

Governor Steve Sisolak
Chairman



State of Nevada
STATE BOARD OF FINANCE

Members
Treasurer Zach Conine
Controller Catherine Byrne
Teresa J. Courier
Brian A. Sagert

REVISED
PUBLIC NOTICE

AGENDA
MEETING OF THE STATE BOARD OF FINANCE
November 9, 2021
1:00 P.M.

Locations:

Via videoconference at the following locations:

Old Assembly Chambers
Capitol Building, Second Floor
101 N. Carson Street
Carson City, NV 89701

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 5100
Las Vegas, NV 89101

Agenda Items:

1. Roll Call
2. Public Comment
Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comments will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.
3. **For discussion and possible action:** on the Board of Finance minutes from the meeting held on October 26, 2021.

Presenter: Tara Hagan, Chief Deputy Treasurer

101 N. Carson Street, Suite 4
Carson City, Nevada 89701
775-684-5600
Website: NevadaTreasurer.gov/BoF

4. **For discussion and possible action:** on a resolution approving the report submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund (PSF) Guarantee Agreement pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Improvement and Refunding Bonds (PSF Guaranteed), Series 2022A and the Nye County School District, Nevada General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed), Series 2022B, in the aggregate principal amount not to exceed \$40,985,000.

Presenter: Jeff Landerfelt, Deputy Treasurer - Debt

5. **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$5,250,000 of Multi-Unit Housing Revenue Bonds (Sagebrush Place II Apartments), for the purpose of acquisition and rehabilitation of a 40-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Integra Property Group and Red Oak Equity Partners, LLC who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

6. ~~**ITEM WITHDRAWN For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$33,000,000 of Multi-Unit Housing Revenue Bonds (The Ridge at Sun Valley), for the purpose of construction of a 200-unit family affordable housing rental project in Sun Valley, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by the Ulysses Development Group and Enterprise Housing Credit Investments, LLC, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).~~

~~Presenter: Stephen Aichroth, Administrator, Nevada Housing Division~~

7. **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of Single-Family Mortgage Revenue Bonds, in an amount not to exceed \$54,000,000 to be issued in one or more series. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

8. **For discussion and possible action:** on the Fiscal Year 2021 audited financial statements for the Local Government Investment Pool (LGIP) and approve its filing with the State Controller. Approval of the Board of Finance is required pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

9. Public Comment.

Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comments will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

ADJOURNMENT

Notes:

Items may be taken out of order; items may be combined for consideration by the public body, and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi-judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The State Board of Finance is pleased to make reasonable accommodations for persons with physical disabilities. Please call (775) 684-7109 if assistance is needed.

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Suite 4, Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- Capitol Building, 1st & 2nd Floors, Carson City, Nevada
- Legislative Building, Carson City, Nevada
- Nevada State Library, Carson City, Nevada
- Blasdel Building, Carson City, Nevada
- Grant Sawyer Building, Las Vegas, Nevada

Also online at: http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/ and <https://notice.nv.gov/>

STATE BOARD OF FINANCE
October 26, 2021 – 1:00 PM
Summary Minutes

Location:

Via videoconference at the following locations:

Old Assembly Chambers	Governor's Office Conference Room
Capitol Building, Second Floor	555 E Washington Avenue, Suite 5100
101 N. Carson Street	Las Vegas, NV 89101
Carson City, NV 89701	

Governor Sisolak called the meeting to order at 10:00 am.

Board members present:

Governor Steve Sisolak – Las Vegas
Treasurer Zach Conine – Las Vegas
Controller Catherine Byrne – Carson City
Teresa Courrier – Carson City
Brian Sagert – via telephone

Others present:

Tara Hagan:	Treasurer's Office
Jeff Landerfelt:	Treasurer's Office
Ian Carr:	Attorney General's Office
Steve Aichroth:	Nevada Housing Division
Michael Holliday:	Nevada Housing Division
Jason B. Cooper:	Environmental Protection
Eric Novak:	Praxis Consulting
Daniel Marlow:	Administrative Services
Ward Patrick:	Public Works Division
Robert Klein:	Klein Financial
Andrew Cribbs:	Lincoln Avenue
Ben Taylor:	Lincoln Avenue
Andrew Artusa:	Zions Public Finance
Kendra Follett:	Sherman and Howard

Agenda Item 2 – Public Comment.

No public comment in Carson City or Las Vegas. No written public comment.

Agenda Item 3 – For discussion and possible action – on the Board of Finance minutes from the meeting held on June 8, 2021.

Treasurer Conine moved to approve the minutes. Motion passed unanimously.

Agenda Item 4 – For discussion and possible action: on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$25,000,000 of Multi-Unit Housing Revenue Bonds (Vintage at Washington Station), for the purpose of

construction of a 205-unit senior affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Vintage Housing Development and Aegon Asset Management, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$25,000,000 of multi-unit housing revenue bonds for the Vintage at Washington Station Apartments. He noted that the bonds will be used to provide for the new construction of a 205-unit affordable senior project in downtown Reno, Nevada. The rental housing will serve 205 senior households at or below 60% of the area median income. He noted the development team will consist of Vintage Housing and Greenstreet Development who have partnered previously on ten affordable projects over the past eight years. Mr. Holliday explained the financial structure and noted this project is a direct placement with Citi Bank. He noted there are \$25 million tax-exempt bonds and \$9.275 million secondary financing. He stated it generates \$19,000,000 of tax credit equity from the private sector and the price is indicated at \$0.89 per credit. He explained there is a clerical correction related to the Memo of the Findings of Facts wherein items D and F shall be corrected to Vintage at Washington Station Senior Apartments.

Member Sagert moved to approve Agenda Item 4. Motion passed unanimously.

Agenda Item 5 – For discussion and possible action: on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$42,000,000 of Multi-Unit Housing Revenue Bonds (Southwest Village Apartments), for the purpose of acquisition and rehabilitation of a 332-unit affordable housing rental project in Reno, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Lincoln Avenue Capital and Aegon USA Realty Advisors, LLC who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4). This project had originally applied and was approved by the Board of Finance at the May 2021 meeting. Due to material changes in the project's financing, including being awarded more than 60 Federal Veterans Affairs Supportive Housing (VASH) vouchers, the Division requested the Developer to submit a new application and forego the prior approval.

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$42,000,000 of multi-unit housing revenue bonds for the Southwest Village Apartments. He noted that the bonds will be used for the acquisition and renovation of a 332-unit affordable family apartment complex in Reno, Nevada. He noted this project was originally approved by the Board in May of 2021 and the developers were able to obtain 66 Veterans Affairs Supportive Housing (VASH) vouchers which will provide rental assistance and services to aid homeless veterans. He noted the bond cap requested allows for the acceptance of the VASH vouchers and will allow the project to meet the IRS 50% required to test for tax-exempt projects. He stated the rental housing will serve 332 households at or below 60% of the area median income. The project is anticipated to provide over \$52,000 per unit in renovation costs which include upgrades in energy conservation, along with new cabinets, countertops, appliances, and fixtures. The development team is led by Lincoln Avenue Capital which has been active in the Northern Nevada area including previous rehabilitation projects in Reno, Nevada with Whittell and Zephyr Pointe preservations. Mr. Holliday explained the financial structure and noted the project is a public offering secured by mortgage-backed security (MBS) issued by Fannie Mae. He noted there

are two series. The permanent series is \$37,790,000 in bonds and the short-term series is \$4,210,000. He noted that this project has approximately \$27,000,000 worth of private sector equity.

Member Courier moved to approve Agenda Item 5. Motion passed unanimously.

Agenda Item 6 – **For discussion and possible action:** on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to an additional \$1,000,000 of Multi-Unit Housing Revenue Bonds (Summit Club/Inova Apartments), for the purpose of completion of construction of a 584-unit affordable and market-rate housing rental project in Reno, Nevada. The project owner/developer is Summit Club Apartments LLC who is represented by Robert Klein, President of Klein Financial Corporation on behalf of DWF V Summit Club Holdings, LLC. Approval of the Board of Finance is required pursuant to NRS 319.270(4). This project was originally approved by the Board of Finance in May of 2016. Due to substantial material changes in the project's construction costs, the Developer is requesting the Division to issue additional tax-exempt debt in order to complete the project.

Mr. Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to \$1,000,000 of multi-unit housing revenue bonds for the Summit Club/Inova Apartments. He noted that the bonds will be used for the construction of a 584-unit affordable family apartment complex in Reno, Nevada. He noted that this project was previously approved by the Board of Finance in 2016 and the last buildings are now coming to completion. He noted that most of the units in this complex are market rate, however since this was a mixed-income development, 20% of the units (117 units) were necessary to be deemed affordable, however, the developer restricted 155 units at 50% AMI. He noted their request is to provide \$1,000,000 in private activity bond cap authority in order to secure additional equity. Mr. Holliday stated the \$1,000,000 of tax-exempt debt will be directly placed with Mizuho Bank who holds the rest of the debt for the project. He explained that the IRS changed the regulation wherein 2021 if you issue additional bonds, there is now a 4% floor for the tax credits which makes a difference of \$6.8 million to the project in addition to the \$1 million tax-exempt debt.

Treasurer Conine thanked Mr. Klein for bringing this project forward and for looking for innovative financing structures.

Treasurer Conine moved to approve Agenda Item 6. Motion passed unanimously.

Agenda Item 7- **Receive and discuss a report on bond expenditures as of June 30, 2021**

Chief Deputy Treasurer Tara Hagan presented the report on bond expenditures as of June 30, 2021. She noted the State's Debt Management policy requires that the State Treasurer's Office report the pace of the spending on bond proceeds to the Board. The two main reasons for this are to ensure compliance with the IRS rules and to ensure that the State is not paying interest on debt that is not being utilized. She reported that we are on pace with the issuances and agencies have done a great job on spending. She noted page 61 of the memo has a typo and should state the calendar year 2020 issuance. In less than 12 months, 40% has been spent (\$104 million of the \$263 million issued). In 2019 80% has been spent (\$140 million of the \$170 million) and in 2018 and 2017, 100% of the issuance has been spent. She mentioned that State Lands and the Treasurer's Office have worked together to consider ways that we can help increase spending for any division. She thanked Charlie, Ellery, Meredith, and the team as she and Jeff have met many times and were educated with their procedures, requirements, and revenue. She explained they collectively came about three main areas

where they can help increase the spending in the proceeds. One is to quicken the Request for Proposal bid process rather than waiting for the bond proceeds to come. She noted starting that process earlier would help ensure the monies are accessible for spending when the bond proceeds come in. Secondly, look at the cash flow in conjunction with the project. Lastly, they have identified language that can be proposed to LCB in the 2023 legislature for the bond issuance bill.

Treasurer Conine thanked Ms. Hagan, Mr. Landerfelt, and everyone who worked tirelessly to make this process better.

This item was presented as information only and no motion is required.

Agenda Item 8- For discussion and possible action: on the issuance of general obligation bonds by the State of Nevada.

Deputy Treasurer of Debt Management Jeff Landerfelt presented the fall 2021 General Obligation issuance which consists of six (6) series of bonds, the A through F. The 2021 Capital Improvement and Refunding Bonds has two components, one is the first tranche of AB492 in the 81st Legislative Session (\$108,900,000) necessary to complete approved capital improvement projections, and the second component to the series is a refunding (\$26,100,000) of the 2011A Capital Improvement, Cultural Affairs and Refunding Bonds for an anticipated net present value of savings of over 16%.

Mr. Landerfelt noted the next Series for Board approval is the 2021B Natural Resources in an amount not to exceed \$15,000,000. This series includes \$5,165,000 in funding for the Tahoe Environmental Improvement Program (EIP) administered by the State Lands Division. It also includes \$8,000,000 for Water Grants pursuant to NRS 349.986 administered by the Division of Environmental Protection Division. Mr. Landerfelt noted this issuance would be exempt from the Constitutional Debt Limit.

Mr. Landerfelt moved on Series 2021C Open Space, Parks and Natural Resources which provides funds pursuant to AB492 (Section 14) in the 81st Legislative Session for proceeds to support projects which preserve, protect and obtain the benefits of property and natural resources of the State. The bonds are exempt from the Constitutional Debt Limit. Mr. Landerfelt noted Series 2021D is a companion to Series C with \$7,000,000 in proceeds also used to carry out projects which preserve, project and obtain the benefits of the property and natural resources of the State. However, this series of bonds are subject to the Constitutional Debt Limit.

Lastly, Mr. Landerfelt presented Series E and F for Safe Drinking Water Revolving Fund and Water Pollution Control programs, respectively. He noted Series E is an amount not to exceed \$7,000,000 which includes \$5,000,000 for State matching funds for an anticipated \$25,000,000 federal grant, and \$2,000,000 to reduce a 2010I Bond for an anticipated net present value savings of 6%. The Series F Bond is an amount not to exceed \$5,000,000 to support State matching funds for an anticipated \$25,000,000 federal grant. Mr. Landerfelt noted both Series E and F are self-supporting bonds with debt service paid with principal and interest payments from loans made by the revolving fund. He stated the debt is exempt from the Constitutional Debt Limit.

- a. **Discussion and possible action** on a resolution designating the "2021A Capital Improvement and Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Capital Improvement and Refunding Bonds, Series 2021A, in the aggregate principal amount not to exceed \$135,000,000; providing the purpose for which such bonds are issued, the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Member Courier moved to approve Agenda Item 8a. Motion passed unanimously.

- b. **Discussion and possible action** on a resolution designating the "2021B Natural Resources Bond Resolution"; authorizing the issuance and sale of the State of Nevada, General Obligation (Limited Tax) Natural Resources Bonds, Series 2021B, in the aggregate principal amount not to exceed \$15,000,000; providing for the purpose for which such bonds are issued, the form, terms, and conditions of such bonds, and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Controller Byrne moved to approve Agenda Item 8b. Motion passed unanimously.

- c. **Discussion and possible action** on a resolution designating the "2021C Open Space, Parks and Natural Resources Bond Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Open Space, Parks and Natural Resources Bonds, Series 2021C, in the aggregate principal amount not to exceed \$8,000,000; providing for the purpose for which such bonds are issued, the form, terms, and conditions of such bonds, and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Controller Byrne moved to approve Agenda Item 8c. Motion passed unanimously.

- d. **Discussion and possible action** on a resolution designating the "2021D Open Space, Parks and Natural Resources Bond Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Open Space, Parks, and Natural Resources, Series 2021D, in the aggregate principal amount not to exceed \$7,000,000; providing for the purpose for which such bonds are issued, the form, terms, and conditions of such bonds, and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters.

Member Courier moved to approve Agenda Item 8d. Motion passed unanimously.

- e. **Discussion and possible action** on a resolution designating the "2021E Safe Drinking Water Revolving Fund Matching and Refunding Bonds Approval Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Safe Drinking Water Revolving Fund Matching Bonds, Series 2021E, in the aggregate principal amount not to exceed \$7,000,000.

Controller Byrne moved to approve Agenda Item 8e. Motion passed unanimously.

- f. **Discussion and possible action** on a resolution designated the "2021F Water Pollution Control Revolving Fund Matching and Refunding Bonds Approval Resolution"; approving the issuance of the State of Nevada, General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Bonds, Series 2021E, in the aggregate principal amount not to exceed \$5,000,000.

Member Courrier moved to approve Agenda Item 8f. Motion passed unanimously.

Agenda Item #9- For discussion and possible action: (a) regarding the State Treasurer's quarterly investment report for the quarter ended June 30, 2021, and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP). Approval of the Board of Finance is required pursuant to NRS 355.045.

Tara Hagan presented the report for the General Portfolio and Local Government Investment Pool (LGIP) for period ended June 30, 2021. She noted LGIP has total assets under management of \$2.1 billion with a yield to maturity of 0.22% which is approximately 12 basis points more than the benchmark yield.

She noted the General Portfolio market value was \$6.93 billion with the overall portfolio yield to maturity at 0.45%. She concluded her report noting the fiscal year 2021 interest distributed was approximately \$21 million from the earnings in the General Portfolio.

Member Sagert moved to approve Agenda Item 9. Motion passed unanimously.

Agenda Item 10 - Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 10:27 am.



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Jeff Landerfelt, Deputy Treasurer - Debt Management

SUBJECT: November 9, 2021 Agenda Item #4 - Resolution approving the Department of Taxation Permanent School Fund Report and the State Permanent School Fund Guarantee Agreement for Nye County School District

DATE: October 25, 2021

Agenda Item #4:

For possible action – Discussion and possible action on a resolution approving the report submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund (PSF) Guarantee Agreement pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2022, in the aggregate principal amount not to exceed \$40,985,000.

Summary: The State Treasurer and the Executive Director of the Department of Taxation are seeking the State Board of Finance's approval on the resolution pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2022, in the aggregate principal amount not to exceed \$40,985,000. The District is requesting to enter into a guarantee agreement with the State Treasurer to use the PSF to guarantee the payment of the debt service on the bonds. By utilizing the Permanent School Fund Guarantee Program (PSFG), the District anticipates realizing approximately \$725,000 in interest cost savings over the life of the bonds. The State Board of Finance's approval is required under Nevada Revised Statute (NRS) 387.513 to 387.528, inclusive.

Background: The PSFG allows Nevada school districts to apply to the State Treasurer for a guarantee agreement through which money in the PSF is used to guarantee the payment of the debt service on the bonds that the school district will issue. The amount of the guarantee for bonds of each school district outstanding at any one time must not exceed \$60 million.

Pursuant to NRS 387.513 to 387.528, inclusive, the State Treasurer may enter into a guarantee agreement with the school district if:

CARSON CITY OFFICE

State Treasurer
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS

Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Nevada College Savings Plans
Nevada College Kick Start Program
Unclaimed Property

LAS VEGAS OFFICE

State Treasurer
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax

1. The State Board of Finance approves the resolution approving the report submitted by the executive director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement (Reference Attachment A - Board of Finance Nye County PSFG Resolution and Attachment D – Nye County Guarantee Agreement);
2. The report submitted by the Executive Director of the Department of Taxation indicates the District has the ability to make timely payments of the debt service of the bonds and does not anticipate the need to increase its current tax rate in order to fund re-payment (Reference Attachment B - Report of Executive Director); and
3. The State Treasurer has determined that the amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds, will not exceed 250% of the lower of the cost or fair market value of the assets in the PSF (Reference Attachment C - Certificate of Treasurer).

The PSFG Program is currently rated “AAA” by S&P Global Ratings and “Aaa” by Moody’s Investor Service. The PSFG provides an opportunity for school districts to gain the benefits of a “AAA/Aaa” rating in the issuance of PSFG debt which results in greater marketability/access to investors and ultimately, interest cost savings. In some circumstances, it may not be financially feasible for a school district to issue debt without the benefits of the guarantee provided by the PSFG program.

Purpose of Bonds: The District will utilize the \$40,985,000 authorization granted upon approval of this Resolution to execute two issuances. The proceeds from the first issuance, to occur in February 2022 in the par amount of \$21,650,000, will refund all or a portion of its outstanding 2012 PSFG Bonds and 2020 non-PSFG Refunding Bonds. The District anticipates this refunding transaction to result in cashflow savings of approximately \$200,000 over the life of the bonds in addition to approximately \$525,000 of savings attributable to the use of the total PSFG authorization. These savings will fund improvements to athletic facilities and student transportation projects consistent with the original purpose of the refunded bonds. The remaining authorization of \$19,335,000, will be utilized in the second issuance in or around August 2022 to fund capital projects District-wide, including a new elementary school in Tonopah.

PSFG Details: As of November 9, 2021, the District has \$25,625,000 of outstanding principal guaranteed by the Permanent School Fund (PSF), or \$34,375,000 below the statutory maximum PSFG authorization of \$60,000,000. An additional \$6,610,000 of PSFG capacity will become available prior to the second issuance in August 2022 resulting from refund of the 2012 PSFG Bonds and May 1, 2022 debt service of existing PSFG debt. In total, the \$40,985,000 authorization will be utilized between the two issuances, at no time exceeding the maximum statutory PSFG authorization.

Recommendation: State Treasurer Zach Conine and Shellie Hughes, Executive Director of the Nevada Department of Taxation respectfully request the State Board of Finance’s approval of the resolution pertaining to the Nye County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2022, in the aggregate principal amount not to exceed \$40,985,000.

ATTACHMENT A

Resolution Approving the Report Submitted by the Executive Director of the Department of
Taxation and the State Permanent School Fund Guarantee Agreement

RESOLUTION

A RESOLUTION APPROVING THE REPORT SUBMITTED BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF TAXATION AND THE STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT PERTAINING TO THE NYE COUNTY SCHOOL DISTRICT, NEVADA, GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT AND REFUNDING BONDS (PSF GUARANTEED) SERIES 2022A AND THE NYE COUNTY SCHOOL DISTRICT, NEVADA, GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT (PSF GUARANTEED) SERIES 2022B.

WHEREAS, the provisions of NRS 387.513 to 387.528, inclusive (the "Guarantee Act") authorize the use of money in the State Permanent School Fund to guarantee certain bonds (the "Guarantee") issued by the school districts in the State of Nevada (the "State"); and

WHEREAS, Nye County School District, Nevada (the "District") has submitted its application to the State Treasurer for a Guarantee of its Nye County School District, Nevada, General Obligation (Limited Tax) School Improvement and Refunding Bonds (PSF Guaranteed) Series 2022A and the Nye County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed) Series 2022B, in maximum aggregate principal amount of \$40,985,000 (collectively, the "Bonds"); and

WHEREAS, the State Treasurer has provided a copy of the District's application to the Executive Director of the Department of Taxation (the "Executive Director") for investigation of the District's ability to make timely payments on the debt service of the Bonds; and

WHEREAS, the State Board of Finance (the "Board") has received a written report of the investigation by the Executive Director indicating her opinion that the District has the ability to make timely payments on the debt service of the Bonds (the "Report"); and

WHEREAS, the State Treasurer has determined that the amount of the Bonds subject to the Guarantee under the State Permanent School Fund Guarantee Agreement (the "Guarantee Agreement") to be entered into between the State Treasurer and the District for each series of Bonds, in addition to any other outstanding bonds of the District guaranteed pursuant to the Guarantee Act, does not exceed the limitations established by the Guarantee Act; and

WHEREAS, the Guarantee Act requires that the Report and the Guarantee Agreement be approved by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF FINANCE OF THE STATE OF NEVADA:

Section 1. All action previously taken by the Board, the Treasurer, the Executive Director and other officers of the State directed toward the Guarantee of the Bonds pursuant to the Guarantee Act are hereby ratified, approved and confirmed.

Section 2. The Report is hereby approved, and the Guarantee Agreement in substantially the form currently on file with the Secretary to the Board with such changes, modifications or amendments deemed necessary by the State Treasurer is hereby approved pursuant to the Guarantee Act which approval shall be valid for a period of 12 months following the date of this resolution.

Section 3. The Board, the Treasurer and other officers of the State and the Board are hereby authorized and directed to take all action necessary and appropriate to effectuate the provisions of this resolution, including without limitation, the execution and delivery of the Guarantee Agreement and Continuing Disclosure Agreement relating to each series of the Bonds.

Section 4. The State covenants for the benefit of the District to comply with the provisions of the final Continuing Disclosure Agreement relating to each series of the Bonds in substantially the form now on file with the Secretary to the Board, to be executed and delivered in connection with each series of the Bonds.

PASSED, ADOPTED AND APPROVED on November 9, 2021.

Attest:

Steve Sisolak, Governor, Chairman
State Board of Finance

Tara Hagan, Secretary
State Board of Finance

STATE OF NEVADA)
)
CARSON CITY) ss.

I am the duly chosen and qualified Chief Deputy Treasurer of the State of Nevada (the "State"), and ex officio secretary of the State Board of Finance (the "Board"), and do hereby certify that:

1. The foregoing pages constitute a true, correct, complete resolution (the "Resolution") which was passed and adopted by the Board at the duly held meeting of November 9, 2021, in the Old Assembly Chambers of the Capitol Building, Second Floor, 101 N. Carson Street, Carson City, Nevada 89701 and at 555 E. Washington Avenue, Las Vegas, Nevada (the "Resolution").

2. The original of the Resolution was signed by the Chairman of the Board and authenticated by me as ex officio Secretary of the Board, and was recorded in the minutes of the Board kept for that purpose in my office.

3. Members of the Board, i.e.,

Governor:	Steve Sisolak
Treasurer:	Zachary B. Conine
Controller:	Catherine Byrne
Other Members:	Teresa J. Courier
	Brian A. Sagert

attended such meeting and voted in favor of the passage of the Resolution.

4. All members of the Board were given due and proper notice of such meeting.

5. Pursuant to NRS 241.020, written notice of such meeting was given at least three working days before the meeting:

(a) By giving a copy of the notice to each member of the Board;

(b) By posting a copy of the notice on the State Treasurer's website; on the official website of the State pursuant to NRS 232.2175; and by posting a copy of the notice at the principal office of the Board; or if there is no principal office, at the building in which the meeting was held; and at least three other separate, prominent places within the jurisdiction of the Board; and

(c) By giving a copy of the notice to each person, if any, who had requested notice of the meetings of the Board in accordance with the provisions of Chapter 241 of NRS.

6. A copy of the notice so given is attached to this certificate as Exhibit A; a copy of the report of the Executive Director of the Department of Taxation is attached to this certificate as Exhibit B; and the Certificate of the State Treasurer making the determinations required by subsection 1 of NRS 387.522 is attached to this certificate as Exhibit C.

7. No other proceedings were adopted and no other action was taken or considered at such meeting relating to the subject matter of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand on November 9, 2021.

Tara Hagan, Secretary
State Board of Finance

EXHIBIT A

(Attach Copy of Notice of Meeting)

EXHIBIT B

(Attach Report of Executive Director)

EXHIBIT C

(Attach Certificate of State Treasurer)

ATTACHMENT B

Report Submitted by the Executive Director of the Department of Taxation



STATE OF NEVADA
DEPARTMENT OF TAXATION

Web Site: <http://tax.nv.gov>
1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937
Phone: (775) 684-2000 Fax: (775) 684-2020

RENO OFFICE
4600 Kietzke Lane
Building L, Suite 235
Reno, Nevada 89502
Phone: (775) 687-1295
Fax: (775) 688-1303

Steve Sisolak
Governor
JAMES DEVOLLD
Chair, Nevada Tax Commission
Shelle Hughes
Executive Director

LAS VEGAS OFFICE
Grant Sawyer Office Building, Suite 1300
555 E. Washington Avenue
Las Vegas, Nevada 89101
Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE
2550 Paseo Verde Parkway, Suite 180
Henderson, Nevada 89074
Phone: (702) 486-2300
Fax: (702) 486-3377

October 6, 2021

Ms. Tara Hagan
Chief Deputy Treasurer, Office of the Treasurer
State of Nevada
101 North Carson Street, #4
Carson City, NV 89701-4786

Re: Guaranty Request – Nye School District

Dear Ms. Hagan:

The Department of Taxation has reviewed the materials submitted on behalf of the Nye County School District pursuant to NRS 387.516. The documents are requesting authorization for a guaranty from the Permanent School Fund for a proposed bond issue. At the 2006 election, the District received approval from the voters to issue general obligation bonds to finance the acquisition, construction, improvement and equipping of school facilities as long as the issuance will not result in an increase of the existing school bond property debt rate of \$0.585. The District proposes to issue bonds in the amount of \$40,985,000 in February and August 2022.

In February 2022, the first series of bonds will refund bonds issued in 2012 and 2020. Through the refunding of the 2012 Bonds which are currently guaranteed by the PSF and the defeasance and/or payment of the May 1, 2021 maturities of PSF guaranteed bonds in the amount of 25,635,000. The savings for paying off the current bonds for a lower rate anticipates savings approximately \$500,000. The district calculates that it has \$40,985,000 of available capacity which refunded bonds will finance improvements to athletic facilities, and student transportation from the first issue. The second issue will provide funding for capital projects District-wide including a new elementary school in Tonopah.

The Department has concluded its analysis of the documents contained in the guaranty application and financial information submitted to the Local Government Finance Section. It appears that the school district does have the ability to make timely payment of the debt service of the bonds and does not anticipate the need to increase its current debt rate of \$0.585 in order to fund re-payment.

The Department of Taxation recommends that approval be rendered by the Board of Finance to facilitate the issuance of the Nye County School District School Building Bonds, in an amount not to exceed \$40,985,000.

Sincerely,


Shelle Hughes
Executive Director

cc: Marty Johnson
Ryan Henry
Ray Ritchie

ATTACHMENT C

Certificate of State Treasurer

CERTIFICATE OF STATE TREASURER

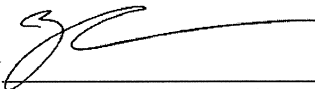
IT IS HEREBY CERTIFIED and determined by the undersigned, State Treasurer of the State of Nevada (the "Treasurer") that:

1. The Nye County School District, Nevada, General Obligation (Limited Tax) School Improvement and Refunding Bonds (PSF Guaranteed), Series 2022A and the Nye County School District, Nevada, General Obligation (Limited Tax) School Improvement Bonds (PSF Guaranteed), Series 2022B (collectively, the "Bonds") to be guaranteed by the State of Nevada under each Guarantee Agreement between the Nye County School District and the Treasurer will not exceed the combined aggregate principal amount of \$40,985,000.

2. The maximum principal amount of the Bonds (i.e., \$40,985,000), plus the total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, on the date of delivery of each series of the Bonds will not exceed the limitation established by subsection 1 of NRS 387.522.

WITNESS my hand on November 9, 2021.

STATE OF NEVADA

By 
Zachary B. Conine, State Treasurer

ATTACHMENT D

Guarantee Agreement

FORM OF STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT

DATED as of _____, 2022, by and between NYE COUNTY SCHOOL DISTRICT, NEVADA (the "District"), a school district duly organized and created under the laws of the State of Nevada and THE STATE TREASURER OF THE STATE OF NEVADA (the "Treasurer").

WHEREAS, the District is duly organized, created and existing under the laws of the State of Nevada (the "State"); and

WHEREAS, the District, as of the date hereof, will be issuing its General Obligation (Limited Tax) School Improvement [and Refunding] Bonds (PSF Guaranteed), Series [2022A][2022B] (the "Bonds"), in the aggregate principal amount of \$_____ to finance the acquisition, construction, improvement and equipping of school facilities [and to refund certain outstanding bonds of the District]; and

WHEREAS, pursuant to Chapter 387, Nevada Revised Statutes (the "Act"), the Board of Trustees of the District (the "Board") may apply to the Treasurer for a guarantee agreement whereby money in the State Permanent School Fund (the "Permanent Fund") is used to guarantee the payment of debt service on the Bonds; and

WHEREAS, the Board has applied to the Treasurer for a guarantee agreement; and

WHEREAS, pursuant to the Act, the Treasurer has provided a copy of the application and the supporting documentation to the Executive Director of the State Department of Taxation (the "Executive Director") and the Executive Director has submitted a report to the State Board of Finance indicating that the District has the ability to make timely payment of the debt service on the Bonds; and

WHEREAS, the Treasurer has determined that the total principal amount of the Bonds, together with the total amount of outstanding bonds guaranteed by the Permanent Fund, does not exceed the limitations established by the Act; and

WHEREAS, on November 9, 2021, the State Board of Finance adopted a resolution approving the report submitted by the Executive Director and the form of this guarantee agreement (the "Guarantee Agreement"); and

WHEREAS, the Bonds are authorized to be issued by a resolution of the Board (the "Bond Resolution") adopted on _____, 2022; and

WHEREAS, the District and the Treasurer wish to enter into this Guarantee Agreement in order to set forth the respective responsibilities of each party with respect to the Permanent Fund guarantee of the payment of debt service on the Bonds.

NOW, THEREFORE, the District and the Treasurer, in consideration of the mutual covenants herein contained, agree as follows:

Section 1. The Board hereby appoints the Treasurer, or Wells Fargo Bank, N.A., a commercial bank hereby designated by the Treasurer, as the paying agent (the "Paying Agent") for the Bonds. The Paying Agent may be replaced on the terms set forth in the Bond Resolution with the prior written approval of the Treasurer.

Section 2. No later than 5 business days prior to each date scheduled for the payment of principal and/or interest on the Bonds as set forth in the Bond Resolution, the District shall transfer to the Paying Agent sufficient moneys to pay the debt service coming due on the Bonds. The Board hereby agrees to deposit the amount of money due for each scheduled debt service payment with the Paying Agent no later than 5 business days prior to each scheduled debt service payment date, as set forth in the Bond Resolution. The District shall provide in the Bond Resolution that:

A. the Paying Agent must immediately notify the Treasurer if the Paying Agent has not received from the District the debt service payment on the fifth business day prior to the scheduled debt service payment date; and

B. the Paying Agent must give notice to the Treasurer of any optional redemption or defeasance of the Bonds.

Section 3. In the event the District determines that it will be unable to make a deposit with the Paying Agent as required in Section 2 hereof, the Superintendent of the District shall provide written notice to the Treasurer and the Paying Agent at least 60 days before such payment is due.

Section 4. In the event the District for any reason fails to make a timely payment of debt service on the Bonds as required by Section 2 hereof, the Treasurer shall withdraw a sufficient amount of money from the Permanent Fund to make the debt service payment on the Bonds, transfer to the Paying Agent no later than 1 business day prior to the scheduled debt service payment date a sufficient amount of money to make the debt service payment when due, and promptly notify the Executive Director of the payment. Such payment shall be made by the

Treasurer regardless of whether the District provides written notice to the Treasurer pursuant to Section 3 hereof. Such withdrawal from the Permanent Fund and payment of debt service on the Bonds shall constitute a loan to the District in the amount of the debt service paid on the Bonds. The loan shall be a special obligation of the District payable only from the sources set forth in Section 5 below. The loan shall bear interest at a rate determined by the Treasurer, which rate shall not exceed 1% above the average rate of interest yielded on investments in the Permanent Fund on the date the loan is made.

Section 5. In the event the Treasurer makes a loan to the District pursuant to Section 4 hereof, the District agrees to repay the loan from the following sources and in the following order of priority:

A. As soon as they are available, from District moneys available to pay debt service on the Bonds, unless payment from that money would cause the District to default on other outstanding bonds or medium-term obligations entered into pursuant to the provisions of Sections 350.087 to 350.095, inclusive, Nevada Revised Statutes ("NRS"); and

B. Immediately, until the loan is fully repaid (including any accrued interest on the loan), the Treasurer shall withhold payments of money that would otherwise be distributed to the District from:

(a) the interest earned on the Permanent Fund that is distributed among the various school districts pursuant to State law;

(b) distributions of the Local School Support Tax, which must be transferred by the State Controller upon notification by the Treasurer; and

(c) distributions from the State Distributive School Account.

C. The Treasurer shall apply the moneys received or withheld from the District pursuant to paragraphs (A) and (B) above first to the interest due on the loan and, when the interest is paid in full, then to the principal balance. When the interest and balance on the loan are repaid, the Treasurer shall resume making the distributions set forth in (a) through (c) above that would otherwise be due to the District.

D. The Treasurer shall notify the District of amounts withheld pursuant to paragraph (B) above and also shall notify the District when the loan is paid in full.

Section 6. The District shall not enter into any medium-term obligations pursuant to the provisions of NRS 350.087 to 350.095, inclusive, or otherwise borrow money during the

period in which the loan remains unpaid unless the District obtains the prior written approval of the Executive Director.

Section 7. This Guarantee Agreement shall be effective upon issuance of the Bonds and shall remain in effect until the Bonds are retired and all amounts owed by the District hereunder have been paid in full or otherwise discharged. Any amount owed by the District hereunder shall not be deemed paid in full or otherwise discharged if such amount has been recovered from the State or a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Section 8. The holders of the Bonds are third party beneficiaries of this Guarantee Agreement and are entitled to enforce the provisions of this Guarantee Agreement. Nothing in this Guarantee Agreement is intended or shall be construed to confer upon, or give to any person or entity, other than the District, the State of Nevada, acting by and through the State Board of Finance or the State Treasurer, and the holders of the Bonds, any right, remedy or claim under or by reason of this Guarantee Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations and agreements in this Guarantee Agreement shall be for the sole and exclusive benefit of the District, the State of Nevada and the holders of the Bonds.

Section 9. This Guarantee Agreement may not be modified or amended in any manner after the Bonds are issued if the amendment or modification would materially or adversely affect the holders of the Bonds. This Guarantee Agreement may only be amended or modified by a written amendment signed by the parties and approved by the State Board of Finance and the Board of the District. Notice of any such amendment must be sent to: Moody's Investors Services and S&P Global Ratings.

Section 10. It is mutually understood and agreed that this Guarantee Agreement shall be governed by the laws of the State of Nevada.

Section 11. If any section, paragraph, clause or provision of this Guarantee Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or enforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Guarantee Agreement.

Section 12. Nothing in this Agreement prohibits or otherwise limits or inhibits the reasonable exercise in the future by the State and its governmental bodies of the police powers and

powers of taxation inherent in the sovereignty of the State or the exercise by the United States of the powers delegated to it by the United States Constitution.

Section 13. Notices sent pursuant to the provisions of this Guarantee Agreement shall be sent to:

The District:

Nye County School District
484 S. West Street
Pahrump, Nevada 89048
Attn: Superintendent

The State:

Office of the State Treasurer
Capitol Building
101 N. Carson St., Suite 4
Carson City, Nevada 89701
Attn: Chief Deputy State Treasurer

The Paying Agent:

Wells Fargo Bank, N.A.
Corporate Trust Services - CMES
707 Wilshire Blvd., MAC E2818-176, 17th Floor
Los Angeles, CA 90017

Moody's:

Moody's Investors Service
99 Church Street
New York, New York 10007
Attn: Public Finance Rating Desk

S&P Global Ratings:

S&P Global Ratings
25 Broadway, 21st Floor
New York, New York 10004
Attn: Public Finance Rating Desk

IN WITNESS WHEREOF, the Treasurer and the District have caused this Guarantee Agreement to be duly executed and delivered as of the day and year first above written.

NYE COUNTY SCHOOL DISTRICT,
NEVADA

By: _____
President, Board of Trustees

STATE OF NEVADA

By: _____
Zachary B. Conine, State Treasurer

State of Nevada
DEPARTMENT OF BUSINESS & INDUSTRY
Housing Division
1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE: October 25, 2021

TO: State Board of Finance

AGENDA ITEM: Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the Multi-Unit Housing Revenue Bonds (Sagebrush Place II Apartments)

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

A. Time and Place of Meeting:

1:00 p.m., Tuesday, November 9, 2021, at the at the Old Assembly Chambers of the Capitol Building, 101 N. Carson Street, Carson City, Nevada 89701.

B. Matter to be reviewed: The Findings of Fact (Findings) of the Administrator of the Housing Division concerning the Multi-Unit Housing Revenue Bonds (Sagebrush Place II Apartments).

C. The Findings relate to the issuance of up to \$5,250,000 in multi-unit housing revenue bonds to provide an affordable housing opportunity for acquisition and rehabilitation of a 40-unit family apartment complex in Reno located at 1652 Wedekind Road in Reno, NV (the Project).

D. Both construction and permanent financing for the Project will be provided by a Fannie Mae multifamily affordable housing (FNMA MAH) mortgage loan in the approximate amount of \$6,250,000. This FNMA MHA loan is being underwritten by Grandbridge Real Estate Capital in their capacity as a FNMA delegated underwriter/servicer (Lender). This loan will be taxable. In order to satisfy criteria of the Low-Income Housing Tax Credit (LIHTC) program which requires a threshold amount of tax-exempt debt for project financing, the Division will need to issue tax exempt bonds in the amount of \$5,250,000. The bond issuance will also satisfy the Internal Revenue Code Section 42 Low-Income Housing requirement that tax-exempt debt in an amount at least equal to 50% of the tax credit depreciable basis be outstanding through the date until a project is “placed in service.” The Project borrower/developer will be a limited partnership which will consist of IPG Partners-7, LLC as the General Partner. Red Oak Equity Partners, LLC will act as Limited Partner and act as the equity investor and will provide approximately \$3,175,000 of equity through the purchase of 4% low income housing tax credits. The proposed public offering financing structure is in compliance with NRS and NAC Chapters 319 (Nevada Housing Finance Law).

E. Background of Agenda Item:

The Project borrower/developer, in concert with the Housing Division's financial team and bond counsel, has prepared the necessary documents to implement this acquisition rehabilitation housing project. Further, the project, as proposed, complies with the intent and purpose of Nevada Housing Finance Law. Also, the program and bond documents prepared will comply with the Internal Revenue Code of 1986 (United States Code Title 26), as amended.

F. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of an issue of bonds known as "Multi-Unit Housing Revenue Bonds (Sagebrush Place II Apartments)."

G. Attorney Opinion:

The Findings of Fact of the Administrator of the Housing Division have been reviewed by the Housing Division's Legal Counsel; and assuming the factual matter stated therein is accurate, and except for the bond issue cash flow analyses and other financial and statistical data included therein as to which no opinion is expressed, the findings comply with the requirements of NRS 319.190, 319.260 and 319.270.



State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

**Multi-Unit Housing Revenue Bonds
Sagebrush Place II Apartments**

In accordance with the requirements of NRS 319.190, 319.260 and 319.270, and based upon the memorandum of support, the Administrator of the Nevada Housing Division finds that:

1. There exists a shortage of decent, safe and sanitary housing at rental rates that eligible families can afford within the Reno, Nevada rental housing markets, as determined by the Administrator.
2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary rental housing in such housing market areas at rental rates, which families of low and moderate income can afford.
3. The proposed multifamily project will preserve the supply and improve the quality of decent, safe and sanitary rental housing for eligible families.
4. The rental housing to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapter 319 will be for public use and will provide a material public benefit to Reno, Nevada.
5. The Housing Division's estimates of revenues to be derived from the mortgage made under the proposed project, together with all bond proceeds, all subsidies, grants or other financial assistance and guarantees issued from other entities to be received in connection with the bond financing, will be sufficient to pay the amount

estimated by the Housing Division as necessary for debt service on the bonds issued for the financing of the proposed project.

BY: _____
Steve Aichroth
Administrator
Nevada Housing Division

DATE: _____

Administrator's Summary

This bond issuance will be used to provide for the acquisition and renovation of a 40-unit affordable family apartment complex in Reno. The rental housing will serve 40 households at or below 60% of area median income. In addition, this project has a 38 HUD Project Based Section 8 vouchers meaning tenants pay no more than 30% of their income on rent and HUD subsidizes the remaining rent payment to the landlord. The rent restrictions and vouchers effectively result in rents being roughly \$1,000 below equivalent market rate options for current residents. **Approval of this project will help preserve the project based vouchers and the corresponding rent subsidy for residents.** Project renovation will focus on energy conservation, ADA and site safety. Improvements include new roofs, windows, interior kitchens, bathrooms, furnaces and hot water heaters. Via this acquisition and rehabilitation process, the Division will be able to retain the affordability for these residents and all residents of this complex for the next 30 years and eliminate any predatory attempts to convert these units to market rate. Integra Property Group is not a Nevada based developer; however, they have had developments approved by the Board of Finance in 2016, 2019 and 2020 representing two apartment complexes in Reno and one in Las Vegas.

100% Affordable Rents: 40 units <60% AMI, 0 units <50% AMI, 0 units <40% AMI

1-bedroom units = 0, 2-bedroom units = 24, 3-bedroom units = 16

2-bedroom rents \$992 less than market rate

3-bedroom rents \$1,440 less than market rate

Developer – Integra Property Group; **Equity Investor** – Red Oak Equity Partners; **Permanent Loan** – Fannie Mae

\$5.25M in Bond Proceeds trips \$3.1M in LIHTC Equity (31.2% of total development cost)

	Sagebrush Place II	Program Average	Notes
Total Tax-exempt Bond ask	\$ 5,250,000	\$28,000,000	
Total Development Cost	\$10,146,268	\$36,117,895	Average of 2020 Acq/Rehab projects previously approved
Size of site	2.2 Acres	n/a	20 Units per acre average
Total # of Units	40	193	Average of previous 10 acq/rehab projects approved
Cost Per Unit	\$253,656	\$233,477	Average of last 5 acq/rehab projects previously approved
Bond Cap used Per Unit	\$131,250	\$139,858	Average of last 5 acq/rehab projects previously approved
Percentage of Units above 60% AMI	n/a	n/a	No Units in this project
Percentage of Units at 60% AMI	100%	91.1%	40 Units in this project
Percentage of Units at 50% AMI	0%	7.4%	No Units in this project
Percentage of Units at 40% AMI	0%	0.1%	No Units in this project
Percentage of Units at 30% AMI	0%	1.4%	No units in this project
Veteran's Preference	Yes	n/a	This has only been allowable since 2019
Length of Affordability Restrictions	30 years	30 years	
Conversation with School District	n/a	n/a	Existing project – should be no add'l impact

	Sagebrush Place II	Market Rate	
2 Bedroom Rent	30% of Household Income	\$1,430	JPG Data Q2 2021
3 Bedroom Rent	30% of Household Income	\$2,174	JPG Data Q2 2021
Average Vacancy Rate	2.00%	1.68%	JPG Data Q2 2021



October 20, 2021

Steve Aichroth, Administrator
Nevada Housing Division
1830 College Parkway, Suite 200
Carson City, NV 89706

Re: Sagebrush Place II Project

Mr. Aichroth:

This Review and Opinion is provided in support of the request by the Nevada Housing Division (“Division”) to the State of Nevada Board of Finance for approval of the Findings of Fact regarding the Sagebrush Place project (“Project”). The Division is requesting authorization for issuance of up to \$5,250,000 of Nevada Housing Division multi-unit housing revenue bonds to fund the acquisition and rehabilitation an existing affordable family property in Reno, Nevada.

PFM Financial Advisors LLC (“PFM”) has reviewed the Application of the borrower for financing of the Project and related supporting material submitted to the Division. We have also discussed the Project and financing with representatives of the borrower, lender, equity investor and Division staff.

The proposed financing is proposed as a fixed rate public offering which provides both construction and permanent financing. The financing is reviewed in greater detail in Exhibits A, B and D.

The proposed Project is viewed positively in the local community and has been endorsed by council members of the City of Reno. A tax-exempt financing by the Division of this Project is necessary for compliance with Federal tax rules to qualify the Project for 4% Low Income Housing Tax Credits. Equity proceeds from the sale of these credits are critical to successful construction of this new affordable senior housing project. at the proposed restricted income levels

In our opinion, the Project and the proposed financing meet the requirements of NRS 319.260 and NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Debt issuance will be subject to receipt of definitive loan and equity approval and final loan, bond and tax documentation.

Exhibit A: Project Overview and Plan of Finance
Exhibit B: Project Operating Proforma
Exhibit C: Borrower Finance Plan Statement
Exhibit D: Renovation and Relocation Overview

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

PROJECT OVERVIEW AND PLAN OF FINANCE**Summary of the Proposed Project:**

The Project will consist of acquisition and renovation of an affordable family housing project on a site of approximately 2.2 acres in the City of Reno located at 1652 Wedekin Road. The Project will consist of 40 family residential units in 8 separate multi-story buildings. The Project will also include a separate laundry facility.

The residential units in the Project will be restricted for tenants with incomes at or below 60% of area median income (AMI). 38 of the 40 Project units supported by HUD Project-Based Section 8 vouchers. Details of the rent set-aside plan are provided in Table A.

Table A: Project Unit & Rent Profile

Unit Mix	AMI Restriction	Number Units	Tenant Monthly Rent ¹	Section 8 Contract Payment	Net Monthly Unit Revenue	Total Monthly Revenue	Total Annual Revenue
<u>Section 8 Units:</u>							
2 Bedroom	< 60%	23	30% of Income	\$1,405	\$1,405	\$32,315	\$387,780
3 Bedroom	< 60%	15	30% of Income	\$1,705	\$1,705	\$25,575	\$306,900
<u>LIHTC Restricted:</u>							
2 Bedroom	< 60%	1	\$792		\$792	\$792	\$9,504
3 Bedroom	< 60%	1	\$859		\$859	\$859	\$10,308
Total Project Units		40				\$59,541	\$714,492

¹ Property owner pays all utilities

Project Sponsor/Developer:

Integra Property Group, LLC
520 Pike Street, Suite 1004
Seattle, WA 98101

Integra focuses exclusively on investment in affordable multifamily communities in select United States markets. Since inception in 2005, Integra has acquired and rehabilitated over 8,000 units of affordable rental housing.

The Borrower Entity:

The borrower/ownership entity will be a limited partnership consisting of IPG Partners-7, LLC as 0.01% General Partner and Red Oak Equity Partners, LLC. ("Red Oak") as 99.99% limited partner. Red Oak will provide an equity investment of approximately \$3,175,000 in exchange for 4% low-income housing tax credits to be allocated for the Project.

Project Renovation General Contractor:

J4 Development
1700 Jay Ell Drive
Richardson, TX 75081

J4 Development is a multifamily construction firm that specializes in large-scale asset renovation and repositioning, including affordable housing, market-rate housing and historic, student, military, and senior housing. The company has completed affordable housing projects in 14 states.

Property Manager:

PacifiCap Management Inc.
412 NW 5th Avenue, Suite 200
Portland, OR 97209

Plan of Finance:

Both construction and permanent financing for the Project will be provided by a Fannie Mae multifamily affordable housing (FNMA MAH) mortgage loan in the approximate amount of \$6,250,000. This FNMA MHA loan is being underwritten by Grandbridge Real Estate Capital in their capacity as a FNMA delegated underwriter/servicer (“Lender”). This loan will be taxable. In order to satisfy criteria of the Low-Income Housing Tax Credit (LIHTC) program which requires a threshold amount of tax-exempt debt for project financing, the Division will need to issue tax-exempt bonds in the amount of \$5,250,000.

The Division bonds will be fully collateralized as to both principal and interest at all times. Initially, collateral will be provided by all bond proceeds and borrower contributed cash. As the Borrower initiates construction draws against the FNMA MAH loan those proceeds will be deposited with the Trustee in a sub-account to the collateral escrow and an equivalent amount of bond proceeds will be released for project construction expenditures. The Division bonds are expected to be outstanding for up to 24 months and will be fully retired from the escrowed collateral upon the date the Project is “placed in service” for tax purposes.

The bonds are expected to be rated at a minimum of AA+ by S&P Global Rating Services and will be sold through a public offering by Stifel Nicholas.

Tax Credit Equity Investment

Red Oak Equity Partners, LLC will provide an equity investment of approximately \$3,175,000 to the Project.

The periodic advances of the equity investment are structured as follows:

- 1st Installment - \$635,000 at Closing (March 2022)
- 2nd Installment - \$317,000 at 40% completion (July 2022)
- 3rd Installment - \$714,000 at 75% completion (October 2022)
- 4th Installment - \$635,000 at 100% completion (January 2023)
- Final Installment - \$873,000 at full stabilization (July 2023)

Reserves:

The Borrower will be required to fund monthly deposits for future repairs and replacements to a reserve held by the Lender in an amount determined by Fannie Mae criteria and quantified by an engineering report. Minimum required replacement reserve deposits may be adjusted based on periodic future physical needs assessments. The Borrower will also be required to fund an Operating Reserve initially set at approximately \$595,000.

Sources and Uses:

Project sources and uses are summarized in Table B:

Table B: Sources and Uses of Funds	
Sources of Funds	
NHD Tax-Exempt Bond Proceeds	\$5,250,000
Taxable FNMA Loan Component	1,000,000
LIHTC Equity	3,174,791
HOME Loan	
Collateral Escrow Income	7,875
Cash Flow Prior to Conversion	235,993
Deferred Development Fee	477,609
	<u>\$10,146,268</u>
Uses of Funds	
Land Cost	\$800,000
Buildings	3,600,000
Rehabilitation Construction Costs	2,626,000
Finance & Soft Costs	927,714
Contingencies	243,600
Operating & Repair Reserves	654,061
Development Fee	1,294,893
	<u>\$10,146,268</u>

Bond/Loan Term Summary:

Principal Amount:	Not to exceed \$5,250,000
Bond Type/Rate:	Fixed Rate
Bond Dated:	As of Closing Date
Security:	Bonds fully collateralized as to principal and interest through final maturity or earlier optional redemption with US Treasury securities or equivalent rated money market funds consisting of US Treasury securities.
Interest Payments:	Semiannually on April 1 and October 1, commencing April 1, 2022
Principal Payments:	At maturity, or earlier optional redemption
Denominations:	Denominations of \$5,000 and multiples thereof
Maturity:	TBD (estimated to be 24 months)

Optional Redemption:	At any time after 18 months at par (100%) plus accrued interest to the date of redemption (subject to change).
Interest Rate:	Subject to pricing
Indenture Funds:	<ol style="list-style-type: none"> 1) Bond Fund <ol style="list-style-type: none"> a. Initial Deposit Account 2) Project Fund 3) Collateral Fund 4) Cost of Issuance Fund 5) Rebate Fund
Fees:	<ol style="list-style-type: none"> 1) Issuer Annual Fee @ 0.50% (50 bp) paid semiannually in advance 2) Trustee Annual Fee @ 0.05% (5 bp) paid semiannually in advance
Bond Rating:	S&P AA+ (expected)
Bond Sale:	Public Offering
Bond Counsel:	Kutak Rock, LLP
Underwriter:	Stifel Nicholas
Underwriter Counsel:	Norton Rose Fulbright

**Sagebrush Place
Project Operating Proforma**

Exhibit B

Revenue Escalation:	2.00%
Expense Escalation:	3.00%
Property Management:	3.50%
Vacancy Assumption:	5.00%

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income	83.00%									
Annual Gross Rental Income	\$728,782	\$743,357	\$758,225	\$773,389	\$788,857	\$804,634	\$820,727	\$837,141	\$853,884	\$870,962
Other: Ancillary Revenue	0	0	0	0	0	0	0	0	0	0
Total Residential Income	\$728,782	\$743,357	\$758,225	\$773,389	\$788,857	\$804,634	\$820,727	\$837,141	\$853,884	\$870,962
Less: Residential Vacancy	(36,439)	(37,168)	(37,911)	(38,669)	(39,443)	(40,232)	(41,036)	(41,857)	(42,694)	(43,548)
Effective Gross Income	\$574,644	\$706,190	\$720,313	\$734,720	\$749,414	\$764,402	\$779,690	\$795,284	\$811,190	\$827,414
Expenses										
General Administrative	\$25,272	\$26,030	\$26,811	\$27,615	\$28,444	\$29,297	\$30,176	\$31,081	\$32,014	\$32,974
Operating	\$121,134	\$124,768	\$128,511	\$132,367	\$136,338	\$140,428	\$144,641	\$148,980	\$153,449	\$158,053
Maintenance	\$42,673	43,953	45,272	46,630	48,029	49,470	50,954	52,482	54,057	55,678
Staff Payroll & Benefits	\$61,684	63,534	65,440	67,403	69,425	71,508	73,653	75,863	78,139	80,483
Property Management	28,282	29,130	30,004	30,904	31,831	32,786	33,770	34,783	35,826	36,901
Replacement Reserves	13,390	13,792	14,205	14,632	15,071	15,523	15,988	16,468	16,962	17,471
Total Operating Expenses	\$292,435	\$301,208	\$310,244	\$319,551	\$329,138	\$339,012	\$349,182	\$359,658	\$370,447	\$381,561
Adjusted Operating Expenses	\$242,721									
Net Operating Income	\$331,924	\$404,982	\$410,070	\$415,169	\$420,276	\$425,391	\$430,508	\$435,627	\$440,743	\$445,853
Cashflow Contributed to Project										
Senior Debt Service	\$269,287	\$323,144	\$323,144	\$323,144	\$323,144	\$323,144	\$323,144	\$323,144	\$323,144	\$323,144
Debt Service Coverage	123%	125%	127%	128%	130%	132%	133%	135%	136%	138%
Residual Receipts	\$62,637	\$81,838	\$86,926	\$92,025	\$97,132	\$102,247	\$107,364	\$112,483	\$117,599	\$122,709
LP Asset Mgt Fee	5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524
DDF Payments	57,637	76,688	81,621	86,561	91,505	83,597	0	0	0	0
DDF Balance	419,972	343,284	261,663	175,102	83,597	0	0	0	0	0
Surplus Cash		\$0	\$0	\$0	\$0	\$12,853	\$101,394	\$106,333	\$111,265	\$116,185

**Sagebrush Place
Project Operating Proforma**

Exhibit B

Revenue Escalation:	2.00%
Expense Escalation:	3.00%
Property Management:	3.50%
Vacancy Assumption:	5.00%

	2032	2033	2034	2035	2036
Income					
Annual Gross Rental Income	\$888,381	\$906,149	\$924,272	\$942,757	\$961,612
Other: Ancillary Revenue	0	0	0	0	0
Total Residential Income	\$888,381	\$906,149	\$924,272	\$942,757	\$961,612
Less: Residential Vacancy	(44,419)	(45,307)	(46,214)	(47,138)	(48,081)
Effective Gross Income	\$843,962	\$860,841	\$878,058	\$895,619	\$913,532
Expenses					
General Administrative	\$33,964	\$34,982	\$36,032	\$37,113	\$38,226
Operating	\$162,794	\$167,678	\$172,708	\$177,890	\$183,226
Maintenance	57,349	59,069	60,841	62,667	64,547
Staff Payroll & Benefits	82,898	85,385	87,946	90,584	93,302
Property Management	38,008	39,149	40,323	41,533	42,779
Replacement Reserves	17,995	18,535	19,091	19,664	20,254
Total Operating Expenses	\$393,008	\$404,798	\$416,942	\$429,450	\$442,333
Adjusted Operating Expenses					
Net Operating Income	\$450,954	\$456,043	\$461,116	\$466,169	\$471,198
Cashflow Contributed to Project					
Senior Debt Service	\$323,144	\$323,144	\$323,144	\$323,144	\$323,144
Debt Service Coverage	140%	141%	143%	144%	146%
Residual Receipts	\$127,810	\$132,899	\$137,972	\$143,025	\$148,054
LP Asset Mgt Fee	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563
DDF Payments	0	0	0	0	0
DDF Balance	0	0	0	0	0
Surplus Cash	\$121,091	\$125,978	\$130,843	\$135,683	\$140,491

Borrower Financing Representation**Proposed Project: Sagebrush Place II Apartments (fka Centennial Park Apartments)**

To facilitate review and approval of financing by the Nevada State Board of Finance for the proposed project the sponsor/borrower should demonstrate it has evaluated reasonable alternative financing providers/programs. Select Option A and provide the requested information. Should the sponsor/borrower prefer not to provide, or be unable to provide, information requested in Option A, select Option B.

A narrative discussion of the rationale for selection of your proposed lender would be helpful and can be provided in the Sponsor/Borrower Statement section. This would be particularly useful should you select Option B.

☐ **Option A**

<u>Lender</u>	<u>Rate</u>	<u>Fees</u>

☒ **Option B**

The sponsor/borrower represents that it has performed what it deems to be reasonable due diligence in evaluating and selecting the lender for the proposed project financing. The sponsor/borrower is experienced in arranging funding for projects of the type proposed and is capable of making an informed determination as to the most suited option available for the above-named project.

Sponsor/Borrower Statement:

Given the current economic conditions, we ran numerous different debt scenarios – including Fannie Mae, Freddie Mac and private placement, and Fannie Mae's multifamily affordable housing program was the most competitive in terms of rate and costs. Integra Property Group, the Sponsor, has an existing relationship with both Grandbridge Real Estate Capital (the loan originator and servicer) and Fannie Mae, and has closed on numerous, nearly identical transactions which provides advantageous terms versus other debt products. This relationship not only delivers a lower cost structure, but also locks in certain tiers of the rate stack months in advance, ultimately leading to a more competitive rate.

By: _____

Title: Authorized Agent

Firm: Integra Property Group

TENANT RENOVATION AND RELOCATION MANUAL

2022 Renovation

**Sagebrush Place II (fka Centennial Park Annex)
1652 Wedekind Road
Reno, Nevada 89512**

Dated: June 2021

Introduction

Starting in the first quarter of 2022, Sagebrush Place II will be undergoing an interior and exterior renovation that will last approximately twelve months. One of the critical contributors to the success of this project will be the way we work with residents during this period of community revitalization. Experience has shown that a smooth resident communication process can be achieved through careful planning, clear communication and appropriate contingency plans. This Manual should be carefully read and followed by all onsite staff, by all construction managers and by all other parties associated with the renovation. This Manual is the reference document for all construction-related tenant protocols and a copy should be maintained onsite at all times.

By way of background, we are an affordable housing preservation company that has acquired and preserved many thousands of units of Section 8 housing nationwide. Most of these preservations involved major renovation and each has been completed on occupied units. For example, in recent years we completed four major renovations on other Section 8 properties in Ohio. No tenants were displaced, and the renovations went very well. Though we are highly confident in our ability to perform thoughtful occupied-renovations, we are always seeking opportunities to improve our protocol. For this reason, at the conclusion of each project we conduct a post-construction debrief. We have often been honored by the expressions of overwhelming resident gratitude and appreciation – not just for the improvements, but also for the way residents appreciated being were treated. Though compliments are appreciated, our goal in such meetings is to learn how we may improve. This Manual will serve as a current repository of our tenant management best practices and has been customized for the specific needs and sensitivities required for Sagebrush Place II.

Renovation, particularly in-unit renovation, is disruptive by nature. Various practicalities and sensitivities must be considered, which may vary from unit to unit (and person to person). Renovation is also by nature unpredictable, as unanticipated items invariably arise during the course of work that must be addressed real-time. Such unanticipated items have the potential to affect not only the renovation timeline but also the tenant experience. It is thus critical that proper contingency planning be put in place in advance.

We have consciously selected J4 Development as our general contractor for Sagebrush Place II. J4 has significant experience completing occupied unit renovations, and has proven to be a firm that shares our sense of resident prioritization. We used J4 on the previously mentioned projects in Ohio, along with numerous other in-place rehabilitations spread across thousands of units, including other tax credit renovations in Reno, NV. They have become our go-to contractor for occupied renovations. J4's involvement in the development team materially increases our confidence in a positive execution.

This Manual considers the renovation in four phases: i) preconstruction, ii) initial, iii) renovation, and iv) the post construction debrief. Outlined within the manual are the core components to each phase.

Preconstruction Phase

Section 8 residents are often unaware of their rights as tenants, and can become easily intimidated by talk of their property being sold or of it going 'tax credit.' Many initially fear that the Section 8 may be lost, that they may be evicted or that their rents may increase. It is important that we recognize these anxieties and that we sufficiently allay such fears as early as possible. As an affordable housing preservation company, our motivations are perfectly aligned with theirs – namely our interest in seeing the property's affordability preserved, and in improving the quality of the asset to ensure the highest quality living environment.

Pre-Acquisition Meeting ("Pre-Acq") - A meeting should be scheduled with the residents as early in the acquisition process as possible, and translation services should be offered for those not fluent in English. Notice of the meeting should be posted in multiple conspicuous locations and delivered to each tenant. Significant advanced notice of the meeting should be given, and it should be scheduled at a time and place that is convenient for most residents. The goal is to maximize resident attendance. If COVID-19 preventative recommendations, such as social distancing and the use of face masks are still in place, the team will ensure to implement these precautionary measures. If necessary, based on attendance, the team will hold smaller tenant meetings as further preventative measures. In the meeting, a representative of the developer should personally speak, explaining that the property is in contract to be sold and that the new owner is seeking federal incentives to acquire and preserve the asset. The following items should be made explicitly clear at the outset:

- 1) The developer is dedicated to preserving and improving Section 8 housing.
- 2) The property will remain Section 8.
- 3) No tenant will be required to move because of the sale.
- 4) Tenant rents will not change.
- 5) The property will be renovated and improved.
- 6) It is anticipated that residents can remain in their unit during the renovation.

The Pre-Acq meeting is also an excellent opportunity for the residents to ask questions and express their thoughts or suggestions on renovation needs. It is also a good opportunity for the residents to meet the developer and form an initial relationship – effectively giving a face to the buyer and humanizing the sale. Because the acquisition will involve various third-party inspections, it is important that residents understand the reason such inspections are necessary. It is also important that they understand the timeline and logistics anticipated for the actual renovation. Adequate time should be allotted to answer any and all questions. The property manager should be identified as the main point of contact for additional inquiries, which should continue to be welcomed and solicited. Residents should be encouraged to view themselves as an important part of the process. They are.

Following Pre-Acq, a meeting should be held with the manager to discuss the anticipated renovation plan and to consider any special needs of any such residents. Any resident health and mobility concerns must be carefully considered.

Initial Phase

Once an anticipated closing date has been set, the developer should hold another meeting with the site staff to discuss expected renovation logistics and timing. This Manual should be carefully reviewed at that time by all site staff and time should be allocated so that all questions can be thoroughly addressed.

The property manager at the property has an excellent relationship with the residents and is well-informed of their individual needs and sensitivities. The manager has been designated the Tenant Relocation Supervisors (“TRS”) and will serve as the main point of contact for resident relocation concerns. The TRS is responsible for ensuring this Manual is followed by the site staff and construction team, for overseeing any temporary tenant relocation and for identifying unique situations and conflicts as they arise. The TRS is the advocate of the residents, and is responsible for ensuring the renovation prioritizes their comfort and safety. The construction process is an exciting experience that can sometimes produce anxiety. It will be important for the TRS to make residents feel comfortable and to honestly answer all of their questions to the best of their ability.

During the Initial Phase the TRS will meet privately with any residents who may be immobile or have other health/specific issues that would require special planning. The TRS will discuss any special-needs units with the developer and the contractor and the specialized renovation of these units will be factored into the overall plan. More information on how we will handle special needs situations is contained in the Renovation Phase description.

Prior to the start of work, the final scope should be conveyed to the residents in a way designed to build excitement and encourage interaction with site staff. This is a good opportunity for residents to allay any lingering anxieties and to ensure all residents have a clear understanding of what to expect. We have found that the more they feel a part of the plan; the more residents welcome the improvements to their units. Pizza and drinks will be provided to encourage resident attendance and interaction. As previously discussed, any on-site meetings will take the necessary preventative measures related to COVID-19.

Renovation Board - A ‘renovation board’ will be placed in a central location in or near the leasing office and will remain during the entire construction period. The board will be colorful and intended to create a sense of resident excitement and anticipation. It will serve as a central place for residents to view the scope, product samples, timelines, COVID-19 protocols and construction updates. It should be updated and kept current so as to always reflect a real-time sense of progress and next steps. For resident safety and confidentiality, the schedule of any specific unit work should not be posted publicly, though general unit renovation logistics and work timelines may be provided.

Renovation Phase

The renovation at the property can be grouped into three categories: 1) site renovations, 2) exterior renovations, and 3) interior renovations. Work in each category may require notice to residents; however, the only work that may require resident cooperation is the interior renovation work. Based upon prior experience, it is estimated that work on a typical unit will take less than one week per unit to complete.

We expect an organized jobsite where safety and cleanliness are prioritized. For resident safety, all workers must wear either a construction vest or branded company clothing clearly delineating them as part of the construction team. No exceptions to this rule will be allowed, and any worker not wearing such clothing will be asked to leave the jobsite. Construction materials must be securely stored, and any roll-off containers or other construction equipment must be properly sequestered or located out of the flow of pedestrian and vehicular traffic.

The project manager must report daily to the TRS to detail the desired work schedule and to solicit TRS feedback and comments. The TRS will approve or modify the proposed schedule. No work will occur without TRS prior approval.

Project Specific Plan – Sagebrush Place II

The specific tenant relocation and considerations being employed for Sagebrush Place II are detailed in this section and incorporate resident Pre-Acq comments, TRS suggestions and site-specific requirements. The following bolded paragraphs provide an overview, the details of which are further delineated in the subsections that follow.

No resident is anticipated to be displaced overnight to accommodate the work. When a unit is scheduled for renovation, significant advanced notice will be provided so the resident may prepare. Locking storage containers and packing assistance will be provided, as will wrapping or padding any furniture or fragile items. When the unit interior renovations begin, a hospitality suite will be available for resident day use.

Work is anticipated to take approximately 5-7 days per unit, and all work will be conducted during regular business hours. To accomplish an efficient in-unit renovation, careful scheduling and preparation is required of the contractor. No work may begin in any unit unless a fully functional unit can be delivered to the resident at the completion of each day. For example, if a toilet is to be installed one day, the resident must return to a fully functional toilet that evening. In the event unforeseen circumstances arise during the construction that prevent a fully functional unit from being returned to a resident in any given day, the resident must be offered overnight accommodation at a quality nearby hotel, as well as transportation, food and compensation for the inconvenience.

The TRS will serve as the main point of contact for the residents, and the TRS will be a champion of resident concerns during the process. If at any time the TRS becomes concerned about the impact of the renovation plan on the residents, all work will be stopped until the contractor, the developer, the architect and the TRS can develop a more appropriate plan.

More specific detail on each component of the renovation plan for Sagebrush Place II follows:

Hospitality Suite – prior to unit renovations, a designated area in office building will serve as a ‘hospitality suite’. The room will be furnished, air conditioned, and has bathroom facilities. Bottled water and snacks will be provided, and an entertainment center will be set up to offer movies and entertainment. Due to the nature of the construction, only the tenants having work completed during a specific day may need to use the Hospitality Suite, if they choose. As a preventative measure, the suite should be cleaned by maintenance as necessary after use. While the Hospitality Suite is available, we have found in the past that many tenants choose to stay in their units or will leave their unit during the day for work, or various other reasons. As discussed, the contractor will be taking the required precautionary safety measures, such as face masks, gloves and disinfectant, when work is being complete inside of units, whether the tenants choose to stay.

Resident Belongings – As a courtesy, several lockable Rubbermaid-style storage containers and boxes will be provided to secure resident belongings during the renovation. The TRS will handle distribution of storage containers, and will time their delivery to the upcoming unit renovation schedule. We have found that most residents prefer to pack their own belongings, so as much time as possible should be provided for them to do so. However, it is important that residents understand they are not required to pack any items themselves. If they prefer, the TRS, maintenance and representatives of the contractor will assist with all packing. The intention is that all resident belongings remain securely located in the resident’s unit if possible. However, in instances where this may be impractical, a securely locked room onsite shall be provided for resident belonging storage, and assistance will be provided transporting items to such onsite storage location. Residents will have 24-hour access to the secured room, a key for which will be kept by onsite staff. Onsite staff will thus oversee all access to the room.

Special Circumstances – It is critically important to plan for the unforeseen. For any unit not fully functional at the end of the day, or for any resident the TRS believes warrants it – in the sole discretion of the TRS and without developer input - the TRS may offer affected residents’ overnight accommodation at a quality nearby hotel (three stars or higher), plus transportation, meals (\$20/person/night) and monetary compensation (\$30 gift card/person/night). If the TRS believes any circumstances require additional or different accommodation, they will communicate with the developer.

Because the renovation involves working in occupied units, even with proper preparation of resident belongings there is the potential that items may be inadvertently damaged. Residents observing damage will report it to the TRS, who will work with the contractor to determine an appropriate solution. If the TRS determines that monetary compensation is appropriate, the TRS and the resident shall agree to an amount that is fair and the contractor has agreed to reimburse the resident for this amount.

Safety – A continuously cleaned jobsite is expected. Examples of this can include disinfecting of units after completion of work or when the roofs are being installed an individual will be tasked with using a magnetic roller during work to ensure no stray nails are left on the site. Job site safety should always be a significant concern to the TRS and staff. As appropriate, the TRS should send out notices reminding residents to use

common sense in not allowing guests near construction equipment or materials. Residents should also be encouraged to immediately alert the TRS of any hazardous conditions they see on the job site so that proper steps can be taken to immediately mitigate potentially hazardous conditions.

Unit Inspections - When the contractor initially begins work on a unit, the head of maintenance and manager should inspect the unit with the contractor to note and record any pre-existing damage. The manager will walk the units with the architect and head of maintenance when the renovated units are presented as complete according to the contractor's scope. During this walk, a list of incomplete items will be generated. It will then be the responsibility of the head of maintenance to re-inspect each unit to ensure that the items on the list have been completed and that no resident belongings have been damaged. For the first several inspections a representative from the development team will be available to help communicate the standard of quality expected and identify any general concerns. If there are ever any questions about unit inspections, or other renovation issues, the manager should not hesitate to contact the owner directly. Should COVID 19 advisories be in place, the team will assess any recommendations and ensure proper preventative measures, such as Personal Protective Equipment (PPE), are in place at the time of the unit inspections.

Complaints and Concerns - Any complaints and issues should be documented using the forms included in this relocation manual, and copies of such forms should be readily available to residents during the entire renovation period. The TRS should review any complaints and should provide a copy to the developer as well as the contractor. All complaints should be remedied to the satisfaction of the TRS, in their sole discretion. A copy of any documented complaints should be retained in the resident's personal file.

Communication - Throughout the project, the developer and Contractor will hold monthly progress meetings with the TRS to discuss the project. This will be a chance for the developer to inspect the work that has been completed on site and to catch up on any new issues. It is critical that the head of maintenance and either the TRS also be present at every meeting, as they are essential components to the success of the renovation and providing feedback to both the developer and contractor.

It is critical that the maintenance staff not engage in any work that is part of the construction scope. This is important for safety, warranty and workload purposes. Maintenance should continue to serve the needs of residents and the property just as they normally would. Any situations which may warrant an exception to this rule should be discussed with the manager and developer.

Construction Logistics and Scheduling - As mentioned, the development team and contractor have completed many similar occupied renovations nearly identical to Sagebrush Place II without issue. The contractor has developed many protocols for the renovation that minimize resident inconvenience. Following detailed discussion between developer and contractor, the following logistical and scheduling optimizations will be part of the renovation. We have learned that by properly preparing and organizing the renovation in advance, the in-unit component of the renovation can be materially accelerated, and resident disruption can thus be minimized.

Because the scope of renovation for any particular unit will have been determined in advance, the contractor will work with their distributor to package the materials for

delivery on a unit-by-unit basis. For example, cabinetry will be shipped such that the boxes for a particular unit are delivered together. In this manner, the number of times any particular unit is accessed can be minimized. As another example, kitchen sinks will have faucets and plumbing connections affixed prior to unit entry, so that upon entry the contractor will only need to insert the sink in the counter and affix the water and drain connections. These sorts of time-saving and resident-prioritization techniques are the reason we have chosen our specific contractor. They will benefit the project and the residents as a consequence.

Construction Timing and Phasing – Unit interior renovation work is planned to begin approximately six weeks following closing. To minimize the disruption to residents accessing and egressing their units, the renovation will be organized by building (note, we must allow the contractor the flexibility to determine which specific building to prioritize based upon material availability, though the expectation is that work be concentrated within one section of the property at any particular time).

At least two weeks prior to a resident's unit receiving improvements, a projected renovation timeline will be shared, and storage boxes/bins will be provided. The TRS will visit each unit and discuss the plan for preparing resident belongings. Those residents desiring to complete their own packing are welcome to do so, and those desiring assistance will receive it.

One week prior to renovation commencement, residents will be given a specific timeline for exactly when work on their unit will begin and the anticipated timeframe for completion. Twenty-four hours before contractor access, the TRS will again visit the unit and ensure that all materials have been properly stored and that the unit is ready for contractor access. Only after the TRS approves a unit as ready, and after the resident relinquishes usage, will the contractor begin work. Again, it is the expectation that all work be completed as expeditiously as is possible to provide a quality end product. If the contractor should have any concerns regarding their ability to meet the stated schedule, they will communicate such concerns with the TRS during the next morning meeting, and a unit-specific plan will be developed.

Post Construction Debrief

Despite the best intentions, no renovation goes perfectly. There are always opportunities for improvement, and we have designed the Post Construction Debrief (“PCD”) as an opportunity to build upon our experience and learn where we may improve our process the next time. As such, upon construction completion for Sagebrush Place II, we will conduct a post construction debrief that will involve enhanced participation on a few levels.

Residents – a PCD meeting will be held with the residents (noticed and conducted in the same manner as the Pre-Acq meeting). Residents will be encouraged to provide candid feedback on their renovation experience and the developer will take notes on the feedback provided. Residents will be invited to meet privately with the developer following the meeting to convey any concerns or compliments they may prefer to make privately. In addition, a survey will be circulated to all residents to encourage feedback – this has the benefit of soliciting comments from those unable to attend the meeting, while also affording complete confidentiality and thus encouraging frank comments.

TRS/Site Staff – a representative of the developer will hold a private PCD meeting with the TRS, in which the renovation will be discussed in detail. The focus of the discussion will be on the resident experience. Feedback will be sought and any concerns or special situations that arose will be considered.

Contractor – a representative of the developer will hold a private PCD meeting with the project manager of the general contractor, in which the renovation will be discussed in detail. The focus of the discussion will be on the resident experience. Feedback will be sought and any concerns or special situations that arose will be considered.

The intention in all PCD discussions is the opportunity to encourage constructive criticism with a focus on improving the tenant renovation experience at future preservation projects. Only by encouraging frank and candid feedback can we hope to truly improve this Manual and our process in general.

COVID-19 Addendum

The development team will continue to evaluate and monitor the status of COVID-19. As responsible owners, and out of concern for tenants and staff, caution and consideration must be given. The development team will incorporate any local COVID-19 related requirements that are in place at the time of construction commencement, and the team will assess any further recommendations and ensure proper preventative measures, such as Personal Protective Equipment (PPE), disinfecting of units, etc., are in place. Attached as exhibits to this relocation manual are COVID-19 fact sheets, sub-contractor guidelines, and the general contractor's COVID-19 prevention, preparedness and response plan. These addendums will be posted on-site and updated as needed throughout the construction process.

State of Nevada
DEPARTMENT OF BUSINESS & INDUSTRY
Housing Division
1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE: October 25, 2021

TO: State Board of Finance

AGENDA ITEM: Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the 2021 Single Family Mortgage Revenue Bonds

PETITIONER: Steve Aichroth – Administrator, Nevada Housing Division

A. Time and Place of Meeting:

1:00 p.m., Tuesday November 9, 2021, at the at the Old Assembly Chambers of the Capitol Building, 101 N. Carson Street, Carson City, Nevada 89701.

B. Matter to be reviewed:

The Findings of Fact (“Findings”) of the Administrator of the Housing Division concerning the 2021 Single Family Mortgage Revenue Bonds. The Findings relate to the issuance of up to \$54,000,000 in tax-exempt Single Family Mortgage Revenue Bonds in Multiple Series for 2021.

The Housing Division will issue up to \$54,000,000 of Tax-exempt Single Family Mortgage Revenue bonds in multiple series through the end of the 2021 calendar year. The Division anticipates remarketing or refunding these issues into a long-term bond structure on or prior to December 15, 2022. This request will also exhaust the remainder of 2018 Private Activity Bond Cap held by the Division which would otherwise expire on December 31, 2021.

C. Background of Agenda Item:

The Housing Division's financial team and bond counsel, will prepare the necessary documents to implement each series issued under this request. Further, the issuances, as proposed, complies with the intent and purpose of Nevada Housing Finance Law. Also, the program and bond documents prepared will comply with the Internal Revenue Code of 1986 (United States Code Title 26), as amended.

D. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of up to \$54,000,000 in tax-exempt Single Family Mortgage Revenue Bonds in Multiple Series for 2021.

E. Attorney Opinion:

The Findings of Fact of the Administrator of the Housing Division have been reviewed by the Housing Division's Legal Counsel; and assuming the factual matter stated therein is accurate, and except for the bond issue cash flow analyses and other financial and statistical data included therein as to which no opinion is expressed, the findings comply with the requirements of NRS 319.190, 319.260 and 319.270.



State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

**Single Family Mortgage Revenue Bonds
2021 Multiple Series in an Aggregate Amount Not to Exceed \$54,000,000**

In accordance with the requirements of NRS 319.190, 319.260 and 319.270, and based upon the memorandum of support, the Administrator of the Nevada Housing Division finds that:

1. There exists a shortage of decent, safe and sanitary housing at mortgage rates that eligible families can afford within the State of Nevada housing markets, as determined by the Administrator.
2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary housing in the State of Nevada housing market areas at prices which families of low and moderate income can afford or to provide sufficient mortgage financing for residential housing for ownership by such persons or families.
3. The proposed Single Family Mortgage Revenue Bond Program and the residential housing thereby financed will increase the supply or improve the quality of decent, safe and sanitary housing for eligible families.
4. The persons to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapters 319 will be for public use and will provide a material public benefit to the State of Nevada.
5. The Housing Division's estimates of revenues to be derived from the Single Family Mortgage Revenue Bond Program Financing, together with all subsidies, grants or

other financial assistance and guarantees issued from other entities to be received in connection with the Single Family Mortgage Revenue Bond Program, together with all bond proceeds and all insurance and guarantees issued from FHA, VA, PMI, Ginnie Mae, Fannie Mae, Freddie Mac, Division bond reserves or from others entities to be received in connection with the mortgage loans, mortgage backed securities, will be sufficient to pay the amount estimated by the Housing Division as necessary for debt service on the bonds issued for the financing of the proposed project.

- 6. Private enterprise has been unable to provide sufficient mortgage financing or loans upon the Housing Division’s reasonably equivalent terms and conditions for housing for purchase by persons and families of low and moderate income.

BY: _____ DATE: _____
Steve Aichroth
Administrator
Nevada Housing Division



October 20, 2021

Steven Aichroth
Administrator
Nevada Housing Division
1830 College Parkway, Suite 200
Carson City, NV 89706

Re: Single Family Mortgage Revenue Bonds, Series 2021C

pfm

1200 Fifth Avenue
Suite 1220
Seattle, WA 98101
206.264.8900

pfm.com

Mr. Aichroth:

This Memorandum is provided in support of the request by the Nevada Housing Division (Division) to the State of Nevada Board of Finance for approval of the Findings of Fact for the Single-Family Mortgage Revenue Bonds, Series 2021C and authorization for issuance of up to \$53,520,369 of Nevada Housing Division bonds to provide mortgage financing for single family residential housing for qualifying homebuyers.

The requested financing is for preservation of bond volume cap accrued in 2018 and 2019 scheduled to expire on December 31, 2021. The goal with this financing is to preserve this bond cap for use with future issues to support the Division's single family mortgage loan program.

Program Background:

The Division has operated a program providing mortgage loans for first time homebuyers for more than thirty years and has issued and retired in excess of \$2 billion of single-family mortgage revenue bonds. In addition to serving the broader market the program has included special mortgage programs for military veteran home buyers and teachers.

The last issue of tax-exempt single-family bonds by the Division, Series 2021A, was issued in June 2021. Series 2021B is scheduled for sale in mid-November 2021 and the proposed Series 2021C will be sold in December 2021. As of September 30, 2021, the Division had issued eleven series of bonds under the 2008 General Indenture totaling \$348,964,179 of which \$162,926,686 remained outstanding.

In late 2014 the Division supplemented its traditional single-family mortgage revenue bond program funded by issuance of tax-exempt bonds with a newer taxable direct placement mortgage-backed security (MBS) program. The transition to the alternative program was related to market-driven changes in the relationship of the tax-exempt and taxable yield curves. As the market has evolved, the Division has been utilizing both programs to provide a wide range of loan offerings to meet the needs of Nevada residents.

Summary of the Proposed Financing:

The proposed Series 2021C Bonds will be sold either as a direct placement with a commercial bank or as a short term publicly offered transaction. In either case the bonds will be fully collateralized with the bond proceeds which will be invested in eligible securities meeting the criteria for a A-1 or A-1+ short-term rating by S&P Global Ratings.

The bonds will be fixed rate. If a public offering methodology is selected the bonds will be sold with a negotiated underwriting process with J.P. Morgan serving as the underwriter and bond and tax opinions provided by Kutak Rock LLP.

Exhibit A to this memorandum provides a more detailed overview of anticipated bond maturity structure, redemption provisions, establishment of funds, security matters and sources and uses.

Conclusion:

In summary, PFM Financial Advisors LLC is of the opinion that the proposed issue is consistent with current state housing agency practices for origination of loans for first time homebuyers and management of bond volume cap. Additionally, the Division's bond underwriting and legal team are highly experienced with this type of financing and the cash flows supporting timely debt payment will be rigorously evaluated and stress tested by S&P Global Ratings as a key component of their bond rating process.

In our opinion, the Project meets the requirements of NRS 319.260 and meets the requirements of NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Actual debt issuance will be subject to receipt of bond rating, final bond documentation and successful bond sale.

Sincerely,

PFM Financial Advisors LLC



Fred Eoff
Director

Enclosures:

Exhibit A: Bond Term Sheet

**Nevada Housing Division
Single-Family Mortgage Revenue Bonds, Series 2021C**

Preliminary Bond Term Sheet

Principal Amount:	\$53,520,369
Dated:	As of Closing Date (estimated to be December 28, 2021)
Interest Payable:	April 1 and October 1 (commencing April 1, 2021)
Bond Structure:	<u>Term Bond Maturity:</u> <ul style="list-style-type: none"> • 10/1/2051
Denominations:	\$5,000 and integral multiples thereof, full registered form.
Redemption:	<u>Optional Redemption:</u> Bonds are subject to redemption on any date on or after March 1, 2022 (subject to change) in whole or in part at the option of the Division from any source of available moneys at a redemption price of 100%, plus accrued interest to the date of redemption. <u>Mandatory Tender:</u> If not redeemed previously Bonds are subject to mandatory tender on December 15, 2022 at par (100%) plus accrued interest to the tender date.
Indenture Funds:	<u>Funds and Accounts Established by the 2008 Certificate:</u> <ul style="list-style-type: none"> • Program Fund • Revenue Fund • Debt Service Reserve Fund • Senior Debt Service Reserve Fund • Redemption Fund • Residual Fund
Security:	The 2008 General Certificate pledges for payment of the Bonds: <ul style="list-style-type: none"> • Proceeds of the Bonds • Mortgage Loans • Revenues

- Balance of all Funds and Accounts (except Rebate Account and Bond Purchase Account)

Eligible Mortgage Loans:

Approved loans:

- FHA Insured
- VA Guaranteed
- USDA Guaranteed
- Fannie Mae MBS
- Freddie Mac MBS

Bond Rating:

S&P Global Ratings “A-1” or “A-1+” (expected)

Underwriter:

J.P. Morgan (if public offering)

Bond Counsel:

Kutak Rock LLP

Issuer Counsel:

Platt Law Group



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: Agenda Item #8 – Local Government Investment Pool FY21 Audited Financial Statement

DATE: November 1, 2021

Agenda Item #8

Review and approve the Fiscal Year 2021 Audited Financial Statement for the Local Government Investment Pool (LGIP) and approve its filing with the State Controller.

SUMMARY OF REPORT RESULTS

Pursuant to NRS 355.045, the State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money in the LGIP. The State Treasurer's policy requires an annual independent audit of the LGIP. Please find attached for the Board's review and approval the Fiscal Year 2021 Audited Financial Statement. Upon approval, the report will be filed with the Controller's Office for inclusion in the State's Comprehensive Annual Financial Report (CAFR).

Eide Bailly, LLP was retained to prepare the 2021 Annual Audit. Based on their findings, the auditor has provided an unqualified opinion that the financial statements prepared by management, fairly represent the financial position of the LGIP in all material respects.

Eide Bailly representative, Kurt Schlicker, will be available to answer any questions.

CARSON CITY OFFICE

State Treasurer
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS

Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Nevada College Savings Plans
Nevada College Kick Start Program
Unclaimed Property

LAS VEGAS OFFICE

State Treasurer
555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax



Financial Statements
June 30, 2021

State of Nevada Local Government Investment Pool

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Fiduciary Net Position – Investment Trust Fund	7
Statement of Changes in Fiduciary Net Position – Investment Trust Fund	8
Notes to Financial Statements	9
Supplementary Information	
Statement of Participant Balances	17
Investment Policy	21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43



Independent Auditor's Report

To the Treasurer
State of Nevada Local Government Investment Pool
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the fiduciary fund of the State of Nevada Local Government Investment Pool (the LGIP) as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the LGIP, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the State of Nevada Local Government Investment Pool are intended to present the financial position and the changes in financial position of only the State of Nevada Local Government Investment Pool. They do not purport to, and do not, present fairly the financial position of the Office of the State Treasurer or the State of Nevada as of June 30, 2021, or the changes in their financial position for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The investment policy and statement of participant balances are presented for purposes of additional analysis and are not a required part of the financial statements.

The statement of participant balances is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of participant balances is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The investment policy has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the LGIP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LGIP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LGIP's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
November 1, 2021

Nevada Revised Statutes (NRS) 355.167 stipulates that the Local Government Investment Pool (LGIP) is created as an investment trust fund to be administered by the State Treasurer. NRS 355.167 further stipulates that any local government, as defined in NRS 354.474, may deposit its money with the State Treasurer for credit to the fund for purposes of investment.

The LGIP was established as an alternative program to be utilized by local governments on a voluntary basis for their investable cash, with the advantage being economies of scale. The State Treasurer administers the LGIP in a conservative manner, consistent with the prudent guidelines outlined in a LGIP Investment Policy Statement. Pursuant to NRS 355.045, the State Board of Finance (Board) reviews and approves or disapproves the policies established by the State Treasurer for investment of the LGIP at least every four months. The Board is comprised of the Governor, the State Treasurer, the State Controller and two members appointed by the Governor, one of which must be actively engaged in commercial banking in the State.

FINANCIAL HIGHLIGHTS

- The LGIP had investment income of \$3,726,916 and \$32,839,211 for the years ended June 30, 2021 and 2020, respectively. This is a decrease over the previous year of 89%.
- The Net Position of the LGIP increased in 2021 by \$341,682,410 from \$1,759,398,213 at June 30, 2020 to \$2,101,080,623 at June 30, 2021. This resulted from additional member agency deposits and reinvestment of income.
- Total fees paid by the LGIP for management services, administration and custodial services increased over the year ended June 30, 2020 amount of \$254,173 by 77% but remained reasonable at \$451,041 for the year ended June 30, 2021 for the entire LGIP.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements contained in this section consist of:

- The Statement of Fiduciary Net Position, which reports assets at fair value, liabilities and the net position, where Assets – Liabilities = Net Position at the end of the fiscal year.
- The Statement of Changes in Fiduciary Net Position, which reports changes to the net position that include investment income, related fees and distribution to or deposits from member agencies which result in the Net Position, End of Year.
- The Notes to the Financial Statements are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

State of Nevada
Local Government Investment Pool
Management's Discussion and Analysis
June 30, 2021

Net Position

The LGIP receives deposits for investment from the members and distributes or reinvests both income and principal upon request. As of June 30, 2021 and June 30, 2020, the LGIP reported a net position of \$2,101,080,623 and \$1,759,398,213, respectively.

	<u>2021</u>	<u>2020</u>
Assets		
Investments at Fair Value	\$ 2,096,123,445	\$ 1,754,723,749
Interest Receivable	<u>5,002,395</u>	<u>4,739,544</u>
Total Assets	<u>2,101,125,840</u>	<u>1,759,463,293</u>
Liabilities		
Accounts Payable	42,996	29,413
Interest Payable	<u>2,221</u>	<u>35,667</u>
Total Liabilities	<u>45,217</u>	<u>65,080</u>
Net Position	<u><u>\$ 2,101,080,623</u></u>	<u><u>\$ 1,759,398,213</u></u>

Summary of Changes in Fiduciary Net Position

The Statement of Changes in Net Position reports changes to the fund balance/net position, which include investment income, distributions to members and principal transactions. The net position increased \$341,682,410, and \$499,526,971 for the years ended June 30, 2021 and June 30, 2020, respectively.

	<u>2021</u>	<u>2020</u>
Change in Net Position		
Total investment income	<u>\$ 4,177,957</u>	<u>\$ 32,093,384</u>
Investment Expenses	<u>451,041</u>	<u>254,173</u>
Net Investment Income	3,726,916	31,839,211
Distributions to Member Agencies	(7,265,108)	(27,803,197)
Principal Transactions	<u>345,220,602</u>	<u>495,490,957</u>
Change in Net Position	341,682,410	499,526,971
Net Position, Beginning of Year	<u>1,759,398,213</u>	<u>1,259,871,242</u>
Net Position, End of Year	<u><u>\$ 2,101,080,623</u></u>	<u><u>\$ 1,759,398,213</u></u>

Economic Factors and Currently Known Facts

The LGIP enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is designed to meet participants daily operational cash management while investing in investments which are applicable to public funds used for daily cash flow needs.

Requests for Information

The financial report is designed to provide a general overview of the Local Government Investment Pool. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Investments Division, LGIP, 101 N. Carson Street, Suite 4, Carson City, NV 89701.

State of Nevada
Local Government Investment Pool
Statement of Fiduciary Net Position – Investment Trust Fund
June 30, 2021

Assets	
Investments at fair value	\$ 2,096,123,445
Interest receivable	<u>5,002,395</u>
Total assets	<u>2,101,125,840</u>
Liabilities	
Accrued management fee	38,619
Accrued treasurer's fee	4,377
Interest payable	<u>2,221</u>
Total liabilities	<u>45,217</u>
Net Position	
Held in Trust for Pool Participants	<u><u>\$ 2,101,080,623</u></u>

State of Nevada
Local Government Investment Pool
Statement of Changes in Fiduciary Net Position – Investment Trust Fund
Year Ended June 30, 2021

Investment Income	
Interest income	\$ 8,675,845
Net change in fair value of investments	<u>(4,497,888)</u>
Total investment income	<u>4,177,957</u>
Investment Expenses	
Management and other administrative fees	<u>451,041</u>
Net investment income	3,726,916
Distributions to Member Agencies from Net Investment Income, Excluding Change in Fair Value	(7,265,108)
Principal Transactions, Net Increase (Note 3)	<u>345,220,602</u>
Change in Net Position	341,682,410
Net Position Held in Trust for Pool Participants	
Beginning of Year	<u>1,759,398,213</u>
End of Year	<u>\$ 2,101,080,623</u>

Note 1 - Significant Accounting Policies

The accompanying financial statements of the State of Nevada Local Government Investment Pool (LGIP) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Treasurer of the State of Nevada has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of LGIP's accounting policies are as follows.

Reporting Entity

The LGIP is a statewide investment pool managed by the Treasurer of the State of Nevada. Participation is offered to local governments defined in Section 354.474 of the Nevada Revised Statutes (NRS). The LGIP offers these local governments a means of investing in a portfolio of short-term investment instruments. The LGIP seeks to obtain as high a level of current income as is consistent with prudent investment management, while preserving capital and maintaining liquidity. However, there can be no guarantee that these objectives will be achieved.

Basis of Presentation

The LGIP is an investment trust fund (a fiduciary fund) of the State of Nevada. The assets and liabilities of the LGIP are included in the Annual Comprehensive Financial Report (ACFR) of the State of Nevada. However, the accompanying financial statements present only the LGIP and are not intended to present fairly the financial position of the State of Nevada, nor the changes in its financial position in conformity with GAAP. Although legally separate, the LGIP is governed by the State Board of Finance and is administered by the State Treasurer.

Measurement Focus and Basis of Accounting

The statements of the LGIP are prepared using the economic resources measurement focus and the accrual basis of accounting. Security transactions are reported on a trade date basis in accordance with GAAP. At fiscal year-end, there were no pending trades.

Legal Authority

Section 355.167 of the Nevada Revised Statutes permits the State's local governments to pool their public funds into an investment fund managed by the State Treasurer.

Custodian and Transfer Agent

Bank of New York Mellon is the custodian and transfer agent for the LGIP.

Investment Valuation

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are generally reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sale price at current exchange rates. Fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments that do not have an established market are reported at estimated fair value.

Security Transactions and Related Investment Income

Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of the investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year.

Repurchase Agreements

All repurchase agreements are collateralized by the United States Government and Agency securities, pursuant to Section 355.170(2) of the NRS, and such collateral is in the possession of the custodian's agent. The market value of purchased securities must be at least 102% of the repurchase price. The LGIP evaluates the collateral daily to ensure that the values of the securities are marked-to-market.

Earnings Distribution

The LGIP values participants' shares on an amortized cost basis. Specifically, the LGIP distributes income to each LGIP participant account monthly based on a pro-rata basis of each account's average weighted dollar days to the LGIP's average weighted dollar days (Dollar Day = one dollar in the account for one day). The distributed income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value the investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the LGIP's investments. The total difference between the fair value of the investments in the LGIP and the values distributed to the pool participant accounts, using the amortized cost method described above, is reported as net undistributed unrealized gains or losses in the supplementary information included with these financial statements.

Note 2 - Investments

The State Treasurer serves as the administrator to the LGIP. The LGIP's assets are managed in accordance with the LGIP's investment objectives and policies, subject to the general limitation of Section 355.170 of the NRS. In general, authorized investments include: certificate of deposit, AAA rated asset-backed securities; A-1, P-1 or better rated bankers' acceptances and commercial paper; AAA rated collateralized mortgage obligations; A or better rated corporate notes; AAA rated registered money market mutual funds whose policies meet the criteria set forth in the statute; United States treasury securities; and specific securities implicitly guaranteed by the federal government. Additionally, the LGIP may invest in limited types of repurchase agreements; however, policy and statutes generally prohibit the LGIP from entering into reverse-repurchase agreements.

The State Board of Finance (the Board) reviews the LGIP's investment policies at least every four months. The Board is comprised of the Governor, the State Controller, the State Treasurer, and two members appointed by the Governor, one of which must be actively engaged in commercial banking in the State. The NRS Section 355.170 and the LGIP's Investment Policy both address credit risk, concentration risk, and interest rate risk.

The investment portfolio at June 30, 2021, consisted of the following securities:

	Maturity Date	Annualized Discount/Interest Rate at Time of Purchase	Principal Amount	Amortized Cost	Fair Value
Negotiable Certificates of Deposit					
COOPERATIVE CENTRALE INSTL	07/15/2021	0.240	\$ 25,000,000	\$ 25,000,000	\$ 25,001,500
NORDEA BK ABPP NY	07/27/2021	0.150	25,000,000	25,000,000	25,001,250
CANADIAN IMP BK NY INSTL	08/09/2021	0.270	30,000,000	30,000,000	30,000,000
TORONTO-DOMINION INSTL	09/15/2021	0.250	25,000,000	25,000,000	25,000,000
TORONTO-DOMINION INSTL	09/15/2021	0.250	25,000,000	25,000,000	25,007,750
MUFG BANK LTD NY BRAN	10/15/2021	0.300	30,000,000	30,000,000	30,000,000
NORDEA BK ABPP NY	10/29/2021	0.240	25,000,000	25,000,000	25,013,250
MIZUHO BANK LTD	11/15/2021	0.230	25,000,000	25,000,000	25,009,500
BANK OF NOVA SCOTIA	11/30/2021	0.280	30,000,000	30,000,000	30,022,500
UBS AG STAMFORD BRH INSTL	02/15/2022	0.210	30,000,000	30,000,000	30,000,000
WESTPAC BKG CORP NY INSTL	04/07/2022	0.230	25,000,000	25,000,000	25,011,000
BANK OF NOVA SCOTIA	04/14/2022	0.220	25,000,000	24,999,998	25,008,250
BANK OF MONTREAL CHI INSTL	05/16/2022	0.220	30,000,000	30,000,000	30,000,000
			<u>350,000,000</u>	<u>349,999,998</u>	<u>350,075,000</u>

State of Nevada
Local Government Investment Pool
Notes to Financial Statements
June 30, 2021

	Maturity Date	Annualized Discount/Interest Rate at Time of Purchase	Principal Amount	Amortized Cost	Fair Value
Commercial Paper					
AGRICOLE CORP	07/08/2021	0.110	\$ 25,000,000	\$ 24,999,469	\$ 24,999,611
CHARLES SCHWAB	07/08/2021	0.132	30,000,000	29,999,242	29,999,527
TOYOTA MTR CR CP	07/12/2021	0.250	25,000,000	24,998,090	24,999,500
CITIGROUP GBL	07/13/2021	0.240	25,000,000	24,998,000	24,999,305
EMERSON ELEC CO	07/14/2021	0.070	15,000,000	14,999,621	14,999,609
SUMITOMO TR & BKG	07/27/2021	0.140	25,000,000	24,997,472	24,998,688
DEERE JOHN CAP CP	08/05/2021	0.050	25,000,000	24,998,785	24,999,150
GOTHAM FDG CORP	08/06/2021	0.110	30,000,000	29,996,700	29,996,762
ING (US) FUNDING	09/03/2021	0.250	25,000,000	24,988,889	24,995,847
ROYAL BK CANADA	09/15/2021	0.150	25,000,000	24,992,083	24,995,402
CHEVRON CORP	09/15/2021	0.140	25,000,000	24,992,611	24,995,722
NATIXIS NY BRH	09/15/2021	0.070	30,000,000	29,989,867	29,994,867
NESTLE CAP CORP	09/15/2021	0.500	25,000,000	24,997,361	24,997,327
BNP PARIBAS	10/01/2021	0.240	30,000,000	29,981,600	29,992,870
BEDFORD ROW FDG	11/15/2021	0.170	25,000,000	24,983,826	24,987,925
TOYOTA MTR CR CP	11/15/2021	0.170	25,000,000	24,982,875	24,989,267
EXXON CORP	02/14/2022	0.100	30,000,000	29,981,000	29,974,047
			<u>440,000,000</u>	<u>439,877,491</u>	<u>439,915,424</u>
Corporate Notes					
NEW YORK LIFE GLOBAL FUND	09/14/2021	1.700	6,029,000	6,047,605	6,047,690
METROPOLITAN LIFE GLOBAL	09/15/2021	1.940	23,065,000	23,102,636	23,151,262
CISCO SYSTEMS INC/DELAWARE	09/20/2021	1.850	3,844,000	3,843,443	3,852,841
WELLS FARGO BANK NA	10/22/2021	3.600	7,198,000	7,224,264	7,252,201
TRUIST BANK	01/15/2022	2.600	42,433,000	42,829,226	42,901,036
JPMORGAN CHASE & CO	01/24/2022	4.390	20,047,000	20,542,207	20,528,529
US BANCORP	01/24/2022	2.600	6,500,000	6,576,971	6,575,855
BANK OF NEW YORK MELLON CORP/T	02/07/2022	2.570	18,413,000	18,642,981	18,643,163
US BANK NA/CINCINNATI OH	05/23/2022	2.600	8,169,000	8,334,477	8,331,073
NEW YORK LIFE GLOBAL FUND	07/12/2022	2.210	8,443,000	8,611,339	8,616,926
TRUIST BANK	08/01/2022	2.400	10,474,000	10,702,703	10,699,924
CHEVRON USA INC	08/12/2022	0.330	5,000,000	5,002,119	5,004,550
HONEYWELL INTERNATIONAL INC	08/19/2022	0.480	5,000,000	5,000,000	5,001,550
CATERPILLAR FINANCIAL SERVICES	09/06/2022	1.870	20,000,000	20,377,041	20,369,400
JPMORGAN CHASE & CO	09/23/2022	3.140	23,122,000	24,082,024	23,953,930
JOHN DEERE CAPITAL CORP	01/17/2023	0.250	12,000,000	11,996,531	11,996,640
CATERPILLAR FINANCIAL SERVICES	03/01/2023	0.250	5,000,000	4,996,419	4,989,200
JPMORGAN CHASE & CO	04/01/2023	3.140	10,000,000	10,222,136	10,212,000
			<u>234,737,000</u>	<u>238,134,122</u>	<u>238,127,770</u>
U.S. Government Agency Discount Notes					
FEDERAL FARM CR BK CONS SYSTEM	07/06/2021	0.140	20,000,000	19,999,611	20,000,000
FEDERAL HOME LN BK CONS	07/07/2021	0.088	30,000,000	29,999,560	30,000,000
FEDERAL HOME LN BK CONS	07/28/2021	0.080	25,000,000	24,998,500	24,999,500
FEDERAL HOME LN BK CONS	09/15/2021	0.045	50,000,000	49,995,250	49,994,500
			<u>125,000,000</u>	<u>124,992,921</u>	<u>124,994,000</u>

State of Nevada
Local Government Investment Pool
Notes to Financial Statements
June 30, 2021

	Maturity Date	Annualized Discount/Interest Rate at Time of Purchase	Principal Amount	Amortized Cost	Fair Value
U.S. Government Agency Securities					
FEDERAL FARM CR BK CONS BD	04/08/2022	0.370	\$ 10,000,000	\$ 10,008,176	\$ 10,022,300
FEDERAL FARM CR BK CONS BD	05/06/2022	0.250	23,100,000	23,112,354	23,126,334
FEDERAL FARM CR BK CONS BD	06/22/2022	0.130	10,000,000	9,998,157	10,016,200
FEDERAL HOME LN MTG CORP	07/28/2022	0.250	10,000,000	10,000,000	9,996,300
FEDERAL FARM CR BK CONS BD	08/10/2022	0.260	10,000,000	9,992,801	10,001,600
PRIVATE EXPORT FUNDING CORP	11/15/2022	2.010	10,000,000	10,249,828	10,225,700
FEDERAL FARM CR BK CONS BD	02/03/2023	0.130	20,000,000	19,991,071	19,983,400
PRIVATE EXPORT FUNDING CO	04/28/2023	0.300	10,000,000	9,990,407	9,987,000
			<u>103,100,000</u>	<u>103,342,794</u>	<u>103,358,834</u>
U.S. Treasury Bill					
U.S. Treasury Bill	07/20/2021	0.043	50,000,000	49,998,878	49,999,000
U.S. Treasury Bill	07/27/2021	0.038	50,000,000	49,998,646	49,998,500
U.S. Treasury Bill	08/05/2021	0.041	50,000,000	49,997,992	49,998,000
U.S. Treasury Bill	08/10/2021	0.041	50,000,000	49,997,706	49,997,500
U.S. Treasury Bill	08/12/2021	0.136	50,000,000	49,992,067	49,997,000
U.S. Treasury Bill	09/23/2021	0.041	50,000,000	49,995,182	49,994,500
U.S. Treasury Bill	01/27/2022	0.080	50,000,000	49,976,731	49,984,500
			<u>350,000,000</u>	<u>349,957,202</u>	<u>349,969,000</u>
U.S. Treasury Notes					
U S TREASURY NOTE	07/31/2022	1.840	15,000,000	15,286,442	15,285,900
U S TREASURY NOTE	12/31/2022	0.130	20,000,000	20,002,253	19,982,000
U S TREASURY NOTE	04/30/2023	0.130	10,000,000	9,996,325	9,980,900
U S TREASURY NOTE	06/15/2023	0.250	10,000,000	9,994,985	10,001,200
			<u>55,000,000</u>	<u>55,280,005</u>	<u>55,250,000</u>
MUNI					
TEXAS ST	08/26/2021	3.980	60,000,000	60,348,149	60,360,000
Supranational Note					
INTERNATIONAL BANK FOR RECONST	07/23/2021	2.750	20,000,000	20,030,667	20,031,000
INTER-AMERICAN DEVELOPMENT BAN	09/14/2022	1.720	10,000,000	10,184,506	10,188,300
INTERNATIONAL BANK FOR RECONST	04/20/2023	0.130	10,000,000	9,981,342	9,976,300
INTER-AMERICAN DEVELOPMENT BAN	05/24/2023	0.500	21,552,000	21,680,393	21,639,932
			<u>61,552,000</u>	<u>61,876,908</u>	<u>61,835,532</u>
Asset Backed Security					
CARMAX AUTO OWNER TRUST	02/15/2022	0.170	420,916	420,916	420,916
WORLD OMNI AUTO RECEIVABL	02/15/2022	0.140	561,954	561,954	561,954
DELL EQUIPMENT FINAN	03/22/2022	0.210	11,899,622	11,899,622	11,900,812
BMW VEHICLE LEASE TRUST	03/25/2022	0.150	1,406,407	1,406,407	1,406,421
TOYOTA LEASE OWNER T	04/20/2022	0.140	3,531,115	3,531,115	3,531,044
WORLD OMNI AUTO RECEIVABL	05/16/2022	0.110	4,553,138	4,553,138	4,553,138
			<u>22,373,151</u>	<u>22,373,151</u>	<u>22,374,284</u>
Foreign Note					
KREDITANSTALT FUER WIEDERAUFBA	04/25/2023	0.250	10,000,000	10,010,662	9,997,900
Money Market Mutual Fund		0.261			
FED HER GOVERNMENT OBLIG-INS			<u>279,865,701</u>	<u>279,865,701</u>	<u>279,865,701</u>
			<u>\$ 2,091,627,852</u>	<u>\$ 2,096,059,104</u>	<u>\$ 2,096,123,445</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The LGIP investment policy addresses interest rate risk by providing for a minimum liquidity requirement that projects anticipated cash flow obligations for one day and a period of ninety days. Five to ten percent of the total par value of the securities included in the portfolio must have a maturity of one day. Additionally, Fifty percent of the total par value of the securities of the portfolio must mature within ninety days. The portion of the LGIP portfolio in excess of the minimum liquidity requirement can be invested in securities with maturities between zero and two years, provided that the average maturity of the portfolio does not exceed 150 days. LGIP was in compliance as of June 30, 2021 with an average maturity of 142 days. See the table presented above for the maturity of each investment in the LGIP's portfolio at June 30, 2021.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the LGIP. Credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to securities that originally mature within 365 days. A short-term rating of A-1 is rated in the highest category by Standard and Poor with a plus sign (+) indicating that the obligor's capacity to meet its financial commitment is extremely strong. In general, an A-1+ rating is equivalent to AA – AAA long-term ratings, whereas an A-1 rating is generally equivalent to an A long-term rating. The LGIP's investments as of June 30, 2021 were rated by Standard and Poor's and the ratings for the portfolio are as follows:

	Fair Value	Credit Quality Ratings				
		Long-term Rating			Short-term Rating	
		AAA	AA	A	A-1+	A-1
Negotiable Certificates of Deposit	\$ 350,075,000	\$ -	\$ -	\$ -	\$ 125,033,250	\$ 225,041,750
Commercial Paper	439,915,424	-	-	-	179,939,189	259,976,235
Corporate Notes	238,127,770	-	55,004,343	183,123,427	-	-
U.S. Government Agency Securities	103,358,834	10,225,700	93,133,134	-	-	-
U.S. Government Agency Discount Notes	124,994,000	-	-	-	124,994,000	-
U.S. Treasury Bills	349,969,000	-	-	-	349,969,000	-
U.S. Treasury Notes	55,250,000	-	55,250,000	-	-	-
Supranational Note	61,835,532	61,835,532	-	-	-	-
Asset Backed Security	22,374,284	-	-	-	22,374,284	-
Foreign Note	9,997,900	9,997,900	-	-	-	-
Muni	60,360,000	-	-	-	60,360,000	-
Money Market Mutual Fund	279,865,701	279,865,701	-	-	-	-
	<u>\$ 2,096,123,445</u>	<u>\$ 361,924,833</u>	<u>\$ 203,387,477</u>	<u>\$ 183,123,427</u>	<u>\$ 862,669,723</u>	<u>\$ 485,017,985</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The LGIP investment policy limits concentration of credit risk by requiring a diversified portfolio. Diversification limitations are, with the exception of the United States Treasury and Agency securities and repurchase agreements, no more than twenty percent of the total par value of the portfolio can be invested in a single security type, negotiable certificates of deposit, commercial paper, and corporate notes. At June 30, 2021, the following investments exceeded 5% of the LGIP's total investments:

	Fair Value	Percentage
Money Market Mutual Fund	\$ 279,865,701	13.35%
Federal Home Loan Bank	104,994,000	5.01%
U.S. Treasury Bills	349,969,000	16.70%

Fair Value of Investments

The LGIP uses the market approach to determine the fair value of its investments. The LGIP categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are valued using quoted prices for identical securities in markets that are not active; Level 3 inputs are significant unobservable inputs.

The following table summarizes the fair value measurements of the LGIP investments as of June 30, 2021:

Investments by fair value level	Fair Value	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 350,075,000	\$ -	\$ 350,075,000	\$ -
Commercial Paper	439,915,424	-	439,915,424	-
Corporate Notes	238,127,770	-	238,127,770	-
U.S. Government Agency Securities	103,358,834	-	103,358,834	-
U.S. Government Agency Discount Notes	124,994,000	-	124,994,000	-
U.S. Treasury Bills	349,969,000	349,969,000	-	-
U.S. Treasury Notes	55,250,000	55,250,000	-	-
Supranational Note	61,835,532	-	61,835,532	-
Muni	60,360,000	-	60,360,000	-
Asset Backed Security	22,374,284	-	22,374,284	-
Foreign Note	9,997,900	-	9,997,900	-
Money Market Mutual Fund	279,865,701	279,865,701	-	-
Total investments by fair value level	<u>\$ 2,096,123,445</u>	<u>\$ 685,084,701</u>	<u>\$ 1,411,038,744</u>	<u>\$ -</u>

Securities Lending

Nevada Revised Statute 355.167(4) allows the State Treasurer to lend securities from the investment portfolio of the LGIP if collateral received from the borrower is at least 102% of the fair value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2021.

Note 3 - Principal Transactions

Transactions in principal investments from local governments for the year ended June 30, 2021 were as follows:

Principal deposits	\$ 2,609,390,578
Reinvestment of interest distributions	7,265,108
Less Withdrawals	<u>(2,271,435,084)</u>
Principal transactions, net increase	<u><u>\$ 345,220,602</u></u>



Supplementary Information
June 30, 2021

State of Nevada Local Government Investment Pool

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2021

BAKER WATER AND SEWER GID	\$ 6,115
BATTLE MTN GEN HOSP RES ACCT	0
BEATTY WTR & SAN DIST SEWER TR	174,124
BEATTY WTR & SANI DIST CAP IMP	312,471
BEATTY WTR AND SANITATION DIST	37,006
BOND RESERVE FUND	12,728,145
CARSON CITY AIRPORT AUTHORITY	388,336
CARSON CITY AIRPORT AUTHORITY RESERVE ACCT	434,586
CARSON CITY AIRPORT AUTHORITY GATE ACCOUNT	23,217
CARSON CITY AIRPORT AUTHORITY GENERAL FUND	154,246
CARSON CITY CONV & VIS BUR VT	3
CARSON CITY CONV & VIS BUREAU	12
CARSON CITY CONV & VIS CAP PROJ	1
CARSON CITY SCHOOL DIST BOND	10,208,875
CARSON CITY SCHOOL DISTRICT	315,065
CARSON CITY TREASURER	23,265,854
CARSON TRUCKEE W.C.D.	959,419
CARSON WATER SUB CONS DIST	674,930
CARSON WATER SUB DIST FLOOD	366,922
CARSON WTR SUB DIST RES	930,236
CHURCHILL CO MOSQ ABATEMENT	1,324,730
CHURCHILL CO SCHOOL DIST	6,045,116
CHURCHILL CO TELEPHONE	3,140,539
CHURCHILL COUNTY TREASURER	11,605,035
CITY OF BOULDER CITY	65,785,719
CITY OF ELKO	42,084,800
CITY OF FALLON	467,530
CITY OF FERNLEY	6,186,577
CITY OF HENDERSON	245,380,843
CITY OF LAS VEGAS	190,131,592
CITY OF LAS VEGAS 15A	4,279,320
CITY OF LV 2018A FIRE STATION #3	2,465,953
CITY OF LOVELOCK	525,233
CITY OF LV 612 PROJECT FUND	11,003,965
CITY OF LV 813 PROJECT FUND	2,763,973
CITY OF LV 814 PROJECT FUND	20,429,161
CITY OF MESQ SID CANYON CR	411,330
CITY OF MESQUITE ANTHEM SID	284,047
CITY OF NORTH LAS VEGAS	336,868,179
CITY OF RENO	44,739,835
CITY OF WELLS	2,435,217
CITY OF WINNEMUCCA	69,417
CITY OF YERINGTON	6,096,584
CLARK CO TAX RECEIVER	7
CLV CARES RENTAL ASSISTANCE	6,681,056
DOUGLAS CO CARES	1,724,514
DOUGLAS CO SWR CONST. FUND	2,423,892
DOUGLAS CO SWR GEN FUND	4,747,683
DOUGLAS CO SWR IMP DIST CLN	225,853
DOUGLAS CO SWR PLANT REPAIR	1,748,497
DOUGLAS COUNTY 2016 HWY BOND	278,639
DOUGLAS COUNTY MOSQUITO ABATEMENT DISTRICT	1,154,517
DOUGLAS COUNTY SCHOOL DISTRICT	15,380,000
DOUGLAS COUNTY SEWER OPEB	349,840
DOUGLAS COUNTY TREASURER	21,251,767

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2021

EAST FORK FIRE PROTECTION DISTRICT	\$ 4,428,925
EAST FORK SWIMMING POOL DIST	1,572,160
EFSPD2	262,673
ELK POINT SANITATION DISTRICT	417
ELKO COUNTY TREASURER	22,229,805
ESMERALDA COUNTY SCHOOL DIST	1,906,028
ESMERALDA COUNTY TREASURER	1,666
EUREKA COUNTY SCHOOL BOND	2,478,427
EUREKA COUNTY TREASURER	8,757,788
FALLON DRINKING WATER #2	72,399
FALLON ELECTRIC BOND 2017	4,917,463
FALLON SEWER 15	839,143
FALLON WATER STORAGE	147,350
FALLON WILLIAM N. PENNINGTON YOUTH CENTER	472,397
GARDNERVILLE RAN GID NVEST	4,813,137
GARDNERVILLE RANCHOS DR REV BD	627,467
GARDNERVILLE RANCHOS GID	5,544,997
GERLACH G.I.D.	251,380
GERLACH GENERAL IMPROVEMENT DIS SHORT LIVED SEWER	16,159
GERLACH GENERAL IMPROVEMENT DIST CAPITAL IMPROVEME	5,756
GERLACH GID COMMUNITY CENTER	13,736
GERLACH GID IMPROVEMENT ASSOC	63,934
GERLACH GID SEWER PUMP	25,765
GERLACH GID TRANSFER STATION	5,382
GERLACH GID TREATMENT PLANT	335,576
GERLACH GIDWM	105,796
GOLCONDA WATER DISTRICT	152
HENDERSON SRF RESTRICTED	94,320
HENLIB HENDERSON DISTRICT PUBLIC LIBRARIES	7,922,533
HUMBOLDT COUNTY SCHOOL DIST	4,361,702
HUMBOLDT COUNTY TREASURER GEN	16,419,779
HUMBOLDT GENERAL HOSPITAL GEN	10,793,733
INCLINE VILLAGE EPA SRF	230,257
INCLINE VILLAGE GID	11,238,161
INCLINE VILLAGE PUBLIC WORKS	4,486,139
INCLINE VILLAGE TRPA	230,667
INDIAN HILLS CAPITAL IMPROVEMENT	227,744
INDIAN HILLS DRINKING REV BOND	252,779
INDIAN HILLS GID	8,761
KINGSBURY GID	20,500,033
KINGSTON TOWN WATER UTILITY	228,058
LANDER CO SCHOOL DISTRICT	3,030,248
LANDER CO SCHOOL DISTRICT BATTLE MTN ELEM SCHOOL	31,007
LANDER CO SCHOOL DISTRICT BATTLE MTN HIGH SCHOOL	238,050
LANDER CO SCHOOL DISTRICT BATTLE MTN JR HIGH SCHOO	25,005
LANDER COUNTY TREASURER	9,567,242
LANDER COUNTY WATER & SEWER	52,244
LAS VEGAS AMERICAN RESCUE PLAN	65,297,593
LAS VEGAS CITY REDEVELOPMENT AGENCY	23,162,507
LAS VEGAS CONV AUTH CAPITAL	35,950,080
LAS VEGAS CONV AUTH GENERAL	8,686,876
LAS VEGAS CONV AUTH OPEB RESERVE	2,313,988
LAS VEGAS CONV SB1 RM TAX	14,970,488
LAS VEGAS VALLEY WATER DISTRICT	106,410,594
LAS VEGAS VARIOUS PURPOSE BOND 2016 D	8,962,838

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2021

LINCOLN CO SCHOOL BOND 09	\$ 12
LINCOLN COUNTY	810
LINCOLN COUNTY SCHOOL DISTRICT	81
LV TID BONDS 2016 PROJECT FUND	558,667
LVCA 2018 LAND FUND 23	9,651,876
LVCA DEBT SERVICE	221,030
LVCA DEBT SERVICE 91 96	14,896
LVCA PEOPLE MOVER 2019B	679,423
LVCCD 2020A BOND	3,165,827
LYON CO SCHOOL DIST RES CON TAX	249,679
LYON COUNTY SCH DIST BOND 2016	10,321,950
LYON COUNTY SCHOOL DIST DEBT	24,316
LYON COUNTY SCHOOL DIST GOV SVC TAX	1
LYON COUNTY SCHOOL DIST OPER	5,181,706
LYON COUNTY SCHOOL DIST TRUST	13,389
LYON COUNTY TREASURER	51,412,676
MCGILL RUTH CONS SWR WTR GID	80,666
MGSD SRF CLEAN RESTRICTED ACCT	83,025
MINDEN G'VILLE SANITATION DIST	6,191,180
MINERAL CO SCHOOL DIST GEN ACC	742,828
MINERAL CO TREASURER RTC	458
MINERAL COUNTY SCHOOL DIST	354,594
N LAKE TAHOE FIRE PROT DIST	11,219,993
NYE CO TREASURER	464,598
NYE CO TREASURER LIBRARY	142,769
NYE CO. TONOPAH LIBRARY DIST	198,666
NYE COUNTY SCHOOL DISTRICT	15,067,469
OASIS ACADEMY	2,662,079
OLIVER PARK GID	91,057
PERSHING CNTY SCHL DIST DEBT	507,112
PERSHING COUNTY SCHOOL DIST	2,262,470
PERSHING COUNTY TREASURER	1,298,832
RENO SPARKS CONV & VISITORS	1,208,284
RENO TAHOE AIRPORT AUTHORITY	23,005,291
ROUND HILL GID	1,985,619
RSCVA BANKED FOR BOND CALL	767,123
RSCVA RAINY DAY FUND	1,017,145
RSCVA SURCHARGE ROOM TAX	6,149,904
SERIES 2019, ACQUISITION FUND	586,072
SEWER REVENUE BOND, SERIES 2019, RESERVE ACCOUNT	539,372
SKYLAND GID	2
SOUTHERN NEVADA WATER AUTHORITY	139,199,231
STOREY CO SCHOOL DIST DEBT SER	536,263
STOREY CO SCHOOL DIST GEN FUND	13,025,519
STOREY COUNTY COX ACCOUNT	30,907
STOREY COUNTY LINNECKE ACCOUNT	11,788
STOREY COUNTY TREASURER	2,478,545
TAHOE DOUGLAS DISTRICT	2,140
TAHOE DOUGLAS VISITORS AUTH	83,297,868
TAHOE REGIONAL PLANNING AGENCY	1,153,963
TMWA DRINKING WATER	2,332,530
TOPAZ RANCH ESTATES CAP USDA	99,845
TOPAZ RANCH ESTATES EQUIPMENT	22,150
TOPAZ RANCH ESTATES GID	83,191
TOPAZ RANCH ESTATES SLA	208,407
TOPAZ RANCH ESTATES WATER CO	143,246
TOPAZ RANCH ESTATES WATER RTS	3,424
TRUCKEE CARSON IRRIGATION DIST	5,735,620

State of Nevada
Local Government Investment Pool
Statement of Participant Balances
June 30, 2021

VIRGIN VALLEY WATER DISTRICT	\$ 1,660,305
WASHOE CO SCHOOL DIST WORKER'S COMP	2,529,904
WASHOE COUNTY TREASURER	148,332,497
WELLS 1989 REVENUE BOND RES	14,995
WELLS 2002 REVENUE BOND FUND	60,513
WELLS 2002 UDSA WATER BOND RES	19,792
WELLS WATER CAPITALIZATION FND	175,331
WELLS WATER REVENUE BONDS 1975	14,454
WEST WENDOVER	1,473,584
WEST WENDOVER BOND 07	42,982
WEST WENDOVER PIPELINE	1,392,031
WHITE PINE CO TREASURER	10,459,538
WINNEMUCCA CONV & VISITOR AUTH	863,466
ZEPHYR COVE GID	301,317
ZEPHYR HEIGHTS GID	2,955
ZEPHYR KNOLLS GID	<u>124,087</u>
 TOTAL PARTICIPATING LOCAL GOVERNMENTS	 2,101,015,159
 NET UNDISTRIBUTED UNREALIZED GAINS	 <u>65,464</u>
	<u><u>\$ 2,101,080,623</u></u>

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
INVESTMENT POLICY
LOCAL GOVERNMENT POOLED INVESTMENT
FUND
(LGIP)



ZACH CONINE
STATE TREASURER

Revised August 2019

WWW.NEVADATREASURER.GOV

TABLE OF CONTENTS

I	AUTHORITY	3
II	SCOPE	3
III	PRUDENCE.....	4
IV	OBJECTIVES	4
V	DELEGATION OF AUTHORITY	6
VI	INVESTMENT PROCEDURES	6
VII	ETHICS.....	6
VIII	AUTHORIZED BROKER-DEALERS.....	7
IX	AUTHORIZED INVESTMENTS.....	8
X	COLLATERALIZATION	12
XI	SALE OF SECURITIES.....	13
XII	PROHIBITED INVESTMENTS	13
XIII	COMPETITIVE PRICING.....	13
XIV	SAFEKEEPING/CUSTODY AND DELIVERY	14
XV	PERFORMANCE EVALUATION.....	14
XVI	ACCOUNTING AND REPORTING.....	15
XVII	YIELD CALCULATION AND EARNINGS.....	16
XIX	SECURITIES LENDING	16
	GLOSSARY	17
	APPENDIX A.....	22

I AUTHORITY

Nevada Revised Statutes (NRS) 355.167 stipulates that the Local Government Pooled Investment Fund (LGIP) is created as an agency fund to be administered by the State Treasurer. NRS 355.167 further stipulates that any local government, as defined in NRS 354.474, may deposit its money with the State Treasurer for credit to the fund for purposes of investment. The State Treasurer may adopt reasonable regulations to carry out the administration of the LGIP. NRS 355.045 requires that the State Board of Finance (Board) review and approve or disapprove the policies established by the State Treasurer for investment of the LGIP at least every four (4) months.

Accordingly, the purpose of this policy is to comply with NRS 355.167 in order to establish the guidelines that will govern the investment activities of the State Treasurer with regard to the management of local government monies in the LGIP. Furthermore, this policy shall comply with NRS 355.170 and 355.171, which establish the authorized and prohibited investments of local government monies. This policy may only be amended by a majority vote of the Board.

This policy will ensure the prudent investment of the LGIP, adherence to statutory requirements applicable to the investment of public funds, maintenance of daily cash flow requirements, and the establishment of a competitive benchmark rate of return.

II SCOPE

This policy applies to all money that comprises the LGIP, the purpose of which is to provide an alternative investment program to be utilized by State local governments for the pooling of their public funds. The LGIP is reported as a fiduciary fund type in the State's Comprehensive Annual Financial Report (CAFR), which is audited annually by an independent accounting firm.

In addition to providing local government participants (participants) a safe and convenient method of investment, the LGIP also offers the following benefits:

- A. No minimum or maximum size of accounts;
- B. Multiple accounts may be maintained for accounting purposes;
- C. No transaction size limitation for deposit or withdrawal of monies; and.
- D. No restrictions on length of time monies are deposited.

III PRUDENCE

The standard of care, per NRS 355.145, to be used in the investment program will be the following “prudent person” standard, as hereafter quoted, and will be applied while conducting all investment transactions:

“The state treasurer shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of his own affairs, not in regard to speculation, but in regard to the investment of his money, considering the probable income as well as the probable safety of his capital.”

Authorized investment officers and staff who act in accordance with this policy and written procedures in the management of the LGIP, and who exercise the proper due diligence will have no personal responsibility for an individual security’s credit risk or market price changes, provided that deviations from expectations are reported and preventive action is taken to control adverse developments.

IV OBJECTIVES

The LGIP shall be managed to accomplish the following objectives:

A. Safety

Safety of principal is the foremost objective of the investment program. Investments in the LGIP shall be undertaken to ensure the preservation of principal in the portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk

The State Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Establishing a pre-approved list of financial institutions and companies that the State Treasurer will be restricted to when purchasing commercial paper and corporate notes.
- Conducting regular credit monitoring and due diligence of these issuers.
- Pre-qualifying the financial institutions and broker/dealers with which the State Treasurer will do business for broker/dealer services and repurchase agreements.
- Diversifying the portfolio so potential losses on individual securities will be minimized.

2. Market Risk/Interest Rate Risk

Market risk relates to price fluctuations of securities that may result in a loss to the LGIP if cash flow requirements force a premature sale. The State Treasurer will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances.
- Maintaining an effective weighted average maturity of 150 days or less. If an unanticipated large withdrawal of greater than 5% causes the weighted average maturity to extend beyond the 150 days, the average weighted maturity will be brought back into compliance within fourteen (14) days.
- Holding at least 50% of the portfolio's total par value in securities with a maturity of 90 days or less. If an unanticipated large withdrawal of greater than 5% causes the holdings of maturities of 90 days or less to fall below 50%, the maturities will be brought back into compliance within fourteen (14) days.

B. Liquidity

The LGIP will remain sufficiently liquid to enable the LGIP to meet all withdrawal requirements that can be reasonably anticipated. This will be accomplished by:

- Structuring the portfolio so that securities mature concurrent with cash necessary to meet anticipated demand.
- Endeavor to hold 5% - 10% of the portfolio's total par value in securities with a maturity of one (1) day.
- Holding at least 50% of the portfolio's total par value in securities with a maturity of 90 days or less.
- Furthermore, because all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

C. Return on Investment

The LGIP will be invested to attain a competitive rate of return in relation to prevailing budgetary and economic environments, while taking into account the LGIP's investment risk constraints and the cash flow characteristics of the portfolio.

D. Legality

The State Treasurer will invest the LGIP only within the legal guidelines set forth by the laws of the State. Any investment alternative outside these guidelines is not permissible.

V DELEGATION OF AUTHORITY

NRS 226.100(1) authorizes the State Treasurer to appoint a Deputy of Investments (Deputy) whose responsibilities include management of the investment program and implementation of procedures consistent with this policy. The Deputy will also be responsible for the supervision and regulation of the investment staff and all external investment professionals associated with the investment program. The Deputy shall maintain a "Trading Authorization" form, signed by the State Treasurer, which lists all persons authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts. The Trading Authorization Form shall be distributed to all broker-dealers authorized to buy and sell securities with the State.

VI INVESTMENT PROCEDURES

The State Treasurer will establish written procedures detailing the operation and regulation of the investment program. The procedures set forth the trading authorization of the investment staff, the daily responsibilities of implementing the investment program, and the segregation of investment duties. The State Treasurer will submit to periodic independent audits to determine that investment activities adhere to State statutes, administrative rules, and investment policies.

VII ETHICS

Investment staff will act responsibly as the custodians of public funds. The staff will refrain from personal business activity that could create an appearance of impropriety or 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 to the State Treasurer any material financial interest in financial institutions that conduct business within Nevada, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual or entity with which business is conducted on behalf of the State.

VIII AUTHORIZED BROKER-DEALERS

The State Treasurer will maintain a list of authorized broker-dealers. Security transactions are limited solely to those banks, brokers and dealers included on this list. All financial institutions, whether investment banks, dealers, commercial banks or savings and loan institutions must be approved by the State Treasurer before they are able to conduct business with the State Treasurer's Office.

Authorized broker-dealers must have reviewed the eligible investments that are detailed in NRS and the adopted investment policy, and who are aware of the investment needs, constraints, and goals of the investment program. A "Request for Information" (RFI) will be periodically issued to provide a uniform standard the State Treasurer may use to identify the financial condition and professional merits of any firm included on the broker-dealer list. An affidavit attesting to having reviewed and understood the contents of the investment policies and NRS must be completed by each broker-dealer in order to qualify for final selection. All approved broker-dealers must be fully licensed and registered NASD Broker/Dealers or exempt banks.

Criteria used to select broker-dealers through the RFI process will include:

- Financial strength and capital adequacy of firm;
- Services provided by firm;
- Research services available;
- Resume, reputation and qualifications of sales representative;
- Due diligence and firm references, and
- State government expertise.

The State Treasurer will encourage all qualified broker-dealers providing investment services in the State, including those owned by women, minorities, and/or the physically impaired, to respond to the RFI. Consideration will be given to all institutions when their services are competitive on a national basis.

If the LGIP is managed by an outside investment advisor, the investment advisor shall submit to the State Treasurer on a quarterly basis the investment advisor's approved list of broker-dealers. The investment advisor also acknowledges it has followed its policies and procedures in regards to its review of its approved broker-dealers.

IX AUTHORIZED INVESTMENTS

The State Treasurer, in accordance with the provisions of NRS 355.170, NRS 355.171, and this investment policy, is authorized to invest in:

A. Banker's Acceptances

1. An issuing bank must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least one nationally recognized statistical rating organization (NRSRO).
2. Must be issued by domestic commercial banks regulated by the Federal Reserve or trust companies which are members of the Federal Reserve System.
3. Maximum maturity of 180 days.
4. Aggregate par value may not exceed 20 percent of total par value of the portfolio as determined at the time of purchase.
5. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

B. Commercial Paper

1. Must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least one NRSRO.
2. Eligible paper is further limited to issuing corporations that have a total commercial paper program sized in excess of \$250,000,000 and have long-term debt ratings, if any, of "A" or better from at least two (2) NRSROs.
3. Must be issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States.
4. Maximum maturity of 270 days.
5. Approved commercial paper programs should provide some diversification by industry. Additionally, purchases of commercial paper in industry sectors that may from time to time be subject to undue risk and potential illiquidity should be avoided.
6. Aggregate par value may not exceed 25 percent of total par value of the portfolio at the time of purchase.
7. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

C. Corporate Notes

1. Must have a long-term debt rating of “A” or better from at least one NRSRO.
2. Must be issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating in the United States.
3. Maximum maturity of two (2) years.
4. Must be purchased from a registered broker-dealer.
5. Aggregate par value may not exceed 25 percent of total par value of the portfolio as determined at the time of purchase.
6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

D. Foreign Notes

1. Must have a long-term debt rating of “AA” or better by at least one NRSRO.
2. Must be publicly issued and traded in the United States by a foreign financial institution, corporation or government and:
 - a) Denominated in United State dollars;
 - b) Senior unsecured unsubordinated obligations;
 - c) Registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933.
3. Maximum maturity of five (5) years.
4. Must be purchased from a registered broker-dealer.
5. Aggregate par value may not exceed 10 percent of total par value of the portfolio as determined at the time of purchase.
6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

E. International Development Notes

1. Must have a long-term debt rating of “AA” or better by at least one NRSRO.
2. Must be issued by the International Bank for Reconstruction and Development, the International Finance Corporation, or the International American Development Bank, and:
 - a) Denominated in United States dollars;
 - b) Senior unsecured unsubordinated obligations
3. Maximum maturity of five (5) years.
4. Must be denominated in United States dollars.
5. Must be senior unsecured unsubordinated obligations.
6. Aggregate par value may not exceed 15 percent of total par value of the portfolio as determined at the time of purchase.
7. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

- F. Money Market Mutual Funds
 - 1. Only SEC registered 2(A)7 funds are eligible.
 - 2. Rating must be “AAA” or its equivalent by at one NRSROs.
 - 3. Investments must only be in securities issued by the United States Treasury, United State Agency securities, or repurchase agreements fully collateralized in such securities.

- G. Negotiable Certificates of Deposit
 - 1. Issued by commercial banks, insured savings and loan associations, or insured credit unions with at least \$10 billion in assets.
 - 2. Must have received the highest letter and numeral short-term ranking (i.e., A-1/P-A by at least one NRSRO)
 - 3. Must also have long-term debt ratings of “A” or better from at least two (2) NRSROs.
 - 4. Maximum maturity of two (2) years.
 - 5. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
 - 6. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

- H. Repurchase Agreements
 - 1. Executed with a qualified counterparty approved by the State Treasurer.
 - 2. Counterparty means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a “primary” dealer, and in full compliance with all applicable capital requirements.
 - 3. Counterparty must provide annual audited financial statements to the State Treasurer.
 - 4. Counterparty must have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a repurchase agreement.
 - 5. Counterparty must have executed a written tri-party agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a tri-party repurchase agreement.
 - 6. Maximum maturity of 90 days.
 - 7. Must meet collateral requirements contained in this investment policy.
 - 8. Aggregate par value may not exceed 40 percent of total par value of the portfolio as determined at the time of purchase.
 - 9. No more than 10 percent of total par value of the portfolio may be in one (1) counterparty.

I. Tax-Exempt Municipal Bonds

1. Issuer must have a long-term debt rating of “A” or better from at least one NRSRO.
2. Eligible securities are:
 - a. Bonds of this State except for Build America Bonds. Bonds issued by the State of Nevada must be held to maturity and not re-sold.
 - b. Bonds issued by other states of the Union.
 - c. Bonds of any country, city school district or other local government of this state or of other states.
3. Maximum maturity of two (2) years.

J. Time Certificates of Deposit

1. Financial institutions with a physical location in the State of Nevada will be selected as depositories based on, but not limited to, the following: financial stability, funds availability, community involvement and other relevant economic criteria.
 1. A financial institution will be eligible to receive total deposits in an amount not to exceed their equity capital.
 2. Maximum maturity of two (2) years.
 3. Must meet collateral requirements contained in this investment policy.

K. United States Treasury Securities

1. Maximum maturity of two (2) years.
2. Eligible securities include bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS), floating rate notes, and Separate Trading of Registered Interest and Principal Securities (STRIPS).

L. United States Agency Securities

1. In addition to obligations of government-sponsored enterprises (GSEs), all other obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government are authorized.
2. Maximum maturity of two (2) years.
3. Eligible instruments include:
 - a. Discount Notes with a maximum stated maturity of one (1) year;
 - b. Debentures (including structured notes) with a maximum stated maturity of two (2) years. These may include floating rate securities, zero coupon bonds, callable securities, and step-up securities;
4. Aggregate par value of callable securities may not exceed 20 percent of total par value of the portfolio.

M. Asset-Backed Securities

1. Must have received an “AAA” rating or its equivalent by a NRSRO.
2. Maximum stated-final maturity of two (2) years.
3. Aggregate par value may not exceed 20 percent of total par value of the portfolio at time of purchase.
4. No more than 5 percent of the total par value maybe in one issuer at time of purchase.

X COLLATERALIZATION

A. Repurchase Agreements

1. Transacted on a delivery versus payment basis, whereby the securities custodian will disburse cash for repurchase agreements only upon the receipt of the purchased securities.
2. Collateral may be transferred directly to the State’s custodial bank on a deliverable basis or using a tri-party custodial bank arrangement.
3. The purchased securities will be United States Treasury or United States Agency securities with a term to maturity not to exceed 10 years.
4. The market value of the purchased securities must equal or exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly. If the value of the purchased securities should fall below 102 percent, the counterparty will be required to submit additional collateral to make up the deficit.

B. Time Certificates of Deposit

1. Pursuant to NRS 356.005, all money deposited by the State Treasurer which is not within the limits of insurance provided by an instrumentality of the United States must be secured by collateral composed of the following types of securities:
 - a. All authorized investments as set forth in this policy;
 - b. Bonds of the State;
 - c. Bonds of any county, municipality or school district within the State;
 - d. Irrevocable letters of credit from any Federal Home Loan Bank with the State Treasurer named as the beneficiary.
2. The collateral must be held in trust with a custodian other than the depository.

XI SALE OF SECURITIES

Securities are normally purchased by the State Treasurer with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and/or increase the return of the portfolio, securities may be sold prior to maturity either at a profit or loss when economic circumstances or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In the latter situation, the Deputy must abide by the Divestiture Policy, which was previously approved by the Board on April 23, 2008, and is hereby attached as Appendix “A” and re-titled “Sale of Portfolio Securities”. In measuring a profit or loss, the sale proceeds shall be compared to the book value of the security.

XII PROHIBITED INVESTMENTS

No investment shall be made that is prohibited by law. Furthermore, to provide for the safety and liquidity of the LGIP, the portfolio will be subject to the following restrictions in addition to those listed elsewhere in this investment policy:

- Instruments known as inverse floaters, range notes, leveraged floaters, equity-linked securities, option contracts, futures contracts and swaps are prohibited;
- Interest-only strips that are derived from a pool of mortgages, or any other investment that could result in zero interest if held to maturity is prohibited;
- Illiquid investments which lack a readily available market for trading as determined by the Deputy are prohibited;
- Borrowing for investment purposes (“Leverage”) is prohibited;
- Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited; and
- Reverse repurchase agreements are prohibited.

XIII COMPETITIVE PRICING

Investment transactions are to be made at current market prices. Wherever possible, competitive prices should be obtained through obtaining multiple bids or offers and documenting them on the trade ticket or other written forms. When possible, bids and offers for any investment security shall be taken from a minimum of three (3) security broker/dealers or banks and awards shall be made to the best bid or offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g. commercial paper and certificates of deposit) market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other direct issuers.

XIV SAFEKEEPING/CUSTODY AND DELIVERY

All securities will be held by a third-party custodian designated by the State Treasurer and evidenced by safekeeping receipts. In addition, the following requirements will apply:

- A. Securities purchased by the State Treasurer for the LGIP, as well as collateral for repurchase agreements will be delivered against payment and held in a custodial safekeeping account with an approved financial institution acting as a third-party custodian. Tri-party repurchase agreements are acceptable.
- B. The State Treasurer will periodically issue a Request for Proposal (RFP) for Master Securities Custody Services, which will encompass the following functions:
 - 1. The settlement of all purchase, sales, and calls through the Federal Reserve System (Fed) or the Depository Trust Company (DTC).
 - 2. The collection and distribution of all interest payments.
 - 3. The collection and distribution of all paydowns associated with mortgage- backed and asset-backed securities.
 - 4. The receipt and disbursement of all repurchase agreement collateral.
 - 5. The facilitation of all trading activity conducted by investment managers and securities lending agents.
 - 6. Providing daily accounting and bookkeeping of all investment accounts, weekly market evaluation of securities and month end reports that show a detailed list of holdings with market evaluations.

XV PERFORMANCE EVALUATION

The LGIP will be invested to obtain a rate of return consistent with its cash flow requirements and risk constraints, and the dependence upon budgetary and economic factors. The State Treasurer's investment strategy is generally that of a "buy-and-hold" investor but the State Treasurer also has the ability to take advantage of market opportunities as they occur by analyzing projected cash flow to assess the availability of uncommitted money.

Given this strategy, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved will be comparing the LGIP's yield to a custom benchmark comprised of the prominent and persistent characteristics of the LGIP, and will be adjusted periodically when material, long-term changes of the LGIP's sector allocations and weighted average maturity occur.

XVI ACCOUNTING AND REPORTING

The State Treasurer will maintain a technologically adequate investment system that will account for all investment transactions, produce detailed reports of securities holdings, calculate yield to maturity and average portfolio life, create amortization of securities, and calculate portfolio earnings.

Pursuant to NRS 355.045, the State Board of Finance will review the investment policies of the LGIP at least every four (4) months. The State Treasurer will submit a quarterly report which will contain the following information to permit an evaluation of the performance of the LGIP:

- A. An overview of market and economic conditions for the quarter.
- B. The investment strategy used for investment of the portfolio.
- C. A list of securities holdings in the portfolio at quarter end that categorizes each type of security.
- D. Yield to maturity and average life of the portfolio at quarter end.
- E. Percentage allocation of securities by category.
- F. Dollar value of total earnings for the month.
- G. Performance of the portfolio versus the selected benchmark.
- H. Review of the securities lending program, if applicable.

The report will allow the Board to review investment results, provide suggestions for improved future performance, and to verify that investment staff has acted in accordance with investment policies and procedures. If acceptable to the Board, the above information alternatively may be posted to the State Treasurer's website (i.e., in the case where information such as the securities holdings report is voluminous).

The State Treasurer will provide a monthly report for each authorized account which contains the following information:

- A. Deposit or withdrawal of monies by date.
- B. Beginning and ending balance.
- C. Interest earnings.
- D. Annualized gross and net-of-fees yield-to-maturities.
- E. State Treasurer's administrative fee.

XVII YIELD CALCULATION AND EARNINGS

- A. Interest is distributed to each authorized account on a monthly basis using the accrual basis of accounting, whereby income and expense items are recognized as they are earned or incurred, even though they may not have been actually received or paid.
- B. The SIFMA (Securities Industry and Financial Market Association)) method of calculating yield is utilized. The yield-to-maturity is computed monthly on an annualized basis, using the amortized book value of the securities held in the LGIP portfolio. Yield-to-maturity is quoted both gross and net of the State Treasurer's administrative fee.
- C. Earnings composed of gains and losses are calculated and distributed in the month in which they were realized.
- D. Total earnings are apportioned to each authorized account on a pro-rata basis of each account's average weighted dollar days to the LGIP's total average weighted dollar days. (Dollar day = one (1) dollar in the account for one day.)

XVIII INTERNAL CONTROLS

A system of controls will be established to ensure that investment transactions and associated activities are monitored. These controls are created to safeguard against fraud, investment staff error, or other actions that could result in a loss of local government money. The State Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this investment policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

The State Treasurer is subject to periodic audits by the Legislative Counsel Bureau that includes unscheduled cash and securities counts. In addition, the State Treasurer will contract with an independent accounting firm to determine whether the accounting records related to the investment program are accurately presented and whether the State Treasurer is in compliance with NRS and approved investment policies.

XIX SECURITIES LENDING

NRS 355.167(4) allows the State Treasurer to lend securities from the LGIP. However, securities lending is not authorized at this time due to volatility in the bond market and possible dislocations in the future.

GLOSSARY

ASSET- BACKED SECURITY (ABS)	A security backed by notes or receivables against assets. Examples are automobiles loans and credit card receivables.
AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS	Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.
BANKERS' ACCEPTANCES (BA)	Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.
BASIS POINT	1/100 of one (1) percent. (decimally .0001)
BENCHMARK	A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.
BROKER	A party who brings buyers and sellers together, and charges a commission for this service.
CERTIFICATE OF DEPOSIT (CD)	A negotiable time deposit issued by a bank in certificate form. A CD is issued with a specific maturity date and pays interest at maturity.
COLLATERAL	Securities or cash which a borrower pledges to secure repayment of a loan.
COLLATERALIZED MORTGAGE OBLIGATION (CMO)	A security which pools together mortgages and separates them into short, medium, and long-term "tranches". Tranches are set up to pay different rates of interest depending upon their maturity. Interest is usually received on a monthly basis.
COMMERCIAL PAPER (CP)	A short-term promissory note issued by a corporation. Commercial paper is issued on a discount basis and has specific maturity dates not to exceed 270 days.
CORPORATE NOTE	A negotiable security issued by a corporation.

CUSTODIAN	A financial institution approved by the State Treasurer to provide safe-keeping services with respect to securities and securities-related assets, and to provide other services which may include trade settlement, interest collection and transaction reporting.
DEALER	A firm or individual who buys and sells for his own account.
DELIVERY VS. PAYMENT (DVP)	The exchange of securities and cash at settlement date.
DISCOUNT BASIS	The price of a security expressed as an annualized rate of discount. Discounted securities are purchased at a dollar price below face value, and mature at face value.
DIVERSIFICATION	Allocating investment funds to a variety of securities to minimize market risk.
DURATION	The weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security, the greater it's percentage price volatility.
FAIR VALUE	The amount at which an investment can be exchanged between buyer and seller.
FANNIE MAE	Established by Congress in 1938 to provide liquidity to the mortgage market, especially the secondary market for residential mortgages. Legislation in 1968 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation. Previously known as Federal National Mortgage Association.
FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FARMERMAC)	A federally chartered agency of the United States. It was established to provide a secondary market for agricultural real estate mortgage loans.
FEDERAL FARM CREDIT BANK (FFCB)	The Federal Farm Credit Administration, a federal agency, is responsible for regulating the banks and associations which comprise the Federal Farm Credit System. This System provides credit solely to the United States agricultural sector.
FEDERAL FUNDS RATE	The interest rate charged by banks having excess reserves to banks needing the money to meet reserve requirements.

**FEDERAL HOME LOAN
BANK (FHLB)**

The Federal Home Loan Bank Board, established by Congress in 1932, is comprised of 12 Federal Home Loan Banks. The Board is authorized to provide support and liquidity to savings and loans, banks, and insurance companies engaged in home financing.

**FEDERAL HOME LOAN
MORTGAGE CORPORATION
(FREDDIEMAC)**

Established by Congress in 1970 to enhance the liquidity of mortgage investments and to improve the distribution of investment capital available for home mortgage financing. Legislation in 1989 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation.

GOVERNMENT AGENCIES

Refers to securities issued by agencies of the United States government and United States government sponsored enterprises. Securities issued range in maturity from overnight to longer than 10 years. Securities may be issued on a discount basis, or may be interest bearing. Agencies would include FARMERMAC, FFCB, FHLB, FREDDIEMAC, and FANNIEMAE.

**GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION
(GNMA)**

Established in 1986 to take over some of the functions performed by FNMA. GNMA is an agency controlled by the Department of Housing and Urban Development (HUD). GNMA is authorized to confer a full faith and credit guarantee of the United States government for the timely payment of both principal and interest on packages of mortgages it creates in its mortgage pass-through securities program.

**LEGISLATIVE COUNSEL
BUREAU (LCB)**

Encompasses the lawmaking authority of the State of Nevada. It is empowered to enact the laws of the State and provides oversight of the executive and judicial branches of government through the budget and audit processes and reviews the regulations developed by State agencies.

LIQUIDITY

The capacity to meet future financial obligations from available resources.

**LOCAL GOVERNMENT
INVESTMENT POOL**

A state investment program, usually administered by the State Treasurer, which manages the monies of local governments by using the pooling method.

**MASTER REPURCHASE
AGREEMENT**

A written contract between the State Treasurer and an approved counterparty which details each party's obligations in a repurchase agreement transaction. Among other things, it will specify the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MONEY MARKET FUNDS

A mutual fund that invests only in money market instruments, or those securities having a maturity of 397 days and under.

NEVADA REVISED STATUTES (NRS)	The codified laws of the State of Nevada as enacted by the Legislature.
PAR VALUE	The principal amount a holder will receive at the maturity of an issue.
PORTFOLIO	A collection of securities held by an investor.
PREMIUM	The amount by which the market price of an issue exceeds face value.
PRUDENT PERSON RULE	An investment standard which may be adopted by an investment organization to guide those with the responsibility for the investment of money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.
RATINGS	The evaluation of an issuer's credit standing published by Moody's, Standard & Poors, Fitch or other rating services.
REPURCHASE AGREEMENT	A simultaneous sale of securities by a bank or broker/dealer with an agreement to repurchase those securities at an agreed upon date, and at an agreed-upon rate of interest.
SAFEKEEPING	A fee arrangement whereby an approved financial institution holds a customer's securities in its vaults, or in the case of book-entry securities, maintains a safe-keeping receipt recorded in the customer's name as evidence of ownership.
SECURITIES INDUSTRY ASSOCIATION	An organization which offers premiere educational programs to member securities firms.
STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)	Established in 1972 by Congress as a publicly owned, government sponsored enterprise(GSE), created to provide liquidity for originators of student loans made under federally sponsored student loan programs. In 1997 shareholders voted to privatize Sallie Mae, although the GSE remains the obligor in all pre and post privatization public debt issued.
TIME CERTIFICATE OF DEPOSIT (TCD)	A non-negotiable financial instrument issued with a specific amount, rate and maturity date.
UNITED STATES TREASURY BILLS(T-BILLS)	A discounted security issued by the United States Treasury. T-bills are issued with maturities of one (1), three (3) and six (6) months and one (1) year.

**UNITED STATES
TREASURY NOTES**

Interest-bearing securities issued by the United States Treasury. Notes are issued with maturities from two (2) to 30 years.

YIELD

The rate of annual return on an investment expressed as a percentage. **YIELD TO MATURITY** is the total money earned from investment date to maturity date assuming: 1) semi-annual interest payments, 2) interest are reinvested at same rate security was purchased at, and 3) the premium is subtracted or discount is added to final money.

APPENDIX A

LOCAL GOVERNMENT POOLED INVESTMENT FUND SALE OF PORTFOLIO SECURITIES

The State Treasurer, as fiduciary for all monies, is responsible for administering and investing, and acting within the “prudent person” standard. As such, the State Treasurer has a duty to provide for the:

- a) Safety
- b) Liquidity, and
- c) The securing of a just and reasonable investment return of the portfolio while avoiding undue risk.

There is also the recognition that within a diversified investment portfolio, which follows stated laws and guidelines, individual securities may fall out of regulatory compliance for various reasons. Compliance may encompass risk enhancement due to a security’s rating downgrade below guidelines, price volatility which hampers performance, class percentage restrictions, or policy provisions, which call for liquidation from a designated portfolio.

If an individual security does not conform within policy limitations, there must be a “best judgment” guideline to remedy or correct non-compliance. Keeping in mind the duties identified above, the following criteria should be applied to determine the proper course of action regarding non-compliant securities.

Once a security has fallen out of regulatory compliance, the cause of the compromise shall be reviewed, and the following information identified:

- a) The par value of the security,
- b) The content and performance of any underlying collateral, and
- c) The time remaining to maturity of the security.

If the compromise is of a short-term nature (approximately three months), with no assumed default repercussion, and if the par value is 1% or less of the total par value of the portfolio, the security will be monitored until it re-complies or matures. The non-compliance must be documented in writing, and forwarded to the appropriate Senior Deputy Treasurer.

If the nature of the compromise is long-term, or if default is evident, any non-compliance must be documented in writing, and forwarded to the State Treasurer. After considering recommendations from investment staff, external investment managers or advisors regarding the prudent course of action, the State Treasurer may take appropriate action to sell, redeem, divest, or withdraw the non-compliant security. This shall not be construed to require the premature or otherwise imprudent sale, redemption, or divestment of the security, but shall require that the State Treasurer proceed in a manner to preserve the principal value and the integrity of the portfolio as a whole. Divestiture shall be completed no later than two years following the date of the infraction, and shall be reported upon completion to the State Board of Finance.

Any activity associated with this procedure shall be reported, as with all other investment activity, as provided in NRS 355.045, to the Board of Finance.



**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Treasurer
State of Nevada Local Government Investment Pool
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of Nevada Local Government Investment Pool (the LGIP), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the LGIP's basic financial statements and have issued our report thereon dated November 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LGIP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LGIP's internal control. Accordingly, we do not express an opinion on the effectiveness of the LGIP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LGIP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
November 1, 2021