



**Cash Management
Investment Management
Practice 2.11.0**

RELEVANT POLICIES: 1.10.0 Use of Local Government Investment Pools and 1.11.0 Investment Management

PRACTICE. It is the practice of the Incline Village General Improvement District, hereinafter referred to as the District, to invest public funds in a manner which provides the highest investment return consistent with the need for safety and liquidity, while meeting its routine and non-routine cash flow requirements and complying with all federal, state and local statutes and regulations governing the investment of public funds.

1.0 SCOPE

This practice shall apply to all financial assets under the District's control or in its custody as accounted for in the District's financial accounting records and reported in its periodic financial statements. These funds include financial assets held in the following fiscal entities:

<u>Fund Type</u>	<u>District Fund Name</u>
General.....	General Fund
Enterprise	Utility Fund
.....	Community Services Fund
Capital Improvement	-
Internal Service	Fleet and Maintenance Fund
.....	Workers Compensation Fund
Special Assessment	-
Debt Service	-
Special Revenue	-

All other funds, unless specifically excluded from this practice by Board of Trustees resolution.

2.0 PRUDENCE

The District intends to utilize standards established by the Uniform Prudent Investors Act. The Act has been adopted by the State of Nevada. The standard of care; portfolio strategy; risk and return objectives from the Act consider:



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- 2.1 The District shall invest and manage its assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the District. In satisfying this standard, the District shall exercise reasonable care, skill, and caution.
- 2.2 The District's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the District's portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the District's purposes.
- 2.3 Among circumstances that the District shall consider in investing and managing its assets are such of the following as are relevant:
 - 2.3.1 general economic conditions;
 - 2.3.2 the possible effect of inflation or deflation;
 - 2.3.3 the expected tax consequences of investment decisions or strategies;
 - 2.3.4 the role that each investment or course of action plays within the overall investment portfolio
 - 2.3.5 the expected total return from income and the appreciation of capital;
 - 2.3.6 other resources of the District
 - 2.3.7 needs for liquidity, regularity of income, and preservation or appreciation of capital; and
 - 2.3.8 an asset's special relationship or special value, if any, to the purposes of the District
- 2.4 The District shall make a reasonable effort to verify facts relevant to the investment and management of its assets.
- 2.5 The District may invest in any kind of property or type of investment consistent with the standards of this Practice.



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3.0 FINANCIAL OBJECTIVES AND CONSTRAINTS

The District's primary investment objective is to obtain the maximum investment return in light of the following constraints:

- 3.1 Safety.** Safety of principal is the foremost constraint of the District's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- 3.2 Risk.** To minimize the risk associated with any one security, diversification is required to ensure that the potential (or actual) losses on individual securities do not exceed the total return generated from the remainder of the portfolio.
- 3.3 Liquidity.** The District's portfolio shall remain sufficiently liquid - in terms of cash and near-term maturities of non-cash assets - to enable it to meet all operating requirements, and near term capital investment requirements, which are planned or which might be reasonably anticipated.
- 3.4 Cash Flow Requirements.** The size and composition (maturity, security type, etc.) of the District's portfolio(s) shall be determined so as to provide funds to meet the District's projected cash consumption requirements, over time.
- 3.5 Statutes and Regulations.** At all times, the District's investments shall be restricted to those specifically identified within Nevada Revised Statutes (NRS) Chapter 355.170, as amended from time to time, and any other statutes or regulations which may be promulgated by the State of Nevada or the United States Government.

4.0 DELEGATION OF AUTHORITY

Authority to manage the District's investment program is derived from the NRS Chapter 355.175, wherein the District's governing body may appoint an



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Investment Officer to handle the day-to-day administration of the program. The Board of Trustees hereby expressly delegate Investment Officer responsibilities to the Director of Finance, Accounting and Information Technology or to the General Manager in the Director's absence.

This practice further requires that the Investment Officer shall establish written procedures for the operation of the program, consistent with this and other provisions of this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for executing investment transactions, if other than the Investment Officer. No person shall engage in an investment transaction except as provided within this practice or the written procedures. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials or third-party agents who assist in the investment program.

5.0 PORTFOLIO MANAGEMENT

The Investment Officer or their designee will routinely and continuously monitor the financial markets, the performance of the District's portfolio securities and competing securities instruments and adjust the District's portfolio, so as to accomplish the aforementioned investment objectives.

This portfolio management function may, subject to the District's Board of Trustees approval, be contracted out to one or more professional investment managers, knowledgeable in the markets, investment instruments and the District's unique constraints and investment needs. The investment manager(s) shall exercise discretion in its (their) decision-making with respect to portfolio transactions to the extent allowed within the constraints of this policy, unless specifically restricted in writing by the District's Board of Trustees.

Additionally, with respect to decisions which adversely impact the short-term performance of District portfolios, as in the instance where individual securities are liquidated at a loss in order to reposition the portfolio to maximize anticipated future returns, managers must first obtain the Investment Officer's concurrence prior to executing transactions which will result in losses which exceed 5% of an individual security's value or which will exceed, when aggregated, 2% of the value of the overall portfolio under management.



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6.0 ETHICS AND CONFLICTS OF INTEREST

Officers, employees and agents involved in the investment process shall refrain from personal business activity that could conflict, or might appear to conflict, with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. All such individuals or firms shall disclose any material financial interests in financial institutions that conduct business with the District, and they shall further disclose any large personal financial/investment positions, if any, that could be related to the performance of the District's portfolio. Officers, employees and agents shall subordinate their personal investment transactions to those of the District's, particularly with regard to the timing of purchases and sales.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Investment Officer will maintain a list of financial institutions authorized to provide investment services. Additionally, a list of competent security broker/dealers shall be maintained. These may be primary dealers or regional dealers who qualify under Securities and Exchange Commission (SEC) Rule 15C3-1, Uniform Net Capital Rule. No public deposit shall be made except in a qualified public depository as established under NRS Chapter 356.

All financial institutions and broker/dealers who wish to become qualified for investment transactions must supply the Investment Officer with the following information, in order to demonstrate their economic viability: audited financial statements, proof of National Association of Securities Dealers certification, proof of state registration and certification of understanding and professed adherence to this Investment Management Practice in executing transactions.

The District will, at its option, establish relationships with one or more institutions or broker/dealers and its Investment Officer shall, at least annually, review the financial condition, registrations/certifications status and general performance of selected institutions or broker/dealers.



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8.0 AUTHORIZED INVESTMENTS

The instruments which the District is authorized to hold are prescribed in NRS Chapter 355.170, as revised from time to time.

9.0 COLLATERALIZATION

Collateralization will be required on deposit-type securities - e.g., certificates of deposit and repurchase agreements - for deposits which exceed the insured limits of the securities under Federal Deposit Insurance Corporation (FDIC), Federal Saving and Loan Insurance Corporation (FSLIC), or other, successor federal deposit insurance program. Collateral will be limited to obligations of the United States and the State of Nevada and must, at all times, have a fair market value equal to or greater than the fair market value of the collateralized deposits. All other securities shall be collateralized by the actual security held in safekeeping by the appointed custodian.

10.0 SAFEKEEPING AND CUSTODY

All securities purchased by or on behalf of the District, excepting securities subject to repurchase by the seller, and all securities pledged as collateral pursuant to section 9.0, above, must be physically held by the District or its appointed custodian meeting the requirements of NRS 355.172, who shall hold the securities in trust for the District.

Securities subject to repurchase by the seller may, in lieu of the requirement for possession, be evidenced by a fully perfected, first-priority security interest in those securities, held and acknowledged by the third party custodian. Securities so purchased must, at the time of purchase by the District, have a fair market value equal to or greater than the repurchase price of the securities.

11.0 DIVERSIFICATION

The District will diversify its portfolio by security type, maturity and issuing institution. Asset allocation guidelines, as deemed necessary from time to time, shall be prescribed by the District's Board of Trustees. Such asset allocation



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guidelines (maximum maturities) will be in writing and will become an integral part of this policy.

12.0 MAXIMUM MATURITIES

To the extent possible, the maturities of securities held within District portfolios shall be closely matched to the District's cash flow requirements for 1) day-to-day operations, 2) planned capital projects, 3) unknown future contingencies, and known or stated reserves

In no event shall the District hold securities with maturities which exceed ten years, this being the maximum maturity allowed the District under NRS Chapter 355.170. Investments will be allocated to maturities that match the stated needs for which the District has established the Fund or account.

13.0 INTERNAL CONTROL

The Investment Officer shall establish a system of written internal controls which shall be reviewed for adequacy, annually, by the District's external auditors. The controls shall be designed to prevent loss of public funds arising from fraud or abuse, employee error, misrepresentation by third parties, or imprudent actions by officers, employees or agents of the District.

14.0 PERFORMANCE BENCHMARK STANDARDS

Theoretically, the District's investment portfolio would have a simple average maturity of less than five years. As a practical matter, the average maturity of the portfolio will vary as economic conditions change and will be dependent upon market factors and the actual investment strategy selected. Accordingly, for purposes of measuring and comparing returns among investments, the performance of District portfolio(s) shall be measured against the 1 year or less, 1-3 year, 1-5 year, and 1-10 year U.S. Government Treasury Indices.

15.0 REPORTING

The Investment Officer shall prepare a quarterly report of investment activity that will be made available to the Board of Trustees within thirty days of the



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close of the calendar quarter. The report will include sufficient content to indicate how the District's investments are being managed to meet the objectives of safety, risk, liquidity, cash flow and regulations. The report shall contain a measure of the portfolio's return for the quarter, and when annualized shall compare its actual performance with the aforementioned benchmarks.

At least once annually, and not later than sixty days after the close of the fiscal year, the Investment Officer shall present a comprehensive report summarizing the investment program's performance during the preceding twelve month period. This report shall contain, at a minimum, the same information required in the quarterly reports but, also, shall indicate areas of concern with respect to policy and strategy matters and shall recommend appropriate corrective action.

Additionally, at least quarterly, the Investment Officer shall prepare a projection of cash flows for the succeeding five year investment period. Estimates for the first two years of the investment period shall be on a quarterly basis, while estimates for the remaining periods may be on an annual basis. This cash flow projection shall serve as the basis for adjustments to asset allocations among and between the investment maturities.

16.0 INVESTMENT POLICY ADOPTION

This investment policy shall be adopted by motion of the District's Board of Trustees. It shall be reviewed at least annually and any modifications made hereto must be approved by the District's Board of Trustees.