

**CLARK COUNTY
STAFF REPORT**



DEPARTMENT: County Auditor, County Treasurer

DATE: December 16, 2014

REQUEST: Approve County Administrator to sign MOU with Lower Columbia Fish Recovery Board

CHECK ONE: X Consent CAO

BACKGROUND

The Lower Columbia Fish Recovery Board (LCFRB) has requested that Clark County provide the agency with Financial Services, Treasury Services, and Employee Benefit Services beginning January 1, 2015. These services must be provided by a county where they have jurisdiction, one of which is Clark County. For the past 10 years, these services were provided by Cowlitz County however, Cowlitz County has informed the LCFRB that their contract ending December 31, 2014 will not be renewed.

The Auditor's and Treasurer's offices have prepared a Memorandum of Understanding and Service Agreement Contracts as attached. The documents have been approved by the LCFRB. A service agreement with Human Resources will follow at a later date. We request the Clark County Board of Commissioners to authorize the County Administrator to approve the MOU and respective service agreements between Clark County and the Lower Columbian Fish Recovery Board.

COMMUNITY OUTREACH

These recommendations relate to an internal support matter. Community outreach or participation was not a consideration.

BUDGET AND POLICY IMPLICATIONS

Clark County will collect minimal fees to cover the cost of services. No expense impact.

FISCAL IMPACTS

Yes (see attached form) No

ACTION REQUESTED

Adopt the attached General Fund-fund balance policy [Attachment A]

DISTRIBUTION

Please distribute copies of this report to the following:
County Auditor
County Treasurer
Office of Budget

*ng
OK
y.x*

MARK GASSAWAY,
FINANCE DIRECTOR

Approved:
CLARK COUNTY
BOARD OF COMMISSIONERS
Dec. 16, 2014 SR 289-14

FISCAL IMPACT ATTACHMENT

Part I: Narrative Explanation

I. A – Explanation of what the request does that has fiscal impact and the assumptions for developing revenue and costing information

Part II: Estimated Revenues

Fund #/Title	Current Biennium		Next Biennium		Second Biennium	
	GF	Total	GF	Total	GF	Total
0001 General Fund	0	0	9,600	9,600	9,600	9,600
Total						

II. A – Describe the type of revenue (grant, fees, etc.)

Part III: Estimated Expenditures

III. A – Expenditures summed up

Fund #/Title	FTE's	Current Biennium		Next Biennium		Second Biennium	
		GF	Total	GF	Total	GF	Total
Total							

III. B – Expenditure by object category

Fund #/Title	Current Biennium		Next Biennium		Second Biennium	
	GF	Total	GF	Total	GF	Total
Salary/Benefits						
Contractual						
Supplies						
Travel						
Other controllables						
Capital Outlays						
Inter-fund Transfers						
Debt Service						
Total						

**MEMORANDUM OF UNDERSTANDING REGARDING
COOPERATION AND COORDINATION FOR CLARK COUNTY TO
PROVIDE FINANCIAL SERVICES TO THE LOWER COLUMBIA FISH
RECOVERY BOARD**

THIS AGREEMENT is entered into effective this 5th day of December, 2014, by and between the Lower Columbia Fish Recovery Board (hereinafter "LCFRB") and CLARK COUNTY (hereinafter referred to as "Clark"), a political subdivision of the State of Washington.

WITNESSETH:

WHEREAS, the parties have determined that Clark County providing fiscal services to the LCFRB will benefit the persons served by the parties;

WHEREAS, Clark County will incur costs for providing services to the LCFRB which should be paid for by the LCFRB

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, to be made and performed by the parties hereto, the parties agree as follows:

1. Purpose and Background

1.1 This is an Interlocal Contract entered into under the authority of the Interlocal Cooperation Act, Chapter 39.34 of the Revised Code of Washington.

1.2 The purpose of this Agreement is to promote cooperation and coordination of services between the parties to this Agreement.

1.3 This Agreement does not create any new or additional legal or administrative entity. This Agreement is not to be construed as creating any joint venture or partnership between the parties to this Agreement.

2. Duration of Agreement

The term of this Agreement is for the period from execution, until modified or terminated by the parties. Parties will give a ninety (90) day notice prior to termination.

3. Relationship of the Parties

No agent, officer or employee of either party shall be deemed an agent, officer or employee of the other party. Each party shall be solely and entirely responsible for the acts of its agents, employees and contractors. This Agreement is for the benefit of the parties; no third party beneficiary relationship is intended.

4. Scope of Work and Goals

The primary goal of this Agreement is to generally provide services to the LCFRB and compensate Clark County for costs incurred in providing those services.

5. Services

The parties agree that Clark will provide financial support services including payroll, accounts payable, and treasury as included in the respective service agreements and that these services will be paid for by the LCFRB.

6. Notice

Any notices to be given under this Agreement shall be delivered, postage prepaid and addressed to:

To Clark County: Mark McCauley
County Administrator
PO Box 5000
Vancouver WA 98666-9810

To LCFRB: Jeff Breckel
Executive Director
2127 8th Ave
Longview WA 98632

The name and address to which notices shall be directed may be changed by any party by giving the other parties notice of such change, as provided in this section.

7. Waiver

No waiver by any party of any term or condition of this Agreement incorporated in this Agreement shall be deemed or construed to constitute a waiver of any other term or condition or of any subsequent breach, whether of the same or different provision.

8. Amendment

The provisions of this Agreement may be amended with the mutual consent of the parties. No additions to or alterations of the terms of this Agreement shall be valid unless made in writing and formally approved and executed by the duly authorized agents of all parties.

9. Applicability of Law

This Agreement is and shall be construed as being executed and delivered within the State of Washington and it is mutually understood and agreed by each party hereto that all Agreements and Statements of Work shall be governed by laws of the State of Washington, both as to interpretation and performance.

10. Severability

If any section or part of this Agreement is held by a court to be invalid, such action shall not affect the validity of any other part of this Agreement.

11. Entire Contract

The parties agree that this contract is the complete expression of the terms hereto and any oral representations or understandings not incorporated herein are excluded. Further, any modifications of this Interlocal Contract shall be in writing and signed by all parties.

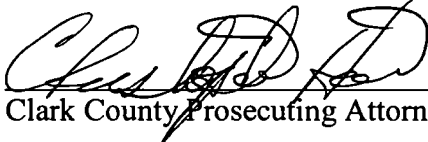
12. Filing

A copy of this Agreement will be filed with the Clark County Auditor in accord with the provisions of RCW 39.34.040.

IN WITNESS WHEREOF, the parties have executed the within and foregoing Agreement as of the date shown above.

DATED: December 5, 2014.

APPROVED AS TO FORM ONLY:
ANTHONY GOLIK, Prosecuting Attorney



Clark County Prosecuting Attorney

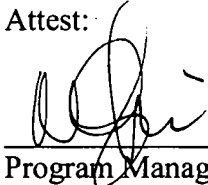
CLARK COUNTY



Mark McCauley, Administrator

Date: 12/17/14

Attest:



Program Manager

LOWER COLUMBIA FISH
RECOVERY BOARD



Executive Director

APPROVED AS TO FORM ONLY:

Attorney

Commissioner

Commissioner

CLARK COUNTY AUDITOR
SERVICE LEVEL AGREEMENT
GENERAL LEDGER SERVICES FOR LCFRB

AGENCY RESPONSIBILITY:

- Agency to submit approved resolution by the governing board requesting fund initiation and services from Clark County
- Agency to provide Clark County with the Agency's current chart of accounts (including fund number), electronically, in an excel format.
- Agency may choose to submit budget on current basis, however; County does not provide any budgetary control for outside agencies. Budget must be submitted on preapproved form with a scanned copy of the resolution approving budget.

CLARK COUNTY RESPONSIBILITY:

- Clark County to create new fund number in Financial Management System within 7 days of receipt of appropriate documentation.
- Clark County will notify Agency regarding chart of accounts available for use by Agency.
- Clark County to create budget in County Financial Management System (FMS) within 30 days of receipt of approved budget.

**CLARK COUNTY AUDITOR
SERVICE LEVEL AGREEMENT
ACCOUNTS PAYABLE SERVICES FOR LCFRB**

AGENCY RESPONSIBILITY:

- Agency to submit accounts payable invoices on a formatted spreadsheet no more than once per week. Original invoices to be retained by agency.
- Agency to provide copy of Resolution approving invoices by the agency Board at time of submittal or provide resolution authorizing payment of invoices in advance of Board approval.
Clark County will not issue warrants without appropriate approval.
- Agency to identify those in agency who may submit spreadsheet for payment as this is done via e-mail.
- Clark County operates on a calendar year. All invoices for a year must be submitted by 1/25 of the following year in order to be expensed in the year.
- Agency responsible for identifying vendor name, number and site from Clark County system via a link to Treasurer's Web Portal. Agency permitted one exception (spreadsheet will not load due to incorrect vendor name, number or site) per vendor. Labor cost of future exception handling will be separately billed to the agency.
- Agency may request new vendors using County form. Agency is required to obtain completed W-9 in advance of making the new supplier request.
- Agency is responsible for remitting use tax to the state of WA if vendors do not collect sales tax on purchase.
- Agency to make one time decision for warrant distribution:
 - Clark County will mail **all** warrants directly to vendors. Scan and email any invoice/paperwork that needs to accompany warrant.
 - Agency to pick-up **all** warrants at Clark County Auditor – PSC 5th. If this option is selected Agency to provide a listing of those authorized to pick-up warrants. Identification will be requested at time of pick-up.
 - Clark County to mail **all** warrants to Agency.

CLARK COUNTY RESPONSIBILITY:

- County to process payment of invoices within 7 working days and distribute warrants as identified above.
- County to process 1099's annually for Agency vendors.
- Agency requested suppliers will be set-up within 3 working days of request.

**CLARK COUNTY AUDITOR
SERVICE LEVEL AGREEMENT
PAYROLL SERVICES FOR LCFRB**

Agency to provide to Clark County:

- IRS evidence of Employer Identification Number
- Washington L&I Account ID number, classification, and rates (rate sheet from Dept of Labor)
- Washington Unemployment ES Reference number, UBI number, and UI Tax Rate (tax rate notice from Employment Security Department)
- Washington DRS organization number and reporting group
- Evidence of Oregon Business ID number (if any employees are Oregon residents)
- List of deductions & vendors (Clark County to decide whether to honor existing deduction arrangements)
- EFTPS enrollment information

Clark County will provide the following blank forms that will need to be completed for each agency employee:

- New Hire Data Sheet
- Direct Deposit form
- Form W-4 (federal withholding)
- Confirmation of I-9 completion date (or a new I-9)

Clark County's payroll cycle is semi-monthly, in arrears:

1st – 15th of the month paid on the 25th of the current month

16th – last day of the month paid on the 10th of the following month

If the 10th or 25th is a Saturday, Sunday, legal holiday, or County holiday,
pay day is the previous business day.

All employees are required to submit a timecard to be paid. This can be done via employee Self Service Time Entry, agency entry, or a combination of both. We do not accept paper timesheets as original time entry (only corrections).

Time entry/approval deadline is 5:00 pm the first business day after the last day of the pay period. A payroll calendar is provided monthly.

All employee changes (name, address, pay rate, job title, etc.) must be submitted to Clark County Human Resources via Personnel Action Form (PAF).

Any employee who does not elect direct deposit will have their payroll check mailed to their home address.

Employees who have elected direct deposit can view their pay slip online, using their Self Service Time responsibility.

Clark County will deposit payroll taxes semi-monthly through EFTPS.

Clark County will remit employee deductions (for those accepted by Clark County) to specified vendors each pay period.

Clark County will provide electronic deduction information (for those accepted by Clark County) to deduction vendors each pay period.

Clark County will file quarterly:

- Federal 941
- Oregon OQ
- Washington UI Quarterly (and pay)
- Washington L&I Quarterly (and pay)

Clark County will file annually:

- Employee Forms W-2
- Electronic filing of W-2s with Social Security Administration

CLARK COUNTY

INVESTMENT SERVICES AGREEMENT

THIS IS AN AGREEMENT between Lower Columbia Fish Recovery Board, a relevant municipal corporation of the state of Washington, hereinafter referred to as a "Participant", and the Clark County Treasurer, hereinafter referred to as the "Treasurer", whereby the Participant agrees to participate in the Clark County Investment Pool (Pool) program in the following manner:

WHEREAS, pursuant to RCW 39.34.080, one or more public agencies may contract with one another to perform governmental services which each itself is, by law, authorized to perform; and

WHEREAS, by law, the Treasurer is required to perform the investment function by placing such funds in investment instruments allowed by statute for the participating political subdivisions; and

WHEREAS, both the County and each Participant incur various costs in placing investments, such as: the cost of receiving and sending wires for placement of new and maturing investments, safekeeping of negotiable instruments, and daylight overdrafts; and

WHEREAS, RCW 36.29.022 allows the Treasurer, upon request of Participants, to create a pool for the purposes of investment; and

WHEREAS, the Participant has, by action of its governing body, authorized the Treasurer to invest its funds not needed for immediate expenditure; and

WHEREAS, the Participant has reviewed and is familiar with the Clark County Investment Policy and the Clark County Treasurer's Investment Pool Information Statement; and

WHEREAS, the Treasurer and Participants desire to establish a mechanism by which the aforementioned activities shall occur.

NOW THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Investment Service Agreement

The Treasurer will establish a fund whereby Participants and the County Treasurer will invest available cash in a commingled pool called the "Clark County Investment Pool".

2. Applicability

All investments placed through the Treasurer will be governed by the most recently adopted Clark County Investment Policy and this Agreement. The County through its Finance Committee will establish criteria for investments placed within the Pool as prescribed by the Clark County Investment Policy. Authorized investments and diversification practices are described in the Investment Pool Information Statement.

3. Investment Procedures

Participants will provide to the Treasurer, on the business day **before** an investment is to be made, the following information:

- Amount of investment;
- Placement date for investment; and
- Duration of investment (if the investment is made outside the County Pool).

There is no minimum or maximum amount of shares that must be purchased or dollar amount deposited. The purchase price per share shall be one dollar (\$1.00). The Pool will be managed based on historical cash flow information of the Participants. In order to operate the Pool efficiently, the fund manager of the Participant should disclose to the Treasurer any significant deviation of the projected core investment balance maintained in each fund.

The Pool will be managed in an **active** manner. Consequently, gains and losses may occur based upon market and credit risk, as defined in the attached Clark County Investment Pool Information Statement and the most recently adopted Clark County Investment Policy. **Accordingly, any realized gains or losses will be shared based upon each participant's daily principal balance maintained within the Pool and allocated in the manner described in Sections 5 and 6 below.**

If Participants have investment securities maturing outside of the Pool and no direction is given prior to the day the investment matures to reinvest the money for a specific maturity date outside of the Pool, the money received from the maturing investment will be invested for the Participant in the Pool. Unless otherwise instructed by individual Participants, any monies received by Participants will be invested for the Participant in the Pool.

For the investment of bond proceeds subject to arbitrage rebate, the Participant will provide a specific cash flow associated with such bond proceeds. A separate sub-account shall be established for the tracking of bond proceeds, investment income on such proceeds, and the expenditure of such proceeds.

4. Payment Process

Unless otherwise mutually agreed, all transfers of funds to the Pool, hereunder this agreement, are by electronic transfer mechanisms (i.e. wire or ACH), by account transfer within the same bank, by deposit directly into the Treasurer's checking account, or by fund transfers between Participants' funds. Any bank charges incurred by one party as a result of the other party's failure to transfer such monies shall be reimbursed by the party causing the charges to occur.

5. Portfolio Management

The Treasurer shall be responsible for all transactions undertaken in managing the Pool and shall establish a system of controls and procedures to regulate the activities of all staff in investment matters. The Treasurer shall recommend investment policy changes, as appropriate, to the County Finance Committee and shall be charged with implementing such policy and subsequent policy changes in a timely, prudent, and effective manner to ensure effective cash management of public funds. Any investments made hereunder shall be made with the exercise of that degree of judgment and care, under the circumstances then prevailing, which persons of ordinary prudence, discretion, and intelligence would exercise in the management of their own affairs, and not for speculation but for investment, considering the probable income to be derived as well as the probable safety of the capital.

The Treasurer places such investments in authorized investments as indicated in the Clark County Investment Policy.

The Treasurer will pursue an **active** investment strategy. By its very nature, an active investment strategy may result in either realized gains or realized losses occurring within the Pool. As stated above (Section 3 – Investment Procedures), such realized gains and realized losses will be distributed in proportion to each participant’s daily principal balance maintained within the Pool.

Management of the Pool’s Net Asset Value:

It is recognized by all Participants that there can be no assurance that the Treasurer will be able to maintain a constant N.A.V. per share of one dollar (\$1.00) due to changes in the value of the Pool’s investments resulting from changes in interest rates and the duration of the securities within the Pool. The Pool will be managed in a manner to maintain the N.A.V. per share within a band of \$1.01 to \$0.99. The calculation of N.A.V. per share will be done twice each month.

If the Pool’s N.A.V. per share exceeds the \$1.01 or \$0.99 band in either direction, the County will sell securities to bring the N.A.V. per share back within the specified band. The County Treasurer will promptly disclose these sales to the Finance Committee and to Pool Participants. The realized gain or loss on the securities sold will be distributed to all Pool Participants as provided below.

Clark County may use an investment advisor, depending upon budgetary constraints, to provide technical advice to the Treasurer and staff in managing the Pool's investment portfolio.

6. Earnings:

Interest is distributed based on the average weighted daily balance a Participant’s fund maintains in the Pool and is calculated using the actual number of days in the month based on a 360-day year. The total accrued interest earned on the Pool securities and realized gains and losses on securities sold before their maturity date will be distributed monthly to Pool participants based upon Participants’ weighted daily average (pro-rata) ownership of Pool shares. Interest will be paid based upon the last calendar day of each month and will be automatically reinvested as principal.

Should the dollar amount of realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to Participants resulting in a pro-rata reduction in the fund balances for Participants.

Coupon payments received on investments for participants placed outside of the Pool are paid to the Participants on the same day the coupon payment is received.

Redemptions of Shares – to pay normal expenditures:

Participants who redeem Pool shares for normal expenditure purposes will receive one dollar (\$1.00) per share.

Redemption of Shares – to reinvest outside the Pool:

Participants withdrawing one or more funds completely from the Pool to reinvest outside of the Pool shall receive one dollar (\$1.00) per share, less costs associated with the transaction. Costs associated with this transaction include but are not limited to wire transfer fees, safekeeping fees, etc.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool Portfolio, must provide ten (10) business days notice prior to withdrawal.

Debt Service Reserve Funds – inside or outside the Pool:

For Participants who have Debt Service Reserve Fund(s), either invested within the Pool or outside the Pool, all interest earnings on such Reserve amounts shall be transferred on debt service payment dates to the applicable Debt Service Fund by the Treasurer's Office up to the amount due. All necessary additional funds needed to make the full debt service payment shall be remitted or transferred to the applicable Debt Service Fund prior to the date such payment is due by the Participant.

The principal amount deposited within the Debt Service Reserve Fund(s) will be available for use by the applicable Participant to make the final debt service payments at time of maturity.

As these funds must be available for payment of annual debt service needs their maturities will be quite short.

7. Investment Service Fee

Investment Fee – Clark County Investment Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.024. The investment fee is determined by the actual costs of managing the Pool and is set by the Treasurer. The investment fee will be calculated annually and may fluctuate due to the actual average principal balances being maintained in the Pool differing from the projected balances. This fee is expressed as a rate (e.g. 0.08% or, 8 basis points) based on the projected daily principal balance of the Pool for the next twelve months. If at the end of each twelve month period the Treasurer determines that the amount of the Investment Fee collected was less than actual costs, or was greater than actual costs incurred during the prior twelve months, then the rate for the next twelve months will be increased or reduced to reflect that.

The calculation of the Investment Fee, with identification of actual costs, aggregated by major expense category, as adjusted and projected Pool balance, will be provided to Participants and the Finance Committee promptly after the calculation is completed.

Investment Fee – Investments Outside the Clark County Investment Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.020. The investment fee charged for investments placed outside the Clark County Investment Pool shall equate to five percent (5.00%) of the earnings of a security with an annual maximum of fifty dollars on each investment transaction.

8. Reporting

The Treasurer prepares reports on investment activity on a monthly, periodic and annual basis. Reports may also be prepared at such times as deemed appropriate by the Treasurer. A report showing the original cost (or book) value and fair market value of each Participant fund's investment in the Pool will be provided as of each month end. Reports will be distributed to the various oversight committees and to the Clark County Investment Pool participants as deemed appropriate by the Treasurer and will be readily available upon request. Examples of reports are:

- investment purchases and sales;
- investment income received;
- realized and unrealized gains and losses;
- weighted average maturity of the portfolio;
- percentage of portfolio by issuer, by type of security, and by maturity sector;
- Net Asset Value (N.A.V.) per share of Pool Shares and the number of shares outstanding;
- The fair market value of the entire Pool (broken out by fund);
- Pool balances, stated at cost and market value;
- Pool yields;
- Pool performance on a total return basis after subtracting any relevant fees, including the Treasurer's Investment Fee, compared to established benchmarks shall be reported monthly;
- investment strategies shall be reported quarterly ; and
- a report on current economic conditions.

At the end of each month, and at any other times deemed appropriate by the Treasurer, the Treasurer's Office shall determine the Fair Market Value (F.M.V.) of the securities making up the Pool along with the Net Asset Value (N.A.V.) per share. F.M.V and the N.A.V per share will be reported to the County and Participants each month. The N.A.V. per share is determined by dividing the value of the Pool's net assets (fair market value of the Pool's assets less fair market value of the pool's liabilities) by the total number of Pool shares outstanding.

The monthly financial reports will be presented to all Participants through the *Treasurer's Web Portal*.

9. Conflict Between Documents.

Clark County Investment Services Agreement

In the event a conflict or discrepancy between the provisions of this Agreement, the Clark County Investment Policy and the Clark County Treasurer's Investment Pool Information Statement, the provisions of the documents shall take precedence in that order.

10. Governing Law.

This agreement shall be governed by the laws of the State of Washington. Venue for any litigation shall be Clark County, Washington.

11. Entire Agreement.

This Agreement constitutes the entire agreement between parties, superseding any and all previous written and oral contracts and agreements. This Agreement may not be changed unless written and accepted by both parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed this 5th day of December, 2014.

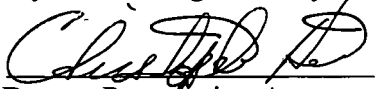
Clark County Treasurer

By: 
Doug Lasher

Approved as to Form Only

Chris Horne

Deputy Prosecuting Attorney

By: 
Deputy Prosecuting Attorney

Lower Columbia Fish Recovery Board


Jeffrey P. Breckel
Executive Director

Dated: 12-5-2014

MEMORANDUM of UNDERSTANDING

CONCERNING COUNTY TREASURER AND LOWER COLUMBIA FISH RECOVERY BOARD RESPONSIBILITIES

PURPOSE

This MEMORANDUM OF UNDERSTANDING is entered into between the OFFICE OF THE CLARK COUNTY TREASURER (the "Treasurer") and the LOWER COLUMBIA FISH RECOVERY BOARD ("LCFRB").

The Treasurer and the Lower Columbia Fish Recovery Board will enter into this Memorandum of Understanding to more clearly delineate each entity's responsibilities and to more effectively carry out their responsibilities to the public.

FORMAT OF THIS MEMORANDUM

The following are areas where the Treasurer has responsibility to the LCFRB. The Treasurer carries out its responsibilities efficiently and effectively when both parties work together. Each area listed below has a short explanation and description of the services to be rendered.

GENERAL BANKING SERVICES

All general banking services provided by the Treasurer will be billed at cost. The Treasurer will invoice the LCFRB quarterly for all incurred banking service costs, and will be reimbursed by the LCFRB in 30 days. Treasurer labor expense costs are currently billed under Clark County's indirect cost allocation model and will be included as part of the Financial Services billing as agreed upon between the Clark County Auditor's Office and the LCFRB.

Receipt of Moneys

All LCFRB moneys will be receipted by the Treasurer to dedicated funds 6912 and 6913. The Treasurer receives and holds all moneys from all sources, including deposits remitted directly to the Treasurer's concentration bank account, as well as deposits made at local banking institutions, or those delivered by courier service. The Treasurer will provide banking supplies, including deposit slips, endorsement stamps, and deposit bags if check deposits are required for the 6912 at the cost charged to the Treasurer. The LCFRB will provide 24 hour advance notice to the Treasurer for upcoming remittances and deposits. The Treasurer will also ensure that appropriate Oracle AR invoices have been processed to apply receipts against.

Fund disbursements

All fund disbursements for the LCFRB will be initiated through the Clark County Auditor's Office Accounts Payable team and remitted from fund 6912 and 6913. The Treasurer transmits and settles all electronic payments, including ACH's and wires initiated by the Clark County Auditor's Office Accounts Payable team. The Clark County Auditor's Office Accounts Payable team also issues warrant payments on behalf of the LCFRB. Warrant redemptions are reconciled and funded by the Treasurer. The LCFRB will provide 24 hour advance notice to the Treasurer for all upcoming payments.

Payroll Direct Deposits

The Treasurer will open and maintain a payroll direct deposit clearing account with its banking service provider. The Clark County Auditor's Payroll team will transmit payroll direct deposits directly to employees' banks, settling in the LCFRB /Treasurer payroll direct deposit clearing account. It will be the responsibility of the Payroll Team to provide advance notice of the net direct deposit settlement amount for all payroll activity. The Treasurer will fund the settlement amount to the payroll direct deposit clearing account on the effective payment date. Any associated overdraft charges due to settlements occurring without prior notification will be charged back to LCFRB accordingly.

INVESTMENT SERVICES

Any LCFRB moneys not immediately needed for disbursements will be invested to the benefit of the LCFRB to a designated LCFRB fund 6913 and associated sub-fund(s). The Treasurer and the LCFRB have entered into an Investment Services Agreement (Exhibit A) that defines the parameters for investment of LCFRB moneys exclusively in the Clark County Local Government Investment Pool. No LCFRB moneys will be placed into investments outside of this pool.

FINANCIAL REPORTING

The Treasurer will provide the LCFRB with financial information including but not limited to:

- A Treasury Web Portal account and user access
- Clark County Treasurer's Financial Statements report (monthly)
- Fund Portfolio report(s) for detailed investment activity (monthly)
- Fair market value of investments report (monthly)

Examples of this financial information are contained in Exhibits B - D

PROFESSIONAL INTERACTION

The Treasurer and LCFRB and their respective staffs shall provide accurate, timely, courteous, and effective professional service to each other for any reasonable request of any type. See Exhibit E for a list of people to contact.

AMENDMENTS TO THIS MEMORANDUM OF UNDERSTANDING

From time to time there may be reasons either party to this Memorandum of Understanding may want to clarify, modify, and/or change the agreements reached within this document. Such areas might include, but are not inclusive of:

- Changes in staffing
- Changes in methods and ability to communicate
- Changes in federal and state laws
- Changes in accounting and reporting requirements
- Changes in other technologies

SIGNATURE OF PARTIES

By affixing our signatures below, the parties acknowledge the procedures and agree to abide by them to the best of our abilities. We also acknowledge that there are no punitive damages that can be inflicted for failure to carry out any of the provisions.

Dated this 5th day of December, 2014

Lower Columbia Fish Recovery Board

Office of the Clark County Treasurer

Signature 
Jeffrey P. Breckel
Executive Director

Signature 
Doug Lasher
Treasurer

Approved as to Form Only
Chris Horne
Deputy Prosecuting Attorney

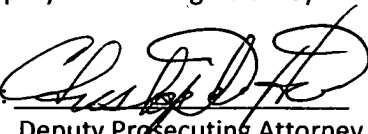
By 
Deputy Prosecuting Attorney

Exhibit A -Investment Services Agreement

Exhibit D – Sample FMV report (Fair market valuation of investments)

Exhibit E-Treasury service contacts (as of 10/27/2014)

Cash Management and Financial Reporting Services

- Chris Allen – Sr. Accountant - (360) 397-2299 opt 1
- Michelle Gable – Sr. Accountant - (360) 397-2254 opt 3
- Gina Bixby -Sr. Management Analyst – (360) 397-2254 opt 6
- Colleen DeGrout – Accountant – (360) 397-2254 opt 8
- Larry Frueh — Finance Manager – (360) 397-2254 opt 1

Investment Services

- Patrick Bourcier – Sr. Accountant – (360) 397-2254 opt 2
- Rachel Wilson – Sr. Investment Officer - (360) 397-2254 opt 7
- Steve Dahlberg – Project Coordinator - (360) 397-2254 opt 5
- Larry Frueh – Finance Manager – (360) 397-2254 opt 1

Treasury Executive Management

- Doug Lasher – Treasurer – (360) 397-2255 opt 2
- John Payne – Deputy Treasurer – (360) 397-2255 opt 3
- Kathleen Smithline – Administrative Assistant – (360) 397-2255 opt 4

Exhibits

**Clark County Investment Pool
Fair Market Value of Investments**

For the Period Ending 11/30/2014

Agency Auditor: _____

Fund	Fund Description	Beginning Balance	Investments		Current change in Fair Market as of 11/30/2014	Ending Investment FMV Balance as of 11/30/2014
		Investments at cost 11/1/2014	Purchased	Sold		
1002	Auditor's O & M Fund	\$1,627,679.34	\$15,401.92	(\$25,000.00)	\$1,489.92	\$1,619,571.18
Group Total:		\$1,627,679.34	\$15,401.92	(\$25,000.00)	\$1,489.92	\$1,619,571.18

FUND PORTFOLIO

November 2014

Participant: **AD - Victim Witness Program**

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
1022	1022						417,918.49
		0.354	11/01/2014	-	-	-	417,918.49
		0.354	11/04/2014	10,000.00	-	-	427,918.49
		0.354	11/05/2014	6,000.00	-	-	433,918.49
		0.354	11/06/2014	-	5,000.00	-	428,918.49
		0.354	11/06/2014	-	1,426.43	-	427,492.06
		0.354	11/12/2014	-	15,000.00	-	412,492.06
		0.354	11/21/2014	-	1,000.00	-	411,492.06
		0.354	11/24/2014	-	13,000.00	-	398,492.06
		0.354	11/30/2014 Alloc/Fee	-	19.38	122.00	398,594.68
Subtotal and Ending Balance				16,000.00	35,445.81	122.00	398,594.68
Totals and Ending Balance for AD - Victim Witness Program				16,000.00	35,445.81	122.00	398,594.68

FUND PORTFOLIO

November 2014

Participant: AD- Anti-Profitteering Rev Fund

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
1024	1024						34,756.60
		0.354	11/01/2014	-	-	-	34,756.60
		0.354	11/30/2014 Alloc/Fee	-	1.63	10.24	34,765.21
Subtotal and Ending Balance				-	1.63	10.24	34,765.21
Totals and Ending Balance for AD- Anti-Profitteering Rev Fund				-	1.63	10.24	34,765.21

FUND PORTFOLIO

November 2014

Participant: AD - General Liability

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
5040	5040						989,437.27
		0.354	11/01/2014	-	-	-	989,437.27
		0.354	11/04/2014	-	369,000.00	-	620,437.27
		0.354	11/06/2014	387,000.00	-	-	1,007,437.27
		0.354	11/12/2014	-	18,000.00	-	989,437.27
		0.354	11/13/2014	129,000.00	-	-	1,118,437.27
		0.354	11/14/2014	-	6,000.00	-	1,112,437.27
		0.354	11/18/2014	-	2,000.00	-	1,110,437.27
		0.354	11/24/2014	-	58,000.00	-	1,052,437.27
		0.354	11/28/2014	-	1,000.00	-	1,051,437.27
		0.354	11/30/2014 Alloc/Fee	-	48.14	302.99	1,051,692.12
Subtotal and Ending Balance				516,000.00	454,048.14	302.99	1,051,692.12
Totals and Ending Balance for AD - General Liability				516,000.00	454,048.14	302.99	1,051,692.12

FUND PORTFOLIO

November 2014

Participant: AD - Unemployment Insuran

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
5042	5042						1,285,495.24
		0.354	11/01/2014	-	-	-	1,285,495.24
		0.354	11/12/2014	24,000.00	-	-	1,309,495.24
		0.354	11/24/2014	15,000.00	-	-	1,324,495.24
		0.354	11/30/2014 Alloc/Fee	-	61.08	384.42	1,324,818.58
Subtotal and Ending Balance				39,000.00	61.08	384.42	1,324,818.58
Totals and Ending Balance for AD - Unemployment Insuran				39,000.00	61.08	384.42	1,324,818.58

FUND PORTFOLIO

November 2014

Participant: AD - Industrial Insurance

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
5043	5043						1,800,044.43
		0.354	11/01/2014	-	-	-	1,800,044.43
		0.354	11/06/2014	-	1,000.00	-	1,799,044.43
		0.354	11/07/2014	-	4,000.00	-	1,795,044.43
		0.354	11/10/2014	-	2,000.00	-	1,793,044.43
		0.354	11/12/2014	110,000.00	-	-	1,903,044.43
		0.354	11/13/2014	-	49,000.00	-	1,854,044.43
		0.354	11/14/2014	-	11,000.00	-	1,843,044.43
		0.354	11/17/2014	-	62,000.00	-	1,781,044.43
		0.354	11/20/2014	-	2,000.00	-	1,779,044.43
		0.354	11/24/2014	72,000.00	-	-	1,851,044.43
		0.354	11/28/2014	-	1,000.00	-	1,850,044.43
		0.354	11/30/2014 Alloc/Fee	-	85.03	535.19	1,850,494.59
Subtotal and Ending Balance				182,000.00	132,085.03	535.19	1,850,494.59
Totals and Ending Balance for AD - Industrial Insurance				182,000.00	132,085.03	535.19	1,850,494.59

FUND PORTFOLIO

November 2014

Participant: **AD - Retirement Reserve**

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
5044	5044						900,338.84
		0.354	11/01/2014	-	-	-	900,338.84
		0.354	11/13/2014	-	15,000.00	-	885,338.84
		0.354	11/30/2014 Alloc/Fee	-	41.74	262.73	885,559.83
Subtotal and Ending Balance				-	15,041.74	262.73	885,559.83
Totals and Ending Balance for AD - Retirement Reserve				-	15,041.74	262.73	885,559.83

FUND PORTFOLIO

November 2014

Participant: **Healthcare Self-Insurance Fund**

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
5045	5045						833,919.11
		0.354	11/01/2014	-	-	-	833,919.11
		0.354	11/05/2014	3,676.00	-	-	837,595.11
		0.354	11/05/2014	-	352,028.64	-	485,566.47
		0.354	11/10/2014	3,854.50	-	-	489,420.97
		0.354	11/12/2014	582,899.99	-	-	1,072,320.96
		0.354	11/12/2014	-	214,272.63	-	858,048.33
		0.354	11/13/2014	-	97,595.20	-	760,453.13
		0.354	11/17/2014	944.44	-	-	761,397.57
		0.354	11/21/2014	1,572.09	-	-	762,969.66
		0.354	11/24/2014	586,336.35	-	-	1,349,306.01
		0.354	11/26/2014	5,496.50	-	-	1,354,802.51
		0.354	11/26/2014	-	256,226.79	-	1,098,575.72
		0.354	11/30/2014 Alloc/Fee	-	37.73	237.46	1,098,775.45
Subtotal and Ending Balance				1,184,779.87	920,160.99	237.46	1,098,775.45
Totals and Ending Balance for Healthcare Self-Insurance Fund				1,184,779.87	920,160.99	237.46	1,098,775.45

FUND PORTFOLIO

November 2014

Participant: IBNR - Medical

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
5045-1	5045						435,383.70
		0.354	11/01/2014	-	-	-	435,383.70
		0.354	11/19/2014	-	231,777.52	-	203,606.18
		0.354	11/30/2014 Alloc/Fee	-	16.05	101.01	203,691.14
Subtotal and Ending Balance				-	231,793.57	101.01	203,691.14
Totals and Ending Balance for IBNR - Medical				-	231,793.57	101.01	203,691.14

FUND PORTFOLIO

November 2014

Participant: IBNR - Dental

Account	Fund	Current Rate	Transaction Date	Deposits	Withdrawals	Allocated Earnings	Balance
5045-2	5045						37,966.99
		0.354	11/01/2014	-	-	-	37,966.99
		0.354	11/19/2014	-	18,596.75	-	19,370.24
		0.354	11/30/2014 Alloc/Fee	-	1.43	9.00	19,377.81
Subtotal and Ending Balance				-	18,598.18	9.00	19,377.81
Totals and Ending Balance for IBNR - Dental				-	18,598.18	9.00	19,377.81

**INVESTMENT POOL
INFORMATION STATEMENT**



Clark County Treasurer

February 22, 2013

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Information Statement Dated February 22, 2013

This Information Statement contains information regarding the Clark County Investment Pool (Pool). The Pool is an investment vehicle which has a floating Net Asset Value and an average maturity of more than 90 days. It has been established to provide Clark County (County) and any relevant municipal corporations (Participants) with assistance in the investment of and accounting for cash in excess of expenditure needs, capital funds, and bond proceeds that meet certain criteria addressed below.

Participants include, but are not limited to districts, (such as the following: school, fire, port, cemetery, drainage, road improvement, emergency management) cities, transportation agencies and other public entities who desire to participate. Participation by any Participant will be unlimited provided that bond proceeds plus other funds associated with that one Participant do not exceed 25% of the total assets of the Pool.

Investments outside the Pool are required to be coordinated with the Treasurer's Investment/Debt Manager.

Purpose of Pooling

The Clark County Treasurer invests funds collectively in order to more efficiently meet investment objectives. RCWs 36.29.020, 36.29.022, and 36.29.024 provide statutory authority for the Treasurer to operate a pooling program. The purpose of the Pool is to allow Participants to pool funds available for investments in order to achieve a potentially higher yield, while maintaining adequate diversification and liquidity. The "Prudent Investor" rule as defined by RCW 43.250.040 applies to all investments purchased on behalf of the Pool.

The Pool has been created to promote a more efficient mechanism for investing Public funds in large dollar amounts in order to take advantage of market conditions which generally results in higher yields.

Participants are provided with a convenient method of pooling their liquid cash, as well as bond proceeds and other capital and reserve resources, for temporary investment pending their expenditure. The Treasurer's Office provides record keeping, custodial, and arbitrage rebate calculation services.

The Pool seeks to provide the following benefits:

- **Preservation of Principal** – Investments are only made in instruments authorized by Washington State law, and in accordance with the Clark County Investment Policy.

Because investments are restricted to those with the highest credit ratings at the time of purchase, credit risk (the risk that an issuer of a security may default on its obligation,) is lessened. The Pool seeks to maintain, but does not guarantee, a constant Net Asset Value of \$1.00 per share.

- **Liquidity Funds** – The portfolio shall remain sufficiently liquid to enable Clark County and its Participants to have funds available to pay operating and capital expenditures on a daily basis.

Any money received from bond issues will be totally invested and investment withdrawals will typically correspond with expenditures to the exact dollar of the warrants being issued.

- **Income** - The Pool seeks to earn a market rate of return throughout budgetary and variable economic cycles consistent with preserving principal and maintaining liquidity. To further realize this objective, the County will manage the Pool's securities in a manner that results in a Net Asset Value per share of between \$0.99 and a \$1.01 while striving to have a constant Net Asset Value of a \$1.00 per share.
- **Convenience** - Provide liquidity so that Participants in the Pool have ready access to their funds to pay for operating and capital expenditures.

Participants are encouraged to indicate maturity levels through cash flow forecasting to match cash needs for expenditures, particularly for bond proceeds to assist the Treasurer's Office in managing the Pool. Fund managers should tell the Treasurer's Office of any significant deviations from previously discussed cash flow requirements.

Diversification

Each Participant in the Pool will own shares in a diversified portfolio of high quality, authorized instruments. The purpose of diversification is to reduce the overall risk within the portfolio, while attaining market average rates of return. Diversification is required to guard against over concentration of funds in a specific maturity or credit sector, as well as to minimize credit exposure in specific instruments and issuers.

Accounting, Safekeeping, and Separate Accounts

The Pool accounts for each Participant's investments in compliance

with governmental accounting and auditing requirements, and documents all of the accounting and safekeeping associated with the ownership of securities.

Investment Policy

Please refer to the most recently adopted Clark County Investment Policy which is available on the Clark County website at <http://www.clark.wa.gov/treasurer/documents.html>.

Policy

It is the policy of the Clark County Treasurer to invest public funds in accordance with all federal and state laws and ordinances. The Clark County Treasurer will invest public funds in a manner that preserves capital, allows adequate liquidity for the County and Participants, and achieves the highest investment return consistent with the primary objectives of safety and liquidity.

Investment Objectives

The Pool is designed to:

- Purchase investments, document investment transactions, and account for all funds in accordance with Government Accounting Standards Board (GASB) accounting principles, applicable state laws, arbitrage rebate provisions of the Internal Revenue Code and relevant regulations, rulings, and procedures.
- Preserve principal.
- Provide liquidity so that Participants in the Pool have ready access to their funds to pay for operating and capital expenditures.
- Provide a prudent level of investment return that is consistent with preservation of principal and maintenance of liquidity.

The Pool may invest in any investment (security) authorized by RCW 36.29.020 and investments authorized for the Treasurer of the State of Washington by RCW 39.59.020. However, the maximum maturity of any one instrument purchased for the Pool may not exceed five (5) years to maturity unless matched to a specific cash flow requirement, and the average days to maturity of the pool may not exceed one and one-half (1.5) years.

Pool Management Treasurer's Investment Strategy Committee

The Treasurer, Deputy Treasurer, Investment/Debt Manager and Investment Officer meet frequently (usually weekly) to discuss investment strategies, economic conditions, analysis of yield curve shifts, possible Federal Reserve actions, cash flow forecasts, spreads on various investment instruments, and other relevant information relating to investments.

The current members of the Treasurer's Investment Strategy Committee include:

Doug Lasher, County Treasurer. Mr. Lasher has been County Treasurer since July, 1984. Mr. Lasher has a Masters in Public Administration from Lewis & Clark College in Portland, Oregon. Prior to his current position, Mr. Lasher worked in the County Auditor's Office. He is a past President of the Washington State Association of County Treasurers and on the Board of Directors for the National Association of County Treasurers and Finance Officers. He also has been recognized as a Professional Finance Officer with the Washington Finance Officers Association. Mr. Lasher has received a Public Administrator Certificate as Finance Master from the University of Missouri in St. Louis.

John Payne, Deputy County Treasurer. Mr. Payne has been the Deputy Treasurer since August, 1985. Mr. Payne is a graduate of the University of Maryland in College Park, Maryland. He is a Certified Public Accountant, licensed in Washington and Oregon, and a Certified Treasury Professional. Prior to his current position, Mr. Payne worked in the Auditor's Office. He has served on the Committee on Governmental Debt Management and is currently a member (Chair, 2005/2008) of the Committee on Treasury and Investment Management of the Government Finance Officers Association of the United States and Canada, and past President of the Washington Finance Officers Association (WFOA). He also holds a Professional Finance Officer designation with the WFOA.

Larry Frueh, Investment/Debt Manager. Mr. Frueh has been with the Treasurer's Office since March, 2009. He is a graduate of Central Washington University with a Bachelor's degree in Business Administration with an emphasis in Accounting/Finance. Prior to coming to Clark County, he worked 20 years in financial/banking sectors performing asset/liability and investment portfolio management, municipal finance activities for the nation's largest issuer plus 10 years in Information Technology supporting the treasury / tax data warehouse functions of the nation's largest software development company. He holds a Certified Public Fund Investment Manager (CPFIM) designation and in prior position with

a top tier investment banking firm held National Association of Securities Dealers licenses Series 7 (Stocks, Bonds), Series 3 (Commodities, Futures) and Series 63 (Blue Sky Laws).

Rachel Wilson, Investment Officer. Ms. Wilson has been the Investment Officer for the Treasurer's Office since January 2012. She is a graduate of Portland State University with a Master's of Science in Financial Analysis. She received her undergraduate degree from Washington State in Finance & Accounting. Prior to coming to the County, she worked as a financial consultant for several years. Prior to consulting, she was investment advisor in the private sector at which point she held her series 7, 66, and 63 securities licenses.

Delegation of Authority

Authority to manage the Clark County Investment Program is derived from the Revised Code of Washington (RCWs) in RCW 36.29.020 which authorizes, in part, the following:

- The Treasurer may invest funds in qualifying investments when authorized by the Participants or by the County Finance Committee.
- When not already authorized by laws or ordinances, the Board of County Commissioners, Participants, or the County Finance Committee authorizes the County Treasurer to invest any surplus funds in accordance with the Clark County Investment Policy.

The Clark County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and procedures to regulate the activities of all staff in investment matters. The Treasurer shall recommend policy changes, as appropriate, to the County Finance Committee and shall implement such changes in a timely, prudent, and effective manner. No person may engage in an investment transaction except as provided under the terms of the current Investment Policy and procedures established by the Clark County Treasurer.

The Treasurer delegates to the Deputy Treasurer the responsibility for recommending any changes, deletions, and/or additions, to policy direction, enhancement of the Investment Policy, internal control mechanisms, or modifications of procedures.

The Treasurer delegates to the Investment/Debt Manager responsibility of managing the daily investment activities performed by the Investment Officer.

The Investment/Debt Manager is also responsible for debt management activities pertaining to fiscal agent payment and account set up for payment of bonds issued involving both principal and interest. Furthermore the position reviews bond resolutions, official statements, preparation of debt related reports, and has interaction with financing team members associated with debt issuance.

The Treasurer delegates to the Investment Officer responsibility for performing all analytical assumptions for developing and implementing investment strategies consistent with economic, market, credit, and liquidity factors to assist in guiding the investment activities. This individual is also responsible for managing the investment portfolio, ensuring that all necessary tasks are performed to account for and safeguard the investments.

Investment Advisor

Clark County may use an Investment Advisor, depending upon budgetary constraints, on an annual basis or based upon a multi-year contract with an annual appropriation clause. This cost will be a component of the investment fee that is assessed based upon a Participant's weighted daily average ownership of Pool shares.

The role of the Investment Advisor is to provide technical advice to the Treasurer and staff in managing the County's investment portfolio. Some of the items the Treasurer requests the Investment Advisor to review include various items such as:

- evaluating the current portfolio and investment strategy, and describing any changes which should be made;
- determining if internal controls, market analysis, credit analysis, portfolio analysis, and reporting practices are adequate;
- proposing Investment benchmarks appropriate to the type of Investment Pool operated; and
- evaluating the Investment Policy and procedures.

The Pool's current Investment Advisor is:

Davidson Fixed Income Management
5550 S.W. Macadam Ave., Suite 110
Portland, OR 97239

Intergovernmental Investment Pool Committee

The Pool encourages participation in discussing investment strategies and objectives through periodic meetings with Participants. The Intergovernmental Investment Pool Committee's (IIPC) purpose is to provide an opportunity to share and distribute information to Participants regarding Pool strategy. The IIPC's meetings also serve as a forum to discuss investment services and to educate Participants on the operations of the Pool along with investment options available. The IIPC is composed of all Pool Participants from the relevant municipal corporations. The IIPC meets once a quarter, generally prior to the County Finance Committee meeting.

Clark County Finance Committee

The Clark County Investment Policy is established by the Clark County Finance Committee consisting of the County Treasurer, the County Auditor, and the Chair of the County Board of Commissioners. This Committee meets quarterly and reviews compliance with the investment policies, strategies, and objectives, as well as the performance of County investments over the prior quarter.

Custodian

All investment transactions shall be conducted on a delivery-versus-payment (DVP) basis, which ensures that securities are deposited at the third-party custodian simultaneous with the release of funds. Securities will be held in a custodial account by a third-party custodian designated by the Treasurer and evidenced by Safekeeping Receipts. The current custodian is:

Bank of New York Mellon Trust
400 South Hope Street, Suite 400
Los Angeles, CA 90071

Because they are not actively traded on the financial market, some investments such as Non-negotiable Certificates of Deposit, transactions with the Washington State Local Government Investment Pool, State and Local Government Series Securities, and transactions with financial institutions operating Municipal Investment Accounts are not held by a third-party custodian.

The current commercial bank for the Pool's cash balances is:

Bank of America
805 Broadway
Vancouver, WA 98660

State Auditor

The Treasurer's Office is subject to an annual independent review by the Washington State Auditor of its internal controls and compliance with all state and federal laws and relevant policies and procedures, which includes confirming investment securities. However, the Washington State Auditor is not required to annually audit the Treasurer's Office. Clark County's accounting cycle is on a calendar year basis.

Authorized Financial Dealers and Institutions

Investment transactions will be conducted with those broker/dealers recognized by the Federal Reserve as primary dealers, non-primary dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and who are certified members of the National Association of Securities Dealers and those institutions that are qualified by the State of Washington's Public Deposit Protection Commission (RCW 39.58). The Treasurer will maintain a list of financial institutions authorized to provide investment services.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- audited financial statements;
- proof of Financial Industry Regulatory Authority (FINRA) certification;
- proof of registration with the State of Washington; and
- Broker/dealer questionnaire and certification of having read Clark County's Investment Policy.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer. Audited financial statements will be kept on file for each financial institution and broker/dealer with whom Clark County invests.

Authorized and Suitable Investments

RCWs 36.29.020; 39.58; 39.59.020; 39.59.030; and 43.84.080 provide authorization for the Clark County Treasurer to purchase various types of security instruments for the County and Participants.

Certain public fund investments of the Clark County Investment Pool

shall be collateralized. In order to anticipate market changes and provide an adequate level of security for these funds, the collateralization level on repurchase agreements and reverse repurchase agreements will be 102% of market value of principal plus accrued interest. Collateral (securities pledged to secure repayment of a borrowing) are defined in RCW 39.58.050 and shall be held in the safekeeping or trust department of a bank acting as a third-party custodian. Generally this collateral consists of U.S. Treasury and Government obligations.

Authorized and suitable investments of the County Pool are listed below, however, for more specific information regarding restrictions on each specific instrument, please refer to the current Investment Policy.

- U.S. Treasury obligations
- U.S. Government Agency obligations and U.S. Government instrumentality obligations
- Banker's Acceptances
- Commercial Paper
- Non-negotiable Certificates of Deposit including Flexible Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Washington State Local Government Investment Pool
- Variable Rate and Structured Notes
- Investment Deposits (such as time deposits, money market deposit accounts, and saving accounts)
- Registered Investment Companies (Mutual Funds)
- Bonds of the State of Washington and any local government in the State of Washington

Other investments authorized by law.

Documentation of Market Price

The Treasurer will follow certain procedures to document that investments are priced at a fair market value in accordance with requirements of the Clark County Investment Policy, (see Section XIV) and in accordance with requirements of the Internal Revenue Code and related rulings and regulations. This includes following practices to avoid making "prohibited payments" or receiving "imputed receipts" (as these terms are used in the applicable U.S. Treasury regulations) that improperly reduce the yield on investments.

These procedures include obtaining at least three bids or offers for all security transactions on the secondary market. The County will accept the offer which provides (a) the highest return within the maturity required; and (b) optimizes the investment objectives of the overall portfolio. When selling a security, the County will select the bid that generates the highest sale price.

Investment Restrictions

The Clark County Treasurer's Office is committed to ensuring that safety of principal is maintained as the foremost objective of the investment program. This commitment demands that preservation of principal mitigates two critical risks -- credit and market.

Credit Risk

Credit risk relates to the possibility that a debt issuer (for example: Federal Home Loan Bank, Key Bank, etc.) will default by failing to repay principal and interest in a timely manner. Third party credit rating agencies rate these agencies and financial institutions based on various factors associated with their ability to meet these payments, which includes their risk associated with a potential bankruptcy. The Clark County Investment Pool only invests in securities identified in the current Investment Policy. This reduces the Pool's exposure to credit risk by diversifying the portfolio and limiting the percentage of the total pool that may be invested with any security or issuer.

Market Risk

Market Risk is the risk that the value of a security will increase or decrease as a result of changes in market conditions. It is reduced by limiting the maximum maturity of any single investment to five (5) years (unless the investment is tied to a specific cash flow requirement) Likewise, the average maturity of the Pool's portfolio is one and one-half (1.5) years. Market value fluctuations occur as changes in the general level of interest rates occur based on monetary policy, fiscal policy, economic, social, and political trends of the

times. It is recognized in this Information Statement and in the Policy, that in a diversified portfolio, occasional measured losses can occur, and must be considered by the County in its overall return.

Diversification

To minimize the effect a default of a security issuer would have on the Portfolio, the Treasurer maintains a diversified portfolio. Diversification of the Pool's portfolio is achieved by following these standards:

Issuer Specific Standards:

- 100% of the County's total portfolio may be invested in U.S. Treasuries.
- No more than 35% of the County's total portfolio may be invested with any one Federal Agency or instrumentality issuer.
- Repurchase and reverse repurchase agreements can have no more than 20% per provider in overnight agreements and only 10% per provider if longer than 1 day.
- No more than 10% of the County's total portfolio may be invested with any one financial institution with non-negotiable Certificates of Deposit.
- No more than 30% of the County's total portfolio may be invested with financial institutions that offer both non-negotiable Certificates of Deposit and Municipal Investment Accounts.
- No more than 15% of the County's total portfolio may be invested with Qualified Mutual Funds registered with Washington State.
- No more than 5% of the County's total portfolio may be invested with any one issuer not listed above.

Security Specific Standards:

- No more than 10% of the County's total portfolio can be invested in variable rate or structured notes.
- No more than 25% of the County's total portfolio can be invested in Banker's Acceptances.

- No more than 25% of the County's total portfolio can be invested in Commercial Paper. None of which will be asset-backed Commercial Paper.
- No more than 65% of the County's total portfolio can be invested in Municipal Investment Accounts or like accounts.
- No more than 40% of the County's total portfolio can be invested in non-negotiable Certificates of Deposit including Flexible Certificates of Deposits.
- No more than 100% of the county's total portfolio if overnight or 30% if maturing more than 30 days can be invested in Repurchase Agreements.
- No more than 10% of the County's total portfolio can be invested in Reverse Repurchase Agreements.
- No more than 15% of the County's total portfolio can be invested in Mutual Funds that are qualified by being registered with Washington State.
- No more than 25% of the County's total portfolio can be used for Securities Lending.
- No more than 25% of the County's total portfolio can be invested in Deposit Notes.
- No more than 20% of the County's total portfolio can be invested in bonds issued by the State of Washington and/or any local government in the State of Washington.
- No more than 65% of the County's total portfolio can be invested in Washington State Local Government Investment Pool (LGIP).

General Policies on Arbitrage Rebate

Tax-exempt Bond Proceeds

The Clark County Investment Pool does qualify as an acceptable commingled fund for arbitrage purposes. The Pool will accept bond proceeds subject to arbitrage rebate. Bond proceeds are accounted for separately in investment subaccounts by fund, specific to each bond issue. Each Participant will be limited to maintaining total principal balances of all of their funds combined, to less than 25% of

total principal balances of the entire Pool if they contain any bond proceeds. Any bond proceeds that cause the total balance to exceed this 25% level will be invested outside of the County Pool for the specific fund.

Each Participant issuing bonds will be required to provide estimated cash flow schedules associated with each bond issue.

The investment fee charged to Pool Participants is not generally considered a "qualified administrative cost" for rebate purposes (in an "external commingled fund"). For Participants that have less than 10% of the total principal balance of the pool, the investment fee is a "qualified administrative cost" for purposes of computing arbitrage rebate. This means that the investment fee cannot be considered a deductible expense for purposes of computing arbitrage rebate for those entities that have more than 10% of the total principal balances of the Pool.

Arbitrage Calculations

The Treasurer's Office contracts for arbitrage services to provide arbitrage calculations for the County and Participants for which it serves as ex-officio Treasurer. The Treasurer's Office will pay for one calculation annually per bond issued. Any additional calculations beyond this will be the Participant's responsibility.

General Policies

To further the objective of providing Participants with a simplified method of arbitrage rebate compliance, the Pool has adopted a recommended set of practices. The Pool (as well as all investments made outside of the Pool) requires that these practices be followed to minimize the Participant's rebate compliance costs. The procedures include the following:

- A Participant may invest all bond proceeds subject to arbitrage rebate in the Pool on the same day that the bond proceeds are received by the Participant. This will enable the Pool to track the investment and expenditure of these funds. However, if a Participant owns more than 25% of the Pool, investments will be purchased in securities outside of the pool on the day the bond proceeds are received.
- A Participant shall identify all bond proceeds subject to the bond yield restrictions at the time of initial investment. A separate subaccount will be established for each bond issue.

- Federal tax law requires issuers of tax-exempt obligations to make certain rebate payments to the Federal government, or to meet certain expenditure guidelines. If the Participant expects to meet one of the expenditure exceptions, the Participant must notify the Treasurer when making its initial investment so that the Treasurer can provide information regarding the expenditure of the bond proceeds.
- If the Participant expects to make rebate payments, it should note that Federal tax law requires issuers of tax-exempt obligations to meet certain rebate payment requirements at least every five years. However, Participants need to account for their rebate liability on an annual basis. The Treasurer will provide estimates of rebate amounts at any time for the Participant, and the Treasurer will provide a Rebate Calculation Report more often than every five years if requested.
- If the Participant is eligible and has elected to pay a penalty in lieu of making rebate payments, it should notify the Treasurer prior to depositing bond proceeds.
- It is recommended that Participants not draw down the entire bond proceeds account before providing for any rebate requirement or penalty payment. It may be beneficial for Participants to set aside funds for rebate purposes.
- Participants withdrawing one or more funds completely from the Pool to reinvest outside of the Pool shall receive one dollar (\$1.00) per share, less costs associated with this transaction. To invest outside the pool a Participant must notify the Investment/Debt Manager.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool Portfolio, must provide ten business days notice prior to withdrawal.

Performance Standards

Clark County's investment strategy, for investments placed within the Pool and investments placed for funds outside of the Pool, is expected to be an active investment strategy the majority of the time. An inverted curve or high price volatility are examples of circumstances that could cause the Treasurer to switch to a passive strategy. For purposes of evaluating Clark County's Investment Pool performance, a benchmark comparison index will be established for purposes of evaluating Clark County's Investment Pool performance. This benchmark index will be established with the assistance of the

Investment Advisor. The Book Value Return Indices will include the Washington State LGIP, a nationally recognized short-term mutual fund, and a customized Treasury Index. The Total Return Index will include a customized total return index.

To more fully evaluate the Pool's portfolio performance and to better monitor how the portfolio is reacting to market changes, it is useful to compare performance on a market value or "total return" basis.

Book Value Return

Book Value Return measures the cost at which securities in the portfolio were originally purchased, plus interest income adjusted for realized gains or losses. This measure ignores changes in the fair market value of portfolio holdings.

Total Return

Total Return measures the increase in value of the overall portfolio over a given period of time (including interest earned, realized gain and losses, and fair market value adjustment). Total return therefore evaluates fluctuations in the value of the principal, rather than simply the income produced.

Valuation of Pool Shares

The net asset value (N.A.V.) of shares in the Pool shall be calculated by the Treasurer's staff twice each month. The N.A.V. per share will be calculated on the 15th and the last day of each month, provided these dates are a business day. If one of these dates fall on a non-business day then the previous business day shall be the day the computation is made. (A share is defined as what \$1.00 invested is worth based on the market value of the portfolio holdings). The N.A.V. per share in the Pool is computed by dividing the total value of the securities and other assets of the Pool, less any liabilities, by the total outstanding shares of the Pool. For example, if the aggregate fair market value of the Pool is \$100,500,000 and the book value of the securities is \$100,000,000, the N.A.V. would be $\$100,500,000 / \$100,000,000$, or \$1.005 per share.

Liabilities include all accrued expenses and fees of the Pool, including fees of the Investment Advisor, Custodian, and others who provide services to the Pool. These expenses are accrued monthly.

The Pool seeks to maintain a N.A.V. per share of \$1.00 per share, but there is no assurance that the N.A.V. per share will not vary from \$1.00. Neither the Clark County government, nor the Clark County Treasurer's Office will guarantee that if an investment is made of

\$1.00 at the time of purchase, that the Participant will receive the \$1.00 back at maturity (due to changes in market values of securities).

The Treasurer will periodically monitor the relationship between the amortized cost value per share, and the N.A.V. per share, based upon available indications of market value. The market value basis N.A.V. per share in the Pool may be affected by general changes in interest rates, resulting in increases or decreases in the value of securities held by the Pool.

If the Pool's N.A.V. per share is outside the agreed upon N.A.V. operational band of \$0.99 to \$1.01, the County will sell securities to bring the N.A.V. per share back within the specified band. Should the dollar amount of realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to Participants resulting in a pro-rata reduction in the fund balances of the County and Participants.

When the N.A.V. per share operating band is exceeded in either direction and thereby causes a security or securities to be sold to bring the N.A.V. per share back within the operating band, the Investment Officer will report the following to the County Finance Committee, Treasurer's Investment Strategy Committee, and Participants:

- N.A.V. per share originally calculated which was outside the operating band;
- Description of security or securities sold;
- Resulting:
 - N.A.V. per share after sale; and
 - Amount of realized gain or loss that will be distributed, in total, at the next distribution date.

To minimize the possible adverse effects of changes in interest rates, and to help maintain a stable N.A.V. per share of \$1.00 per share, the Pool will maintain a dollar-weighted average portfolio maturity of not more than one and one-half (1.5) years.

Fair Market Value

GASB 31 requires the reporting of fair market value at least on an annual basis. Therefore at the end of each month, and at any other times deemed appropriate by the Treasurer, the Treasurer's Office shall determine the Fair Market Value (F.M.V.) of the securities making up the Pool. F.M.V will be reported to the County and Participants each month.

F.M.V. is reported to give Participants an indication of the difference

between the carried value of their investments in the Portfolio and the actual market value.

F.M.V. monthly reports broken out by each Fund can be accessed through the Treasurer's Web Portal under the category of Investment Fair Market Value Reports in the Reports section of the Treasurer's Web Portal. Participants not having access to the Treasurer's Web Portal will have their applicable monthly reports reflect the fair market value disclosure via paper reports.

To create these monthly F.M.V. reports, the adjustment to F.M.V. is accounted for on the last day of the month. That monthly entry is then reversed on the first day of the next month since that adjustment is only valid for the day of calculation.

How to Open an Account

The Pool is an investment option available to all entities who invest, by law, through the Treasurer and those public entities who sign Investment Services Agreements with the Treasurer. To participate in the Pool, a Participant must enact an ordinance or adopt a resolution, and sign the Investment Services Agreement. Prior to investing any funds in the Pool, the Investment Services Agreement must be completed and submitted to the Treasurer. Pool Participants are allowed to have multiple accounts and subaccounts.

Participants, where the Treasurer serves as Treasurer or ex-officio Treasurer, will have funds invested in the Pool, in any amount, automatically upon distribution of such receipts to the Participant, or upon deposit by the Participant to the Treasurer's checking account on a next-day basis. Other Participants for which the Treasurer does not serve as Treasurer or ex-officio Treasurer, may either send funds via ACH or wire transfer funds to the Treasurer for investment.

To open an account please contact:

Investment/Debt Manager
Clark County Treasurer's Office
P.O. Box 5000
Vancouver, WA 98666-5000
(360) 397-2254

How to Withdraw Funds

Participants may withdraw funds on a next-day basis through the Treasurer's Web Portal. Shares in the Pool may be redeemed to cover warrants issued. The Participants who the Clark County Treasurer serves as Treasurer or ex-officio Treasurer, may redeem

Pool shares for normal expenditure purposes on a daily basis and will receive one dollar (\$1.00) per share for shares redeemed.

Those entities who are their own Treasurer will be required to give one day's written/email notice of withdrawals from the Pool. The County Treasurer may either transmit funds via ACH or wire transfer such fund to the entity's designated bank account as detailed in the Participant's Investment Services Agreement.

Maintaining Stability/Redemption Fee for Early Withdrawal

All funds invested in the Pool will be immediately available to cover warrants issued by the Participants and for other regular disbursements. However, should a Participant choose to redeem Pool shares for the sole purpose of investing those funds outside the Pool, the Participant shall receive one dollar per share, less costs associated with the transaction.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool Portfolio, must provide ten business days notice prior to withdrawal. Costs associated with this transaction include but are not limited to wire transfer fees, safekeeping fees, etc.

Investment Fee

Pool Participants will be charged an investment fee based on RCW 36.29.024. The average periodic investment fee is currently 6.09 basis points (0.0609%) on an annualized basis, and will be calculated based on the daily principal balance maintained in the Pool by the Participants. For example, if a Participant maintained a daily principal balance of \$1 million in the Pool in a 31 day month, and the investment fee charged was 6.09 basis points, the fund would be charged \$52.44 (\$1 million x .000609 x 31/360).

This rate is determined based upon the **actual costs** of running the Pool, is set by the Treasurer, and is reviewed annually. The rate may fluctuate due to the actual average principal balances being maintained in the Pool differing from the projected balances.

This Information Statement may not contain the most recent modification of this fee as the Statement may or may not be updated on an annual basis.

Earnings Allocation Process

Interest is allocated based on the weighted average daily balance a Participant's fund maintains in the Pool, and is calculated using the actual number of days in the month, based on a 360 day year. The total accrued interest earned on the Pool's securities plus/minus realized gains and/or losses on securities sold before their maturity date will be remitted monthly to Pool Participants based upon Participants' weighted daily average ownership of Pool shares.

Interest will be paid based on the last calendar day of each month, and will be automatically reinvested as principal.

Reporting

The staff of the Treasurer's Office involved with the direct investing of public funds will provide a written report to the Deputy Treasurer on a daily basis. The report documents all actions exercised on the investment portfolio. In addition, the Deputy Treasurer receives a report for review of each calculation of the N.A.V. per share. A summary activity report will be provided weekly to the Treasurer's Investment Strategy Committee indicating any trends, changes, or forecasts regarding the activity of the Pool's portfolio.

Monthly Financial Reports

Monthly financial reports will be presented to all Participants and Fund Managers in the Clark County Investment Pool through the *Treasurer's Web Portal* and generally not in paper format. These reports (Investment Pool Report) reflect:

- total principal balances of the investment pool;
- the book value yield on such investments;
- asset allocation of types of investment securities;
- the average maturity;
- Net Asset Value (N.A.V.) per share as calculated twice monthly
- Security sales caused by operating outside the \$0.99 to \$1.01 band
- The fair market value of entire Pool;
- the performance on a **total return basis**; and

- appropriate benchmarks for comparison as recommended by the Investment Advisor.

Monthly, the Treasurer's Investment Strategy Committee and the County Finance Committee will receive a written report reflecting the complete portfolio listings.

Quarterly Financial Reports

A quarterly report to the County Finance Committee will disclose the following:

- complete portfolio listings as of the end of the quarter for the entire portfolio, and for the Pool;
- the fair market value of each security compared to its book value;
- portfolio summary by type;
- interest earnings;
- portfolio summary by issuer such as Federal Home Loan Bank, Washington State LGIP, individual CD, etc;
- economic analysis;
- allocation of the entire portfolio and the Pool portfolio by maturity sectors;
- performance measurement on a total return basis, and a comparison to applicable benchmarks as recommended by the Investment Advisor; and
- the market value based N.A.V. per share reported for all Pool shares, at quarter end.

The Investment Advisor also will provide a quarterly independent review of compliance with the Investment Policy. The report will include, among other items, a strategy for duration of securities and recommendations of security diversification as well as performance benchmark results.

Minutes of all County Finance Committee quarterly meetings will be maintained for historical purposes, by the Secretary of the County Finance Committee (County Auditor). Minutes of the Intergovernmental Pool Advisory Committee will be maintained by the County Treasurer's Office.

Annual Financial Reports

The Treasurer's staff is responsible for providing the information necessary to complete the Deposits and Investment Disclosure Notes in the Clark County Comprehensive Annual Financial Report, and will prepare any other reports as required by state law, state auditor, the Treasurer, or the County Finance Committee.

Individual Portfolios Outside the Pool

The Clark County Treasurer will invest bond proceeds for those issuers having a greater than 25% participation in the Pool, separately, in specific investment(s) in the name of the County on behalf of the Participant, for federal arbitrage tax reasons.

Individual portfolios are designed to complement investments in the Pool by providing specific investments for a portion or all of bond proceeds issued. They may be deemed appropriate for Participants with relatively lengthy project draw down schedules, or for Participants that wish to match expected construction draws more closely with investment maturities to fix earnings on some or all of their funds.

Individual portfolios may also be appropriate for the investment of debt service reserve funds, and certain funds subject to investment yield restrictions. The Treasurer will assist each Participant in evaluating the possible use of an Individual Portfolio. All costs associated with any Individual Portfolio will be charged in accordance with applicable RCWs.

ATTACHED HERETO AND MADE A PART OF THIS INFORMATION STATEMENT, IS THE MOST RECENTLY ADOPTED CLARK COUNTY INVESTMENT POLICY AND A SAMPLE INVESTMENT SERVICES AGREEMENT WHICH EACH PARTICIPANT IN THE POOL MUST SIGN PRIOR TO PARTICIPATION IN THE POOL.

CLARK COUNTY
INVESTMENT POLICY



Proud Past, Promising Future

Clark County Finance Committee

February 11, 2013

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CLARK COUNTY INVESTMENT POLICY

I. Policy

It is the policy of the Clark County Treasurer (Treasurer) to invest public funds in accordance with all federal, state, and local governing statutes. The Treasurer will invest public funds in a manner that preserves capital and ensures the protection of investment principal, allows adequate liquidity for any relevant municipal corporations (Participants), and achieves the highest investment return consistent with the primary objectives of safety and liquidity.

II. Scope

The Clark County Investment Policy (Policy) applies to all financial assets held or controlled by the Treasurer other than trust fund assets held by third parties. This includes funds where the Treasurer is the Treasurer or ex-officio Treasurer for Participants that have signed Investment Services Agreements with the Treasurer to have this function performed on their behalf. Examples of funds include General Funds, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Debt Service Funds, Insurance Funds, Transportation Vehicle Funds, and Agency Funds. These funds are administered by Fund Managers who are authorized to act on behalf of relevant municipal corporations, as well as Clark County. In addition, any new fund created by the Participants shall comply with this policy.

Fund Managers can either request the Treasurer to invest their jurisdictions' money in the Clark County Investment Pool (Pool), or request that the Treasurer purchase a security with a specific term and amount that is held outside the Clark County Investment Pool (Pool). Operational aspects of the Pool are contained in Section XIX. Pool securities and securities invested outside the Pool are collectively referred to as the "Portfolio").

III. Prudence

The Treasurer and authorized investment officers will perform their duties in a manner consistent with the standard of a "prudent person," as defined by RCW 43.250.040.

"In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments..., there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital."

Authorized investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance of their investment duties. Due diligence requires timely reporting of material

deviation from expectations and such other actions to control adverse developments as may be possible in consideration of the particular circumstances and within other provisions of this policy.

IV. Objective

The primary objectives, in priority order, of investment activities shall be:

1. **Safety**: Safety of principal is the foremost objective of the Portfolio. This objective seeks assurance that principal losses are minimized, whether from securities default, broker/dealer default, or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
2. **Liquidity**: The portfolio shall remain sufficiently liquid to enable Clark County and its Participants to meet their needs for funds to pay their operating expenses and capital purchases that should be reasonably anticipated.
3. **Return on Investment**: The portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow requirements of the Participants.

V. Delegation of Authority

Authority to manage the Clark County Investment Program is derived from the Revised Code of Washington (RCWs) in RCW 36.29.020 which delegates, in part, as follows:

- The Treasurer may invest funds in qualifying investments when authorized by the governing bodies of the relevant municipal corporations or by the County Finance Committee.
- When not already authorized by statute or the governing bodies of the relevant municipal corporations, the County Finance Committee authorizes the County Treasurer to invest any remaining funds in accordance with this investment policy.

The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and procedures to regulate the activities of all staff in investment matters. The Treasurer shall recommend policy changes, as appropriate, to the County Finance Committee and shall be charged with implementing such policy and subsequent policy changes in a timely, prudent, and effective manner. To "ensure effective cash management of public funds," (RCW 43.08.015) the Treasurer may designate investment officers who will have the authority to perform the duties of the Treasurer.

VI. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose annually to the Prosecuting Attorney any material financial interests in financial institutions that conduct business within the jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Clark County Investment Portfolio.

The County Finance Committee will file personal financial disclosure forms annually, with the Public Disclosure Commission consistent with the provisions of RCW 42.17.

No officer or employee of Clark County may receive, accept, take, seek, or solicit, directly or indirectly, anything of economic value as a gift, gratuity, or favor from a person if it could be reasonably expected that the gift, gratuity, or favor would influence the vote, action, or judgment of the officer or employee, or be considered as part of a reward for action or inaction. RCW 42.52.140

VII. Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment services to the Treasurer and who are in compliance with Washington State and U.S. Securities and Exchange Commission. Authorized broker/dealers and financial institutions will be limited to those that meet one or more of the following:

- financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- primary dealers recognized by the Federal Reserve Bank; or,
- non-primary dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1 and who are a certified member of the Financial Industry Regulatory Authority.

Each authorized broker/dealer will submit annual reports, including audited financial statements, and other information as determined by the Treasurer.

Financial Institutions are those entities that provide CDs, BAs and Deposits and are approved by the Washington Public Protection Commission. We will periodically review their Financial Statements on-line.

The Treasurer will maintain quarterly Call Reports for those Financial Institutions where we have investments.

All broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- audited financial statements,
- proof of Financial Industry Regulatory Authority (FINRA) certification,
- a signed trading authorization form,
- proof of registration with the state of Washington, and
- a completed Broker/Dealer questionnaire and certification of having read Clark County's Investment Policy.

Qualified broker/dealers and financial institutions will be reviewed and selected by the Treasurer on a routine basis. This includes a periodic review of the financial condition and registrations of qualified bidders. Current audited financial statements are required to be on file for each financial institution and broker/dealer in which the Treasurer invests.

VIII. Authorized and Suitable Investments

Eligible investments are only those securities and deposits authorized by statute (RCW 36.29.020, 36.29.022, 39.58.050, 39.59.020, 39.59.030, and 43.84.080).

The Treasurer may invest in any investment authorized by law for the treasurer of the state of Washington or any local government in the state of Washington (RCW 39.59.020). The following investments are representative (not inclusive) of the permitted securities:

1. **U.S. Treasury obligations.**
2. **U.S. Government Agency obligations, U.S. Government instrumentality obligations, or of government sponsored corporations** that may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve, which may include, but is not limited to the following:
 - Federal Farm Credit Banks (FFCB)
 - Federal Home Loan Bank (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal National Mortgage Association (FNMA)
 - Government National Mortgage Association (GNMA)
 - Export/Import Bank
 - Maritime Administration
 - Small Business Administration
3. **Banker's Acceptances** purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) A-1, P-1 or F-1, at the time of purchase.
4. **Commercial paper** purchased on the secondary market with the highest short-term credit rating of any two NRSROs A-1, P-1 or F-1, at the time of purchase. It must also meet the requirements of the State Investment Board (RCW 43.84.080 (7)).
5. **Non-negotiable Certificates of Deposits**

- a. Normal (term) non-negotiable Certificates of Deposits can be purchased with financial institutions qualified by the Washington Public Deposit Protection Commission,
and
 - b. Flexible Certificates of Deposits can be purchased with financial Institutions qualified by the Washington Public Depository Protection Commission which offer periodic draws of principal and interest prior to the maturity of such Certificates.
6. The Treasurer may invest in **Repurchase Agreements** only with primary dealers who have a long-term credit rating of "A" or better by two NRSROs, if the final maturity of the repurchase agreement is less than one week. The third-party custodian must also maintain an "A" long-term credit rating. If the final maturity of the repurchase agreement is longer than one week, the primary dealer and the third-party custodian must maintain an "AA" long-term credit rating or better by two NRSROs. The Treasurer must enter into a Bond Market Association (BMA) Master Repurchase Agreement and third-party custodial contract which specifies terms and conditions of the repurchase agreement.
- a) The third-party custodian will act as trustee solely on behalf, and at the direction of, the Treasurer for the safekeeping of securities.
 - b) The market value of collateral pledged must be maintained at 102% of the value of the repurchase agreement, plus accrued interest. Collateral for mortgage-backed (CMO) repurchase agreements will be priced at 105% of market value, plus accrued interest.
 - c) The only eligible collateral for repurchase agreements will be direct obligations of the U.S. Treasury and/or U.S. Government Agency obligations and/or U.S. Government instrumentality obligations.
 - d) The market value of the securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer's staff and by a third-party custodian. If any deficiencies are discovered, they shall be corrected within one day. If the deficiencies are not corrected within one day, the procedures defined in the Repurchase Agreement contract will be followed to cancel the Repurchase Agreement.
 - e) The right of collateral substitution is granted provided only authorized securities are used.
7. The Treasurer may invest in **reverse repurchase agreements** with primary dealers purchased under the terms of a signed Bond Market Association (BMA) Master Repurchase Agreement. The primary dealers and the third-party custodian must meet the same credit rating criteria as described under "Repurchase Agreements." The following guidelines apply to all reverse repurchase agreements:

- a) If reverse repurchase agreements are used as an income generation strategy, the term of the reinvestment of these funds will match the term of the underlying reverse repurchase agreement.
- b) If reverse repurchase agreements are used as an emergency borrowing measure, the transaction can only occur after it has been approved by the Treasurer.
- c) Reinvestment of the proceeds from a reverse repurchase agreement shall be no longer than 14 days more or less than the term of the agreement. The reinvestment of proceeds must closely match the term of the reverse repurchase agreement.

8. **Washington State Local Government Investment Pool (LGIP)** the Treasurer may obtain a copy of the LGIP Investment Policy, Operations Manual, and its most recent audited annual financial statement, and will obtain monthly and quarterly reports of the LGIPs investment activity and return.

9. **Municipal Investment Accounts (MIA)** can be invested in with financial institutions qualified by the Washington Public Deposit Protection Commission.

10. **Variable Rate and Structured Notes.** The use of variable rate notes (VRNs) is considered prudent in the management of the portfolio provided the following criteria are met:

- a) The rate on the VRN resets with a frequency that produces a close tracking with money market rates.
- b) The VRN is indexed to a money market rate such as Federal Funds, the three-month Treasury Bill, or LIBOR, that correlates very highly (95% or greater) with overall changes in money market rates even under wide swings in interest rates.
- c) Any cap on the interest rate is at least 15% (1500 basis points) higher than the coupon at the time of purchase.
- d) The Treasurer will not use "exotic" derivatives such as range notes, dual index notes, inverse floating rate notes, and deleveraged notes (notes linked to a multiple of an index where the multiple is less than one), or notes linked to lagging indices, or to long-term indices.
- e) For the purposes of calculation of average daily maturity, the next reset date of VRNs will be the maturity date.

11. **Deposit Notes.** The Treasurer may invest in Deposit Notes if the Deposit Note is a debt instrument (promissory note) of a bank or bank holding company. The Deposit Note must be purchased on the secondary market, it must have a long-term credit rating of

"Aa" or equivalent and a short-term credit rating of "A1/P1" by at least two of the major credit rating agencies, or be insured or guaranteed by an agency of the federal government or by private issuer authorized to do business in the state of Washington, and provided that the Deposit Notes that are insured or guaranteed by a private insurer also are backed by a pool of mortgages equal to the amount of the Deposit Notes (RCW 39.60.050).

The Treasurer may not invest in "Certificates of Deposit Notes" (negotiable certificates of deposit) issued by banks located outside of the state of Washington.

12. Registered Investment Companies (Mutual Funds). Mutual Funds and Money Market Funds are an acceptable investment type subject to the arbitrage provisions of Section 148 of the federal Internal Revenue Code. If bond covenants permit investment in mutual funds, the Treasurer may invest in shares in money market mutual funds that invest exclusively in the securities specifically permitted under this investment policy and that are similarly diversified provided that the fund is rated "AAM" or "AAM-G" or better by Standard & Poor's Corporation or equivalently by other rating agencies. The fund must also be properly registered for sale in the state of Washington.

13. Registered Warrants. The Treasurer may invest in registered warrants issued by the County or the junior taxing districts within Clark County; however, these registered warrants may only be purchased with County funds separate from the Clark County Investment Pool (RCW 39.59.020).

14. Bonds. The Treasurer may invest in bonds of the state of Washington and any local government in the state of Washington which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency or other notes or bonds issued by other states as defined in RCW 36.59.020.

15. Securities Lending. The Treasurer may select one or more firms to provide securities lending management services. Securities lending services will include, but are not limited to, the following:

- a) The Treasurer may lend securities only to primary dealers who have a long-term credit rating of "A" or better by two NRSROs. The third-party custodian must also maintain an "A" long-term credit rating.
- b) The Treasurer must enter into a written agreement with the lending agent, and must enter into the industry standard agreement with any borrower. The Treasurer must receive indemnification from the lending agent for borrower default and any losses resulting from the agent's negligence or failure to comply with written instructions from the County.
- c) All loans of securities must be supported by collateral valued at not less than 102% of market value of the securities, including accrued interest.
- d) Procedures will detail the restrictions permitted on "mismatch" of the loan and

the reinvestment of cash collateral.

- e) Provide next-day liquidity for all securities on loan as required.
- f) Provide monthly accounting, performance, compliance, management reports, and other reports as required by the treasurer.
- g) Reinvestment of proceeds of securities lending for cash collateral must be done as an investment according to the restrictions of this policy but only count against the limit on reverse repurchase agreements at fiscal year end.
- h) Collateral accepted by a securities lending agent must conform to the collateral requirements of this policy and must be equal to no less than 102%.
- i) Collateral must be held by an independent third-party custodian with whom the Treasurer has entered into a custodial agreement.
- j) All securities transactions are to be conducted on a delivery-versus-payment (DVP) basis only, and trades must have a confirmation/safekeeping receipt provided to the Treasurer.

16. Forward Delivery Agreement. A forward delivery agreement (FDA) is an investment agreement between the provider (broker), trustee (holder of the securities, safekeeping custody), and the Investor (the Treasurer) for the Participant on whose behalf the Treasurer provides services related to the FDA. Under an FDA, the provider agrees to provide certain "eligible securities" to the escrow agent for the account of the Investor at a guaranteed rate of return, and the escrow agent agrees to purchase those securities from the Investor. Because they provide a guaranteed rate of return or yield, FDAs are often used for bond proceeds and/or debt service reserve funds that are subject to yield restrictions or arbitrage rebate but may be used for any fund when the goal is to achieve a guaranteed yield. The Participant must agree to a specified "cash flow" schedule for depositing and withdrawing money from the invested fund and may be subject to a penalty for early withdrawal. The FDA is secured by the "eligible securities" which will be owned by the Treasurer as the participant's Treasurer.

- a) Procedure - The Participant will work closely with the County in the creation of the FDA.

The following describes the process that will be followed:

- (1) define the eligible securities (which must be authorized investments under the Clark County Investment Policy),
- (2) solicit a broker (who must meet the requirements of the Clark County Investment Policy),
- (3) enter into an escrow agreement,
- (4) Participant must specify a "cash flow" schedule,
- (5) specify the securities' purchase dates and amounts,

- (6) understand the yield quote,
- (7) describe the terms and conditions under which the FDA may be terminated prior to its originally scheduled maturity date,
- (8) describe each party's rights and obligations in the event of a default by any party,
- (9) other recommendations pursuant to legal counsel and investment/financial advisor input.

Any legal, broker, and/or trustee fees associated with executing the FDA will be the responsibility of the Participant and not the Treasurer.

In the event the Participant needs cash earlier than an investment will be maturing within the FDA dates, the Participant will notify the Treasurer immediately as to exactly how much money is needed and the date. If the Participant does not have sufficient liquidity, an analysis will be performed by the Treasurer in communication with broker to sell an investment early. Any penalty and/or fees associated with this will be the responsibility of the Participant.

When the investments mature with the FDA and are not completely used immediately for expenses, the money will be invested in the Pool.

- b) Fees - The Participant will be responsible for actual fees incurred by the Treasurer in the development and execution of the FDA. These expenses will be charged as incurred.

17. All other investments authorized by law.

IX. Collateralization, Safekeeping, and Custody

All investment securities purchased by the Treasurer or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution (to be designated as the "Custodian") qualified to act in this capacity. All securities held for the Treasurer account will be held free and clear of any lien and all transactions will be conducted on a delivery-versus-payment (DVP) basis. The Custodian shall issue a safekeeping receipt to the Treasurer listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodian will also provide reports that list all securities held for the Treasurer, the book value of holdings, and the market value at month end. Appropriate employees in the Treasurer's Office and the representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Portfolio shall be bonded to such a degree as to protect the Treasurer and Clark County against losses from malfeasance and misfeasance.

X. Diversification

The Pool's portfolio shall be structured to diversify investments to reduce risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The maximum percentage of the portfolio permitted in each eligible security is as

follows:

Type of Security	Credit Standards	Maximum Percentage Permitted
U.S. Treasuries	NA	100%
Federal Agencies (Fixed Rate)	NA	100%
Federal Agencies (VRNs)	NA	10%
Banker's Acceptances	A1/P1	25%
Commercial Paper	A1/P1 and "A" or equivalent	25%
Municipal Investment Accounts		65%
Non-negotiable Certificates of Deposit		40%
Repurchase Agreements	"A" if maturity < one week, "AA" if maturity > one week	100% overnight or 30% if maturity > than 30 days
Reverse Repurchase Agreements	Same as Repo	10%
Mutual Funds Qualified Register With Washington State	Registered with the State of Washington	15%
Securities Lending	"A" or equivalent	25%
Deposit Notes	A1/P1 and "AA" or equivalent	25%
WA State Municipal Bonds	"A" or equivalent	20%
Washington State Local Government Investment Pool (LGIP)	NA	100%

The Pool's portfolio will be further diversified to limit the exposure to any one issuer. No more than 5% of the Pool's portfolio will be invested in the securities of any single issuer with the following exceptions:

Type of Security	Maximum Percentage Permitted
U.S. Government Obligations	100%
U.S. Agency Obligations	25% per issuer
Repurchase Agreement Counterparties	20% per provider overnight/ 10% per provider if > 1 day
Non-negotiable Certificates of Deposit	10%
Financial Institutions that offer both non-negotiable Certificates of Deposit and Municipal Investment Accounts	30%
Qualified Mutual Funds Register With Washington State	15%

XI. Maximum Maturities

Maintenance of adequate liquidity to meet the cash flow needs of Clark County and Participants is essential. Accordingly, securities in the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated cash flow needs of Participants, based on historical information and any projected cash flow needs provided by Participants. Any cash in excess of that necessary to meet the anticipated needs may be invested with the following maturity limitations:

Type of Security	Maximum Maturity
Any single security (unless matched to a specific cash flow requirement)	5 years
Repurchase and Reverse Agreements	90 days
Commercial Paper	180 days
Banker's Acceptances	185 days
Forward Delivery Agreement	3 Years

The Pool is an external investment pool. The maximum weighted average maturity of the Pool cannot exceed one and one-half (1 ½) years.

XII. Internal Control

The Treasurer shall establish and monitor a set of written internal controls designed to protect Clark County and Participant's cash and cash equivalent assets and to ensure proper accounting and reporting of the investment transactions. Such internal control policy statements shall include, but not be limited to:

- The use of third-party custody and safekeeping;
- The execution of all securities transactions on a delivery versus payment basis;
- The clear delegation of investment authority;

- The separation of transaction authority from record keeping;
- The use of objective criteria in selecting financial institutions and dealers authorized to provide investment services to the county;
- The use of objective criteria in awarding investment purchases and sales to authorized financial institutions and dealers.

The Treasurer's Office is subject to an annual independent review by the Washington State Auditor of its internal controls and compliance with all state and federal statutes and relevant policies and procedures. However, the Washington State Auditor is not required to annually audit the Treasurer's Office.

XIII. Performance Standards

The Pool's objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with investment risk constraints and Participants' cash flow needs.

For purposes of evaluating the Pool's investment performance, the Treasurer uses the following indices:

- the Washington State LGIP;
- a customized Total Return Index (made up of 75% 0-1 Year Treasury and 25% 1-3 Year Agency).

XIV. Bond Proceeds

Clark County shall comply with all applicable sections of the Internal Revenue Code of 1986; Arbitrage Rebate Regulations and bond covenants concerning investment of bond proceeds.

XV. Reporting

The Treasurer prepares reports on investment activity on a monthly, periodic and annual basis. Reports may also be prepared at such times as deemed appropriate by the Treasurer. A report showing the original cost (or book) value and fair value of each Participant fund's investment in the Pool will be provided as of each month end. Reports will be distributed to the various oversight committees and to the Clark County Investment Pool participants as deemed appropriate by the Treasurer and will be readily available upon request. Examples of reports are:

- investment purchases and sales;
- investment income received;
- realized and unrealized gains and losses;
- weighted average maturity of the portfolio;
- percentage of portfolio by issuer, by type of security, and by maturity sector;
- Net Asset Value (N.A.V.) per share of Pool Shares and the number of shares outstanding;

- Pool balances, stated at cost and market value;
- Pool yields;
- Pool performance on a total return basis after subtracting any relevant fees, including the Treasurer's Investment Fee, compared to established benchmarks shall be reported monthly;
- investment strategies shall be reported quarterly ; and
- a report on current economic conditions.

Examples of these reports and summaries of the information in the reports shall be provided to the Clark County Finance Committee (Finance Committee) quarterly.

Fair Market Value/Net Asset Value per share:

At the end of each month, and at any other times deemed appropriate by the Treasurer, the Treasurer's Office shall determine the Fair Market Value (F.M.V.) of the securities making up the Pool along with the Net Asset Value (N.A.V.) per share. F.M.V and the N.A.V per share will be reported to the County and Participants each month. The N.A.V. per share is determined by dividing the value of the Pool's net assets (fair market value of the Pool's assets less fair market value of the pool's liabilities) by the total number of Pool shares outstanding.

XVI. Finance Committee Membership and Purpose

By statute, the Finance Committee consists of the County Treasurer as Chair, the County Auditor as Secretary, and the Chair of the Board of County Commissioners. The committee shall approve the Policy and shall make all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060. The Finance Committee shall meet at least quarterly (calendar quarter) and these meetings are subject to the Open Public Meetings Act. The purpose of the Finance Committee meetings is to review compliance with the Policy, consider any proposed changes to the Policy, review the extent to which the Portfolio is meeting its investment objectives and any other matters that may appropriately come before it. Members of the Finance Committee shall adhere to RCW 42.17.245 by disclosing annually to the Public Disclosure Committee any financial interest in institutions in which public funds were invested.

XVII. Investment Advisor

The Treasurer may use an Investment Advisor, depending on budgetary constraints, on at least an annual basis. The role of the Investment Advisor is to provide technical advice to the Treasurer and staff in managing the Portfolio. Items the Treasurer may request the Investment Advisor to review include:

- evaluating the current Portfolio and investment strategy and describing any changes which should be made;
- determining if internal controls, market analysis, Portfolio analysis, and reporting practices are adequate; and
- evaluating the Investment Policy and Procedures Manual.

XVIII. Intergovernmental Investment Pool Committee

The Intergovernmental Investment Pool Committee's (IIPC) purpose is to assist in reviewing the investment strategy and the need for cash flow information from Participants. The IIPC is composed of all Participants. The IIPC generally meets once a quarter prior to the County Finance Committee meeting. Participants will be notified at least one week prior to the scheduled meeting of the date, time and location of the IIPC meeting.

XIX. Clark County Investment Pool

The Treasurer invests funds collectively in order to better meet investment objectives of the County and Participants. RCWs 36.29.020, 36.29.022, and 36.29.024 provide statutory authority for the Treasurer to operate an Investment Pool. The purpose of the Pool is to allow the County and Participants to combine funds available for investments in order to better meet their investment objectives.

All Participants must sign an Investment Services Agreement with the Treasurer to participate in the Pool.

The Pool shall operate under the following guidelines:

Purchase of Pool Shares (also known as Deposits):

Participants may invest monies in the Pool by purchasing shares by giving notice of such amounts to be invested to the Treasurer. There is no minimum or maximum amount of shares that must be purchased or dollar amount deposited. The purchase price per share shall be one dollar (\$1.00).

Management of the Pool's Net Asset Value:

It is recognized by all Participants that there can be no assurance that the Treasurer will be able to maintain a constant N.A.V. per share of one dollar (\$1.00) due to changes in the value of the Pool's investments resulting from changes in interest rates and the duration of the securities within the Pool. The Pool will be managed in a manner to maintain the N.A.V. per share within a band of \$1.01 to \$0.99. The calculation of N.A.V. per share will be done twice each month.

If the Pool's N.A.V. per share exceeds the \$1.01 or \$0.99 band in either direction, the County will sell securities to bring the N.A.V. per share back within the specified band. The County Treasurer will promptly disclose these sales to the Finance Committee and to Pool Participants. The realized gain or loss on the securities sold will be distributed to all Pool Participants as provided below.

Earnings:

Interest is distributed based on the average weighted daily balance a Participant's fund maintains in the Pool and is calculated using the actual number of days in the month based on a 360-day

year. The total accrued interest earned on the Pool securities and realized gains and losses on securities sold before their maturity date will be distributed monthly to Pool participants based upon Participants' weighted daily average (pro-rata) ownership of Pool shares. Interest will be paid based upon the last calendar day of each month and will be automatically reinvested as principal.

Should the dollar amount of realized losses exceed the amount of realized gains and interest earned in a given month, the net negative earnings will be distributed to Participants resulting in a pro-rata reduction in the fund balances for Participants.

Redemptions of Shares – to pay normal expenditures:

Participants who redeem Pool shares for normal expenditure purposes will receive one dollar (\$1.00) per share.

Redemption of Shares – to reinvest outside the Pool:

Participants withdrawing one or more funds completely from the Pool to reinvest outside of the Pool shall receive one dollar (\$1.00) per share, less costs associated with the transaction. Costs associated with this transaction include but are not limited to wire transfer fees, safekeeping fees, etc.

Participants withdrawing one or more funds completely from the Pool, wherein the value of the shares being redeemed equals or exceeds three percent (3.00%) of the value of the total Pool, must provide ten (10) business days notice prior to withdrawal.

Investment Fee – Clark County Investment Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.024. The investment fee is determined by the actual costs of managing the Pool and is set by the Treasurer. The investment fee will be calculated annually and may fluctuate due to the actual average principal balances being maintained in the Pool differing from the projected balances. This fee is expressed as a rate (e.g., 6.3 basis points) based on the projected daily principal balance of the Pool for the next twelve months. If at the end of each twelve month period the Treasurer determines that the amount of the Investment Fee collected was less than actual costs, or was greater than actual costs incurred during the prior twelve months, then the rate for the next twelve months will be increased or reduced to reflect that. The calculation of the Investment Fee, with identification of actual costs, aggregated by major expense category, as adjusted and projected Pool balance, will be provided to Participants and the Finance Committee promptly after the calculation is completed.

Investment Fee – Investments Outside the Clark County Investment Pool:

The Treasurer charges Participants an investment fee based on RCW 36.29.020. The investment fee charged for investments placed outside the Clark County Investment Pool shall equate to five percent (5.00%) of the earnings of a security with an annual maximum of fifty dollars on each investment transaction.

XX. Investment Policy Adoption

This Investment Policy shall be adopted by vote of the County Finance Committee, and any modifications to it shall be similarly approved.

Approved by the Clark County Finance Committee this ____ day of _____, 2011.

Tom Mielke
Chair, Board of the County Commissioners


Doug Lasher
Clark County Treasurer

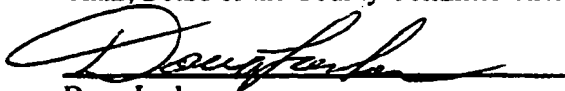
Greg Kimsey
Clark County Auditor

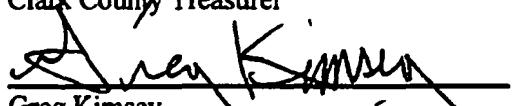
XX. Investment Policy Adoption

This Investment Policy shall be adopted by vote of the County Finance Committee, and any modifications to it shall be similarly approved.

Approved by the Clark County Finance Committee this 14 day of January, 2007.


Betty Sue Morris
Chair, Board of the County Commissioners


Doug Lasher
Clark County Treasurer


Greg Kimsey
Clark County Auditor

XXI. ADDENDUM NO. 1

**ADDENDUM NO. 1
TO
CLARK COUNTY
INVESTMENT POLICY
Dated: February 26, 2009**

The following modifications to Clark County's Investment Policy dated January 14, 2009 are hereby approved by the undersigned members of the Clark County Finance Committee:


Section VIII. Authorized and Suitable Investments


5. Non-negotiable Certificates of Deposits

- a. Normal (term) non-negotiable Certificates of Deposits can be purchased with financial institutions qualified by the Washington Public Protection Commission, and
- b. Flexible Certificates of Deposits can be purchased with financial Institutions qualified by the Washington Public Protection Commission which offer periodic draws of principal and interest prior to the maturity of such Certificates.

Addendum No. 1 to the Clark County Investment Policy dated January 14, 2008 is approved this 26th day of February, 2009.


Doug Lasher, Chair
Clark County Treasurer
County Finance Committee


Greg Kimsey, Secretary
Clark County Auditor
County Finance Committee


Marc Boldt, Member
Chair of Board of Clark County Commissioners
County Finance Committee

XXII. Amendment A

Section X. Diversification of the Clark County Investment Policy
Change "Maximum Percentage Permitted":

To: U.S. Agency Obligations, 35% per issuer

From: U.S. Agency Obligations, 25% per issuer

Two Government-sponsored Enterprises (GSE) Fannie Mae and Freddie Mac (the largest issuers of GSE debt) are scaling back their issuance of debt by 15% (compared to 2012) in 2013 and expect to reduce an additional 15% per year in 2014 – 2018. This reduction in the available investments that the Investment Pool can purchase at any one time pushes our diversification limits. When the diversification limits were implemented more debt was being issued by multiple GSEs and the 25% was not a problem. Now, as GSEs are reducing their debt requirements, we are left with an imbalance of available investments.

We have discussed this issue with our Investment Advisor and they recommend increasing the percentage to 35% per GSE.

XXIII. Glossary

Active Management Investment Strategy: The use of investment strategies designed to increase portfolio values by exceeding market average rates of return. This can be achieved by using active portfolio management techniques such as swaps and spreads. Active management is characterized by the trading of securities prior to maturity.

Agencies: Some credit agencies (such as the Government National Mortgage Association) re owned and directed by the federal government and their debt obligations are backed by the full faith and credit of the U.S. government. Other federal agencies, referred to as government sponsored enterprises, are not guaranteed by the full faith and credit of the U.S. Government. These agencies presumably have de facto backing by the federal government and include the Federal Farm Credit Banks, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Amortized Cost: The original cost of an investment with amortization of premium or accretion of discount over the life of the security. In addition, interest received from semi-annual coupon interest payments would be accrued ratably over six month periods. This amortization smoothes coupon interest payments and recognizes, ratably until the investment matures, the difference between the purchase price and, at maturity, the par value of the security.

Asked: The price at which securities are offered for sale.

Banker's Acceptances (BA): A Bankers Acceptance (BA) is a credit instrument used to finance certain types of domestic and international commercial transactions. The bank on which the BA is drawn accepts the liability and responsibility of making payment upon maturity. This liability makes the acceptance very marketable and safe.

Bid: The price a seller is requesting. (When you are selling securities, you ask for a bid). See Offer.

Bond Market Association (BMA) Master Repurchase Agreement: A standard written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Book Value: The term book value denotes the original cost of an investment.

Book Value Return: Measures the yield at which securities in the portfolio were originally purchased adjusted for realized gains or losses.

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. Treasurers are only allowed to purchase non-negotiable CDs from financial institutions qualified by the Washington Public Deposit Protection Commission.

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

Comprehensive Annual Financial Report (CAFR): The official annual report for Clark County. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

Coupon: (a) the annual rate of interest that an issuer of a bond 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.

Credit Risk: The potential for loss due to a reduction of the issuer's financial strength. This is also known as Default Risk.

Credit Rating Definitions:

Long-term			
	Moody's	Standard & Poor's	Fitch
Highest Quality	Aaa	AAA	AAA
High Quality	Aa	AA	AA
Upper-medium-grade	A	A	A

Medium-grade	Baa	BBB	BBB
Speculative elements	Ba	BB	BB
Lack investment characteristics	B	B	B
Issues in default	Caa	CCC	CCC
Speculative in a high degree	Ca	CC	CC
Lowest rated class of bonds	C	C	C
Debt in default		D	D

Short-term (less than 365 days)			
	Moody's	Standard & Poor's	Fitch
Superior ability for repayment	P-1	A-1	F-1
Strong ability for repayment	P-2	A-2	F-2
Acceptable ability for repayment	P-3	A-3	F-3
Adequate capacity for payment		B	F-S
Doubtful capacity for payment		C	D
Issue in default		D	

Moody ratings from Aa to C may be modified by 1, 2, or 3 to show relative standing within the major rating categories. For example: Aa3.

S&P and Fitch ratings from AA to B may be modified by the (+) or (-) to show relative standing within the major rating categories. For example: AA+.

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

Debenture: A bond secured only by the general credit of the issuer.

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.

Derivative Security: A financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

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 from par and redeemed at maturity for full face value, i.e. U.S. Treasury Bills.

Distribution: Allocation of Pool earnings to Participants' accounts.

Diversification: Dividing investment funds among a variety of securities offering independent returns. Interest income (coupon interest) plus realized gains and losses.

External Investment Pool: An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government.

Fair Value: The price at which a financial instrument could be exchanged between willing parties, other than in a forced or liquidation sale.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, i.e. 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.

Federal Funds Rate: The interest rate at which Fed funds are traded. This rate is currently pegged by the Federal Reserve and managed through open-market operations.

Federal Home Loan Banks (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks via-a-via member commercial banks.

Federal National Mortgage Association (FNMA): FNMA, 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 Home Loan Mortgage Corporation (FHLMC): The FHLMC is a stockholder-owned corporation established by Congress in 1970 to provide a continuous flow of funds to mortgage lenders.

Federal Open Market Committee (FOMC): Consists of seven members of the Federal Reserve Board and 5 of the 12 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 5,700 commercial banks that are members of the system.

Flexible non-negotiable CD: A time deposit with a specific maturity evidenced by a certificate. Treasurers are only allowed to purchase non-negotiable CDs from financial institutions qualified by the Washington Public Deposit Protection Commission. Step-up option will renew with each successive term if the certificate is automatic renewable. You may exercise the step-up option one time during the term, after the first six days. Additional deposits can be made (these additions may not exceed the original issue value) in \$500.00 or larger increments after the first six days. Withdrawals may be made in any portion or total of amount of certificate at any time after the first six days. Withdrawals are limited to X times per month.

Interest Rate Risk: The risk associated with fluctuations in market interest rates that cause a fixed-income security to increase or decrease in value.

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.

Liquidity Risk: The risk that although an issuer may eventually make good on an obligation, cash may not be available for a period longer than an investor originally intended.

Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

Market Risk: The risk that affects the price of a security as a result of changes in market conditions.

Market Value: The price at which a security is trading and could presumably be purchased or sold by willing parties.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: The date upon which the principal (and accrued interest) or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

Net Asset Value (N.A.V.) per share: For purposes of the Clark County Pool, the N.A.V. per share is determined by valuing the portfolio at market value. The market value of the Portfolio's securities less associated liabilities (assets less liabilities) is then divided by the total number of shares outstanding. This method results in a fluctuating N.A.V that may be equal to, greater than or less than \$1.00.

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.

Passive Investment Strategy: If the governing body does not wish to allocate resources or encourage the staff to seek optimizing adjustments, a buy-and-hold investment strategy would be utilized. This method may not optimize total return and could involve a sacrifice of yield.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A pre-approved bank, broker/dealer or other financial institution that is able to make business deals with the U.S. Federal Reserve, such as underwriting new government debt. These dealers must meet certain liquidity and quality requirements as well as provide a valuable flow of information to the Fed about the state of the worldwide markets.

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

Public Deposit Protection Commission (PDPC): The PDPC consists of the State Treasurer, as Chairman, the Governor, and the Lieutenant Governor. The Commission is empowered to request a qualified public depository to furnish information on its public deposits and the exact status of its net worth. The Commission is further empowered to take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from loss.

Qualified Public Depositories: A financial institution that does not claim exemption from payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability, and which has been approved by the Public Deposit Protection Commission to hold public funds.

Rate of Return: The yield obtainable on a security based on its purchase price or its current

market price.

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

Relevant municipal corporations: Political subdivisions, junior taxing districts that are required to, or are eligible to, use the County Treasurer's investment and debt management services.

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.

State and Local Government Series Securities: These securities are offered by the U.S. Treasury through its Bureau of Public Debt to state and local government entities as an investment alternative to assist these issuers of tax-exempt securities in complying with yield restriction and arbitrage rebate provisions of the Internal Revenue Code.

Total Return: Measures the change in value of the overall portfolio over a given period (including market effects on price, income earned and adjustments for deposits/withdrawals). Total return enables portfolio managers to evaluate fluctuations in the value of principal rather than simply the income produced.

Treasury Bills: A discount security issued by the U.S. Treasury to finance national debt. Most bills are issued to mature in 4 weeks, three months, six months, or one year.

Treasury Bonds: An interest-bearing coupon security issued by the U.S. Treasury with initial maturities of more than ten years to finance the national debt.

Treasury Notes: An interest-bearing coupon security issued by the U.S. Treasury with initial maturities between one and ten years, to finance the national debt.

Weighted average: A proportional average in which each item's value compared to the total of all items is to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average. Weightings are the equivalent of having many like items with the same value involved in the average. For example if an investor purchases one hundred (100) shares at a cost of one dollar and fifty cents (\$1.50) per share and twenty five (25) shares at a cost of two dollars per share, the weighted average cost of these one hundred twenty

five (125) shares is one dollar and sixty cents (\$1.60).

Yield: The earnings returned annually divided by the purchase price on an investment, expressed as an annual percentage.