Cash Management
Investment Management
Practice 11.2.0

Relevant Policy: 10.1.0 Use of Local Government Investment Pools and 11.1.0 Investment Management Policy.

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 gives first priority to safety of principal, second priority to liquidity, and third priority to a reasonable investment return, 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, including NRS Chapters 355 and 356.

Where a statute, bond covenant, grant or contract term, or other binding restriction is more restrictive than this practice, that requirement shall control. Board approval cannot authorize an investment prohibited by law, and money received under a contract, debenture, agreement or grant shall be invested only as that instrument permits (NRS 355.170(7); NRS 355.171(3)(b)).

1.0 SCOPE. This policy 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:

Fund Type	District Fund Name
General	General Fund
Enterprise	Utility Fund
	Community Services Fund
	Beach Fund
Capital Improvement	-
Internal Service	Fleet and Maintenance Fund
	Engineering Fund
	Buildings Fund
Special Assessment	-
Debt Service	-
Special Revenue	-

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

Bond proceeds, debt service reserve funds and other restricted funds shall also comply with the applicable bond resolution or indenture, its permitted investment definitions and expenditure schedules, and applicable federal tax and arbitrage requirements (26 U.S.C. § 148).

This practice does not govern money held under a deferred compensation plan, which is invested as provided in NRS 355.176 and the plan documents, or any fund the Board places under a separate investment policy.

2.0 PRUDENCE. The District adopts as guidance the prudent investor standard of Nevada's Uniform Prudent Investor Act (NRS 164.700 to 164.775). Because that Act governs trustees, it is applied here as a standard of care only; it does not expand the investments available to the District, which are limited to those authorized for local governments by NRS 355.170 and permitted by Section 8.0 of this practice. Portfolio-level assessment shall not excuse an unauthorized security or a policy violation. The standard of care, portfolio strategy, and risk and return objectives from the Act consider:

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 only those investments authorized for local governments by NRS 355.170 and expressly permitted by Section 8.0, and only in a manner consistent with the standards of this Practice.

2.6 Investment officials acting in accordance with this practice and the written procedures, and exercising due diligence, shall promptly report deviations from expectations and take appropriate action to control adverse developments.

3.0 FINANCIAL OBJECTIVES AND CONSTRAINTS. The District's investment objectives, in priority order, are (1) safety of principal, (2) liquidity, and (3) a reasonable return. Investment performance shall be evaluated in that order. A return target, budget assumption or benchmark shall not justify greater risk, longer maturities or reduced liquidity. The objectives are subject to 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. Investments shall be

selected and managed to limit credit risk, interest rate risk, liquidity risk and concentration risk. The program seeks to avoid permanent loss of capital; it does not guarantee principal or eliminate changes in market value.

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, debt service, and other obligations which are planned or which might be reasonably anticipated, including a Board-approved contingency reserve.

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 authorized for local governments by NRS 355.170, as amended from time to time, and further limited by Section 8.0 of this practice, and any other statutes or regulations which may be promulgated by the State of Nevada or the United States Government.

3.6 Return: After safety and liquidity requirements are satisfied, the portfolio shall seek a reasonable return consistent with authorized investments and the risk limits in this practice.

3.7 Cost Control: Fees, custody charges, transaction costs and other investment expenses shall be reasonable, transparent, and reviewed at least annually in relation to the services provided and income earned.

3.8 Special Considerations: Local, environmental, social or other secondary considerations may be weighed only when legally permitted and consistent with safety, liquidity, credit quality, diversification and reasonable cost, and shall not require acceptance of inferior credit quality or additional uncompensated risk.

4.0 DELEGATION OF AUTHORITY. Authority to manage the District's investment program is derived from the NRS 355.175, under which the District's governing body may direct its treasurer or other appropriate officer to invest District money in investments lawful under NRS 355.170, and from NRS 318.085, under which the Board elects a treasurer for the District. The Board designates an Investment Officer to handle the day-to-day administration of the program. The Board of Trustees hereby delegates Investment Officer responsibilities to the Director of Finance, or 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. Duties for authorization, execution, custody and reconciliation of investment transactions shall be separated where practicable, with compensating controls documented when staffing is limited.

4.1 Board of Trustees. The Board shall adopt and review this practice and the related policy; approve authorized investments and limits; designate the Investment Officer; review investment reports and exceptions; and approve the selection of investment advisers, managers and custodians and monitor their fees. Delegation does not remove the Board’s oversight responsibilities.

4.2 Investment Officer. The Investment Officer shall implement this practice within written authority, maintain cash flow forecasts and investment records, monitor liquidity, credit and restrictions, and promptly report exceptions to the General Manager and the Board.

4.3 Investment Adviser. If retained, an investment adviser shall assist with policy implementation, cash flow planning, portfolio structure and reporting within

the scope of its written engagement and shall promptly communicate material risks, rating downgrades and departures from this practice (see NRS 355.170(1)(g) and (m)).

4.4 Custodian. The custodian shall safeguard District securities, settle transactions on a delivery-versus-payment basis, collect income, and provide statements and accounting records as described in Section 10.0.

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.

The Investment Officer may create an investment advisory committee comprised of the Board Chair, Board Treasurer, General Manager, Finance Director, and a parcel holder within Incline Village General Improvement District appointed by the General Manager. The Advisory Committee shall meet with the Finance Director quarterly and review the District's investment portfolio and timing related to cash flow projections. The Committee shall also review investment recommendations from the District's investment adviser and advise the Investment Officer on the various options available.

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. Each investment manager shall be registered as an investment adviser with the Securities and Exchange Commission (or exempt from registration) and shall be selected through documented due diligence covering registration and legal authority, experience with public funds, investment controls, financial condition, personnel, fees, reporting, custody and conflicts of interest. Each engagement shall be in writing and define authorized discretion and reporting obligations. Manager discretion

does not include authority to change approved limits; proposed changes require written Board approval before implementation.

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.

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. All officers and employees shall also comply with the Nevada Ethics in Government Law (NRS Chapter 281A), including the disclosure and abstention requirements of NRS 281A.420, and any applicable District code of conduct.

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 SEC Rule 15c3-1, Uniform Net Capital Rule. No public deposit shall be made except in an insured depository institution authorized under NRS 356.005 and secured as required by NRS Cahpter 356 and Section 9.0.

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 Financial Industry Regulatory Authority (FINRA) registration, 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.

8.0 AUTHORIZED INVESTMENTS

The District may purchase only the following instruments, each only to the extent authorized for local governments by NRS 355.170, as amended from time to time, and subject to the additional limits below and in Sections 11.0 and 12.0. If statutory authority for an investment is uncertain, it shall not be purchased until authority is confirmed. If the statute is amended to be more restrictive, the statute controls. Percentage limits apply at the time of purchase and are measured against the total portfolio unless stated otherwise.

8.1 Authorized Instruments.

Investment	NRS authority	Statutory requirements	District limit (proposed - Board to confirm)
U.S. Treasury bills, notes, bonds and debentures	355.170(1)(a), (e); 355.170(6)	Max. 10 years to maturity at purchase	No percentage limit; maturity per Section 12.0
Federal agency and government-sponsored enterprise obligations (incl. Federal Farm Credit Banks, Federal Home Loan Bank, Federal Agricultural Mortgage Corp.)	355.170(1)(d), (f), (o); 355.180	Max. 10 years to maturity at purchase	[10%] per agency/GSE; [25%] aggregate; non-structured only
Negotiable certificates of deposit	355.170(1)(g)	Max. 5 years; max. 5% of portfolio par value per institution; if above insurance limits, rated A-1/P-1 or collateralized under NRS 356.133	Statutory limits; fully insured or collateralized only
Nonnegotiable	355.170(1)(i);	Insured institution; amounts	[10%] per institution,

certificates of deposit and bank deposits	NRS 356.005	above insurance limits collateralized	excluding operating deposits
Money market mutual funds	355.170(1)(n)	SEC-registered; rated AAA; holds only U.S. government/agency securities, A-1/P-1 short-term paper, or fully collateralized repurchase agreements	Government or Treasury funds only; [25%] per fund
State of Nevada Local Government Pooled Investment Fund (LGIP)	355.167; 355.175(1)	Written notice to State Treasurer of expected investment period	[25%] per pool, or as set in Policy 1.10.0
Repurchase agreements	355.170(2)	Pre-designated counterparties; signed master repurchase agreement; written custodian contract; collateral > 102% marked to market weekly; max. 90 days; underlying securities max. 10 years	[Overnight only / or exclude per sample IPS]
Obligations of the State of Nevada and its local governments, and other state and local governments	355.170(1)(j), (l); 355.177	Rated "A" or higher (or secured by tax increment account under NRS 278C.220); District may not buy its own securities	[AA- or better]; [5%] per issuer; [20%] combined with any corporate

8.2 Statutorily Permitted but Not Authorized by the District. The following are permitted for some local governments under NRS 355.170 or 355.171 but are excluded under this practice unless the Board later authorizes them by amendment: obligations of the International Bank for Reconstruction and Development, International Finance Corporation and Inter-American Development Bank (355.170(1)(b)); dollar-denominated obligations of foreign issuers (355.170(1)(c)); bankers' acceptances (355.170(1)(k)); commercial paper (355.170(1)(m)); and corporate notes, collateralized mortgage obligations and asset-backed securities (355.171). Under NRS 355.171(3)(a)(4), the corporate note, CMO and asset-backed authority does not apply to a local government whose service population is under 100,000 unless the purchase is made through the State Treasurer's pooled investment or by an SEC-registered investment adviser approved by the State Board of Finance.

8.3 Prohibited Investments and Transactions. The District shall not invest in its own securities of any kind or in interim warrants from any source (NRS 355.177). In addition, equities, equity funds, REITs, high-yield or below-investment-grade debt, foreign-currency exposure, alternative investments,

hedge funds, commodities, private placements, structured notes, mortgage-backed and asset-backed securities, options, futures and other derivatives, short sales, leverage, margin transactions, reverse repurchase agreements, securities lending, and bond mutual funds or ETFs are prohibited. Any existing holding outside this practice shall be addressed under Section 16.1 and shall not be assumed to be authorized.

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 the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). Uninsured District deposits shall be secured as required by NRS Chapter 356, and the District shall request that its depositories collateralize uninsured balances through the State Treasurer's collateral program (NRS 356.350 to 356.370), under which a participating depository must maintain acceptable securities (NRS 356.305) with a fair market value of at least 102 percent of uninsured public deposits (NRS 356.360). Securities purchased under a repurchase agreement must have a market value greater than 102 percent of the repurchase price and be marked to market at least weekly (NRS 355.170(2)(b)(3)). Insurance coverage shall be assessed across all District accounts at each institution. 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 held by the District's appropriate officer, registered in the District's name, or by a custodial bank or trust company rated "AA-" or better by a nationally recognized rating service under a written agreement, which shall acknowledge in writing that it holds the securities for the District (NRS 355.172(2) and (4)). Transactions shall be settled on a delivery-versus-payment basis.

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 in writing by the third-party custodian (NRS 355.172(3)). The District shall have a written custodial contract requiring the custodian to disburse cash only upon receipt of the securities, notify the District of any margin shortfall, hold the securities separate from its own assets, and report market values periodically (NRS 355.170(2)(b)(2)). 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 governing board. Such asset allocation guidelines (maximum maturities) will be in writing and will become an integral part of this policy.

11.1 Risk Limits. In addition to the limits in Section 8.1, the following limits apply at purchase:

- Credit quality: municipal obligations rated at least [AA- by S&P or Aa3 by Moody's], using the lower rating when more than one is available; unrated obligations are excluded.

- Issuer concentration: no more than [5%] of portfolio market value per issuer (aggregating affiliates), excluding U.S. Treasury obligations and the agency, deposit, fund and pool limits in Section 8.1.

- Liquidity reserve: at least the forecast net cash need for the next [90] days plus the Board-approved contingency reserve, held in cash, the LGIP, money market funds or timely maturities.

- Portfolio interest-rate risk: weighted average maturity or effective duration within the limit set in Section 14.0, monitored at least monthly.

11.2 Monitoring and Corrective Action. The Investment Officer, with the investment adviser or manager if retained, shall review compliance with liquidity, credit, maturity and concentration limits at least monthly. A rating downgrade below the required level, loss of required collateral or insurance coverage, liquidity impairment, or other material exception shall be reported promptly to the General Manager and the Board, as NRS 355.170(1)(g) and (m) require for downgraded certificates of deposit and commercial paper. No additional purchases of the affected security shall be made while it is outside policy. A documented corrective action plan shall consider applicable law, liquidity, credit risk, transaction costs and potential loss; a security need not be sold solely to restore a limit if sale would unnecessarily impair principal, unless sale is required by law.

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 4) known or stated reserves. Funds required before a security matures shall be held in suitable liquid instruments or scheduled maturities.

In no event shall the District purchase a security with a remaining maturity exceeding the statutory maximum for that instrument under NRS 355.170 (ten years for U.S. Treasury and agency obligations; five years for negotiable certificates of deposit; 90 days for repurchase agreements). In addition, no security shall be purchased with a maturity exceeding five years from purchase unless it is matched to a specific, documented cash flow requirement and approved in advance by the Board. 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 considered annually in connection with the District’s independent audit.

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. Controls shall include, at a minimum: separation of duties; delivery-versus-payment settlement; written confirmation of transactions; dual authorization of wire transfers; monthly reconciliation of custody, bank and investment records; and written documentation of all exceptions.

14.0 PERFORMANCE BENCHMARK STANDARDS

The weighted average maturity of the District's investment portfolio, excluding the liquidity reserve, shall not exceed three 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. A short-term U.S. Treasury bill index shall be used for liquid balances. Benchmarks are reference points only and shall not dictate portfolio risk or require outperformance; underperformance shall not prompt increased risk to improve reported results.

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 30 days of the 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, including: holdings and market values; income and returns net of fees; realized and unrealized gains or losses; maturities and weighted average maturity or duration; credit quality; issuer concentrations; liquidity relative to the cash flow forecast; collateral and insurance status; policy exceptions and corrective actions; and a statement of compliance with this practice and NRS Chapter 355. 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 60 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 12-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.

15.1 Allocation of Investment Earnings. Pursuant to NRS 355.175(3), interest and other earnings on District investments shall be credited to the fund designated at the time the principal is invested. The Board hereby designates the following method for that purpose: investment earnings, net of investment-related fees, shall be allocated monthly to each participating fund in proportion to its average annual cash and investment balance for the month, unless a statute, bond resolution or indenture, grant or contract term, or Board action requires otherwise. Earnings on bond proceeds, debt service reserves, grant funds and other restricted funds shall be credited to those funds as their governing documents require and tracked for federal arbitrage purposes (26 U.S.C. § 148). The Investment Officer's written procedures shall set out the calculation method, posting schedule, and treatment of negative cash balances and unrealized gains and losses.

16.0 INVESTMENT POLICY ADOPTION

This investment policy shall be adopted by resolution of the District's governing Board of Trustees. It shall be reviewed at least annually and whenever material changes occur in law, cash needs, project schedules, fund restrictions or service

arrangements, and any modifications made hereto must be approved by the District's Board of Trustees. Short-term market movements alone shall not justify relaxing risk limits.

16.1 Existing Nonconforming Holdings. Upon adoption of any amendment, the Investment Officer shall inventory holdings that do not conform to the amended practice and present a written transition plan to the Board. Holdings that were lawfully purchased may be held to maturity where legally permissible and consistent with safety and liquidity. Exceptions shall be documented and reported and do not authorize future purchases outside this practice.