Cash Management
Use of Local Government Investment Pools
Policy 10.1.0

POLICY. The District may invest in local government investment pools (LGIPs) only as authorized by Nevada law and by Investment Management Policy 11.1.0 and Practice 11.2.0. The following pools are authorized: (a) the State of Nevada Local Government Pooled Investment Fund administered by the State Treasurer (NRS 355.167) (the "State LGIP"); and (b) the Local Government Pooled Long-Term Investment Account administered by the State Treasurer (NRS 355.165). The District does not participate in a county treasurer investment pool under NRS 355.168; any future participation would require Board approval. Any other pool, including a privately managed or out-of-state pool, may be used only if it independently qualifies as an authorized investment under NRS 355.170 (for example, a money market mutual fund meeting NRS 355.170(1)(n)) and is approved by the Board. The District will consider the following when selecting and using LGIPs:

0.1 The District will confirm LGIPs are eligible investments under governing law (NRS 355.165, 355.167 and 355.170) and the District's Investment Management Policy 11.1.0 and Practice 11.2.0.

0.2 The District will fully understand the investment objectives, legal structure and operating procedures of the investment pool before placing any money in the pool. When evaluating an LGIP, the District obtains and reviews the pool's offering or information statement, investment policy, and most recent audited financial statements. For the State LGIP, this includes the investment policy reviewed and approved by the State Board of Finance (NRS 355.045).

0.3 Particular attention must be paid to the investment objectives of a pool to determine whether a pool seeks to maintain a stable Net Asset Value (NAV) of $1.00 by measuring its investments at amortized cost under GASB Statement No. 79, or reports its investments at fair value with a fluctuating NAV. This information is essential in order to determine which pools are appropriate for liquidity strategies (stable NAV) and which ones are only appropriate for longer-term strategies (fluctuating NAV). The State Treasurer's Pooled Long-Term Investment Account (NRS 355.165) should be evaluated as a longer-term strategy.

0.4 The pool's list of eligible securities should be reviewed to determine

compliance with the District's Investment Management Policy. Portfolio maturity restrictions and diversification policies should be evaluated to determine potential market and credit risks. Because the State LGIP may hold investments authorized under NRS 355.171 that the District could not purchase directly (NRS 355.171(3)), the District should understand the pool's current holdings and credit exposure.

0.5 Portfolio pricing practices should be evaluated, including how often holdings are valued at fair value and how any difference between amortized cost and fair value is monitored and disclosed.

0.6 Custodial and safekeeping arrangements, internal controls, and the scope and results of the pool's independent audit should be reviewed.

0.7 The qualifications and experience of the portfolio manager, management team and/or investment adviser should be evaluated.

0.8 The earnings performance history should be studied and reviewed relative to other investment alternatives. On stable NAV LGIP funds, the current yield of the portfolio can be compared with competitive government money market funds, or overnight repurchase agreement rates. Any pool with consistent above-average yields or longer maturities should be further evaluated for risk. Comparisons should use yields net of the pool's administrative charges (NRS 355.167(8)).

0.9 Variable NAV LGIPs should be evaluated in relation to appropriate benchmarks.

0.10 Nevada law does not require a rating for the State LGIP or the State Long-Term Account. For any other pool, the District should seek a rating in the highest category by a nationally recognized statistical rating organization (AAA or equivalent, consistent with NRS 355.170(1)(n)), or understand the reason a rating is not available. Unrated pool balances must be disclosed in the District's financial statements (GASB Statement No. 40).

0.11 Procedures for establishing an account, making deposits and

withdrawals, and allocating interest earnings should be fully understood, including: written notice to the State Treasurer of the period the money is expected to remain available and of any extension (NRS 355.167(5)); the written request required for early withdrawal and any penalties or loss of interest charged to the District (NRS 355.167(6)); the calculation and distribution of interest at least quarterly, net of administrative charges (NRS 355.167(8) and (9)); and any notice periods, redemption limits, fees, or same-day or next-day liquidity terms. Interest received from a pool shall be allocated among District funds as provided in Practice 11.2.0, Section 15.1.

0.12 Any additional services offered by an LGIP should be considered to make use of the fund as effective as possible.

0.13 The District will confirm that an LGIP provides regular, detailed reporting to pool participants and follows generally accepted accounting principles, including GASB Statement Nos. 31, 72 and 79 as applicable, and provides the information the District needs for its own financial statement disclosures (GASB Statement No. 40).

0.14 **Limits.** The District may invest up to 100 percent of its portfolio in the State LGIP and the State Long-Term Account, as reflected in Practice 11.2.0, Section 8.1. Pool balances shall be consistent with the District's liquidity needs, cash flow forecast and diversification objectives. Any other pool approved under this policy is subject to the money market mutual fund limit in Practice 11.2.0, Section 8.1.

0.15 **Not insured.** Pool participation shall not be treated as insured or guaranteed unless such protection is expressly established. Pool balances are not deposits and are not covered by FDIC insurance or the collateral requirements of NRS Chapter 356.

0.16 **Reconciliation.** The Investment Officer shall reconcile pool statements to District records monthly and record pool balances at the value reported by the pool, consistent with GASB standards.

0.17 **Monitoring and reporting.** The Investment Officer shall review each

pool in which the District participates at least annually, including changes in its investment policy, credit quality, weighted average maturity, liquidity, fees and audit results, and shall include pool balances and yields in the quarterly investment report to the Board. Material adverse developments shall be reported to the General Manager and the Board promptly and may require full or partial withdrawal.

0.18 Review. This policy shall be reviewed at least annually together with Investment Management Policy 11.1.0 and Practice 11.2.0.