority, county, municipality, city and county, district, or other political subdivision of the state, including any school district and institution of higher education; any institution, department, agency, instrumentality, or authority of any of the foregoing, including any county or municipal housing authority; any local government investment pool organized pursuant to part 7 of this article; any public entity insurance pool organized pursuant to state law; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing.

(2) "Public funds" means any funds in the custody, possession, or control of a public entity; any funds over which a public entity has investment control; any funds over which a public entity would have investment control but for the entity's delegation of that control to another person; and any funds over which another person exercises investment control on behalf of or for the benefit of a public entity. "Public funds" includes, but is not limited to, proceeds of the sale of securities of a public entity and proceeds of certificates of participation or other securities evidencing rights in payments to be made by a public entity under a lease, lease-purchase agreement, or other similar arrangement, regardless of whether such proceeds are held by the public entity, a third-party trustee, or any other person.

(2.5) "Qualified provider" means either a state bank located in the state of Colorado or a national bank, either one of which:

- (a) Is insured by the federal deposit insurance corporation;
 - (b) Has a long-term debt rating of "A" or better from at least two nationally recognized rating organizations;
 - (c) Is financially and operationally stable as determined by the public entity;
 - (d) Has at least one other public fund customer participating in its securities lending program; and
 - (e) Has a securities lending program in place for a minimum of three years.
- (3) "Security" means any bond, note, bill, obligation, certificate of indebtedness or other evidence of indebtedness, or interest in any of the foregoing.

Source: L. 37: p. 799, §§ 1, 2. CSA: C. 176, § 126(1). CRS 53: § 83-1-1. C.R.S. 1963: § 83-1-1. L. 65: p. 848, § 1. L. 69: p. 688, § 1. L. 71: p. 948, § 1. L. 75: (3) amended, p. 392, § 6, effective July 14. L. 83: (1.5) added, p. 1007, § 1, effective April 28. L. 89: Entire section R&RE, p. 1101, § 1, effective July 1. L. 2000: (2.5) added, p. 182, § 1, effective August 2.

24-75-601.1. Legal investments of public funds. (1) It is lawful to invest public funds in any of the following securities if the period from the date of purchase of such security to its maturity date is five years or less or if the governing body of the public entity authorizes investment for such period in excess of five years:

- (a) Any security issued by, guaranteed by, or for which the credit of any of the following is pledged for payment: The United States, a federal farm credit bank, the federal

land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, or the government national mortgage association;

(b) (I) Any security issued by, guaranteed by, or for which the credit of the following is pledged for payment: An entity or organization which is not listed in paragraph (a) of this subsection (1) but which is created by, or the creation of which is authorized by, legislation enacted by the United States congress and which is subject to control by the federal government which is at least as extensive as that which governs an entity or organization listed in paragraph (a) of this subsection (1).

(II) No security may be purchased pursuant to this paragraph (b) unless, at the time of purchase, the security is rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations.

(c) (I) Any security issued by, guaranteed by, or for which the credit of any of the following is pledged for payment: The world bank, the inter-American development bank, the Asian development bank, or the African development bank.

(II) No security may be purchased pursuant to this paragraph (c) unless, at the time of purchase, the security is rated in one of its two highest rating categories by one or more nationally recognized organizations which regularly rate such obligations.

(d) (I) Any security that is a general obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.

(II) No security may be purchased pursuant to this paragraph (d) unless:

(A) At the time of purchase, the security is rated in one of its three highest rating categories by one or more nationally recognized organizations which regularly rate such obligations; or

(B) At the time of purchase, the security is issued by the state of Colorado or any political subdivision, institution, department, agency, instrumentality, or authority of the state of Colorado; the issuer is rated in one of its three highest rating categories by one or more nationally recognized organizations that rate such issuers; and the security is secured by a pledge of loans, loan participations, or other assets that are insured or guaranteed by the United States or other entity identified in paragraph (a) of this subsection (1) or for which the credit of the United States or any such entity is pledged.

(e) (I) Any security that is a revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities.

(II) No security may be purchased pursuant to this paragraph (e) unless, at the time of purchase, the security is rated in one of its two highest rating categories by one or more nationally recognized organizations which regularly rate such obligations.

(f) (I) Any banker's acceptance that is issued by a state or national bank which has a combined capital and surplus of at least two hundred fifty million dollars.

(II) No security may be purchased pursuant to this paragraph (f) unless:

(A) The deposits of such bank are insured by the federal deposit insurance corporation; and

(B) At the time the security is purchased, the long-term debt of such bank or the holding company of such bank is rated in one of its three highest rating categories by one or more nationally recognized organizations which regularly rate such obligations.

(g) Commercial paper that, at the time of purchase, is rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations;

(h) Any security of the investing public entity or any certificate of participation or other security evidencing rights in payments to be made by the investing public entity under a lease, lease-purchase agreement, or similar arrangement;

(i) Any interest in any local government investment pool organized pursuant to part 7 of this article;

(j) Any repurchase agreement concerning any securities referred to in paragraph (a) or (b) of this subsection (1) that can otherwise be purchased under this section if all of the conditions of subparagraphs (I) to (IV) of this paragraph (j) are met:

(I) The securities subject to the repurchase agreement must be marketable.

(II) The title to or a perfected security interest in such securities along with any necessary transfer documents must be transferred to the investing public entity or to a custodian acting on behalf of the investing public entity.

(III) Such securities must be actually delivered to the public entity or to a third-party custodian or third-party trustee for safekeeping on behalf of the public entity.

(IV) Except for investments by the state treasurer, the collateral securities of the repurchase agreement must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly.

(k) Any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended, if, at the time the investing public entity invests in such fund:

(I) The investment policies of the fund include seeking to maintain a constant share price;

(II) No sales or load fee is added to the purchase price or deducted from the redemption price of the investments in the fund;

(III) The investments of the fund consist only of securities with a maximum remaining maturity as specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to, or such successor regulation does not, increase the maximum remaining maturity of such securities to a period that is greater than three years, and if the fund has assets of one billion dollars or more, or has the highest current credit rating from one or more nationally recognized organizations that regularly rate such obligations, or consists of the following:

(A) Securities listed in paragraphs (a) to (j) of this subsection (1); or

(B) Perfected reverse repurchase agreements which mature within thirty days and which provide for the simultaneous sale and repurchase by the fund at a future date of securities listed in paragraphs (a) to (i) of this subsection (1); or

(C) Any securities not listed in paragraphs (a) to (j) of this subsection (1) the interest on which is not includable in gross income for federal income tax purposes if such securities do not exceed fifteen percent of the investments of the fund, based on the purchase price of all securities held by the fund; and

(D) (Deleted by amendment, L. 95, p. 772, § 1, effective May 24, 1995.)

(IV) The dollar-weighted average portfolio maturity of the fund meets the requirements specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to increase the dollar-weighted average portfolio maturity of a fund to a period greater than one hundred eighty days.

(l) (I) Any guaranteed investment contract, guaranteed interest contract, annuity contract, or funding agreement if, at the time the contract or agreement is entered into, the long-term credit rating, financial obligations rating, claims paying ability rating, or financial strength rating of the party, or of the guarantor of the party, with whom the public entity enters the contract or agreement is, at the time of issuance, rated in one of the two highest rating categories by one or more nationally recognized securities rating agencies that regularly issue such ratings.

(II) (Deleted by amendment, L. 2004, p. 950, § 7, effective May 21, 2004.)

(III) A contract or agreement may be purchased under this paragraph (l) only if such contract or agreement is purchased with proceeds of the sale of securities of a public entity and proceeds of certificates of participation or other securities evidencing rights in payments to be made by a public entity under a lease, lease-purchase agreement, or other similar arrangement or if purchased by revenues pledged to the payment of such securities or certificates; except that no contract or agreement may be purchased pursuant to this paragraph (l) with the proceeds of any of the foregoing that are held in an escrow or otherwise for the purpose of refunding bonds or other obligations of a public entity.

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(m) (I) Any United States dollar denominated corporate or bank debt issued by a corporation or bank which is organized and operated within the United States and has a net worth in excess of two hundred fifty million dollars; except that the notes evidencing the debt must mature within three years from the date of settlement and, at the time of purchase, the debt must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency.

(II) At no time shall the book value of a public entity's investment in notes evidencing a debt pursuant to this paragraph (m) exceed the following:

(A) Thirty percent of the book value of the public entity's investment portfolio; or

(B) Five percent of the book value of the public entity's investment portfolio if the notes are issued by a single corporation or bank.

(n) A securities lending agreement using any securities authorized in paragraph (a) or (b) of this subsection (1) if all of the following conditions are met:

(I) The securities lending agreement is entered into with a qualified provider;

(II) The securities lending agreement requires the qualified provider to provide and maintain collateral with a mutually agreed-upon custodian. Such collateral shall be in the form of either cash, which the qualified provider may invest in a permitted investment stated in the securities lending agreement, or securities that are authorized investments for the public entity. Such collateral shall have a value that is equal to or greater than one hundred two percent of the value of the securities lent by the public entity plus any accrued interest. If the collateral is in the form of corporate securities, the collateral shall have a value that is equal to or greater than one hundred five percent of the value of the securities.

(III) Either the custodian or the qualified provider if verified by the custodian marks to market daily the value of the collateral with all differences in valuation resolved on a daily basis; except that, if all of the collateral is cash, the difference in valuation need only be resolved at such time as the value of the collateral is less than one hundred percent of the value of the securities;

(IV) With respect to permitted investments purchased with cash received as collateral to a securities lending agreement:

(A) A minimum of twenty percent of such permitted investments matures or is redeemable on any business day;

(B) A permitted investment in the form of an instrument that is issued or guaranteed by the United States government or any agency thereof and that has a variable rate of interest set off of a money market index, readjusted no less frequently than every ninety-five days, is treated, for purposes of this paragraph (n), as having a maturity equal to the period remaining until the next readjustment of the interest rate;

(C) A permitted investment in the form of an instrument that is issued by a corporation that has a variable rate of interest set off of a money market index, readjusted no less frequently than every ninety-five days, is a final maturity not to exceed four hundred thirty days or an unconditional put back to the issuer not to exceed ninety-five days;

(D) The maximum maturity on any fixed rate investments or repurchase agreements does not exceed one hundred ninety days; and

(E) The investment maturity or reset date for such permitted investment is not greater than ninety-five days unless the securities lending agreement term and the permitted investment are matched to each other.

(V) In the case of local government, the securities lending agreement is approved and designated by written resolution duly adopted by a majority vote of the governing body of such local government, which resolution shall be recorded in its minutes.

(1.3) (a) Except as provided in paragraph (b) of this subsection (1.3), public funds shall not be invested in any security on which the coupon rate is not fixed from the time the security is settled until its maturity date, other than shares in qualified money market mutual funds, unless the coupon rate is:

(I) Established by reference to the rate on a United States treasury security with a maturity of one year or less or to the United States dollar London interbank offer rate of one year or less maturity, or to the cost of funds index or the prime rate as published by the federal reserve; and

(II) Expressed as a positive value of the referenced index plus or minus a fixed number of basis points.

(b) A municipal index may be used for the investment of bond or note accounts from issues with coupons linked to the same index.

(c) For purposes of this section, "maturity date" means the last possible date, barring default, that principal can be repaid to the purchaser.

(1.5) Any firm that sells any financial instrument that fails to comply with the provisions of this section, except for instruments representing interests in a money market fund covered by the federal "Investment Company Act of 1940", as amended, to any public entity in the state of Colorado shall, upon demand of the public entity through the state treasurer, repurchase such instruments for the greater of the original purchase principal amount or the original face value, plus any and all accrued interest, within one business day of the demand.

(2) Investments made pursuant to this section shall be made in conformance with the standard set forth in section 15-1-304, C.R.S.

(2.5) (a) If a public entity invests public moneys through an investment firm offering for sale corporate stocks, bonds, notes, debentures, or a mutual fund that contains corporate securities, the investment firm shall disclose, in any research or other disclosure documents provided in support of the securities being offered, to the public entity whether the investment firm has an agreement with a for-profit corporation that is not a government-sponsored enterprise, whose securities are being offered for sale to the public entity and because of such agreement the investment firm:

(I) Had received compensation for investment banking services within the most recent twelve months; or

(II) May receive compensation for investment banking services within the next three consecutive months.

(b) For the purposes of this subsection (2.5), "investment firm" means a bank, brokerage firm, or other financial services firm conducting business within this state, or any agent thereof.

(3) Nothing in this section is intended to limit:

(a) The power of any public entity to invest any public funds in any security or other investment permitted to such public entities under any other valid law of the state; or

(b) The power of any home rule city, city and county, town, or county to invest any public funds in any security or other investment permitted under the charter or ordinance of such home rule city, city and county, town, or county; or

(c) The authority of the state board of regents to invest any funds available to the board in any security or other investment otherwise provided by law.

(3.5) Notwithstanding the limitations stated in the introductory portion to subsection (1) of this section, the securities subject to a repurchase agreement authorized in paragraph (j) of said subsection (1) and the securities authorized in sub-subparagraph (B) of subparagraph (II) of paragraph (d) of said subsection (1) may have a maturity in excess of five years.

(4) Nothing in this section is intended to apply to public funds held or invested as part of any pension plan, full or supplemental retirement plan, or deferred compensation plan.

Source: L. 89: Entire section added, p. 1102, § 2, effective July 1. L. 91: (4) amended, p. 1917, § 39, effective June 1. L. 93: (1)(k)(II), IP(1)(k)(III), and (1)(k)(III)(C) amended and (1)(k)(IV) added, p. 1260, § 7, effective June 6. L. 94: (1)(k)(III) amended and (1)(m) added, p. 449, § 1, effective March 29. L. 95: IP(1)(j), (1)(k)(III), (1)(k)(III)(C), and (1)(k)(III)(D) amended and (1.3) and (1.5) added, p. 772, § 1, effective May 24. L. 2000: (1)(n) added, p. 182, § 2, effective August 2; (3.5) added, p. 811, § 1, effective August 2. L. 2002: (1)(d)(II) and (3.5) amended, pp. 258, 259, §§ 2, 3, effective April 12. L. 2003: (1)(l)(I) amended, p. 623, § 40, effective July 1; (2.5) added, p. 674, § 3, effective August 6. L. 2004: (1)(j)(I) and (1)(l) amended, p. 950, § 7, effective May 21.

Editor's note: Section 10 of chapter 264, Session Laws of Colorado 2004, provides that the act amending subsections (1)(j)(I) and (1)(l) applies to transactions entered into by a public entity on or after May 21, 2004.