

Governor Steve Sisolak  
*Chairman*



State of Nevada  
STATE BOARD OF FINANCE

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

## PUBLIC NOTICE

### AGENDA

MEETING OF THE STATE BOARD OF FINANCE (Remote meeting)

January 12, 2021

1:00 P.M.

#### **Locations:**

Pursuant to the Governor's Emergency Directive 006, as extended, there will not be a physical location for this meeting. The public can participate by calling the conference line and entering the collaboration code when prompted. Persons on the call should avoid putting the call on hold and should mute their phone if possible when not talking.

Conference Line: **877.873.8017** Please call **775.684.5600** for collaboration code unless previously provided.

Board members, agency staff, and persons presenting or assisting presenters may be present via videoconference at the following locations and must wear facial coverings, may be subject to temperature screenings upon entering same, and should maintain social distancing while present:

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

These locations shall not be open to the public.

#### **Agenda Items:**

1. Roll Call
2. Public Comment  
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(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. Comment will only be received on matters relevant to the

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

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 November 11, 2020.

Presenter: Tara Hagan, Chief Deputy Treasurer

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 Guarantee Agreement pertaining to the Churchill County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed), Series 2021, in the aggregate principal amount not to exceed \$12,100,000.

Presenter: Lori Chatwood, Deputy Treasurer – Debt Division

5. **Informational Item Regarding Issuance of Industrial Revenue Bonds for the Brightline/Xpress West High Speed, Intercity Rail System Project**

Presenter: Terry Reynolds, Director, Department of Business and Industry

6. **For discussion and possible action:** Review and approve the Fiscal Year 2020 Audited Financial Statement for the Local Government Investment Pool (LGIP) and approve its filing with the State Controller.

Presenter: Kim Shafer, Deputy Treasurer – Investment Division

7. **For discussion and possible action:** (a) regarding the State Treasurer's quarterly investment report for the quarter ended September 30, 2020 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.

Presenter: Tara Hagan, Chief Deputy Treasurer

8. Public Comment.  
Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(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. Comment 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, 1<sup>st</sup> & 2<sup>nd</sup> Floors, Carson City, Nevada**

Also online at: [http://www.nevadatreasurer.gov/Finances/Board/BOF\\_Home/](http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/) and <https://notice.nv.gov/>

**STATE BOARD OF FINANCE**  
**November 10, 2020 – 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 1:03 pm.

**Board members present:**

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

**Others present:**

Tara Hagan:	Treasurer's Office
Brandee Mooneyhan:	Attorney General's Office
Terry Reynolds:	Director, Business and Industry
Stephen Aichroth:	Business and Industry, Housing Division
Michael Holliday:	Business and Industry, Housing Division
Fred Eoff:	PFM Financial Advisors
David Robertson:	Lewis, Young, Robertson & Burningham, Inc.
Ryan Warburton:	Gilmore and Bell
Jim Macias:	Fulcrum BioEnergy
Eric Pryor:	Fulcrum BioEnergy
Richard Barraza:	Fulcrum BioEnergy
Jim Stone:	Fulcrum BioEnergy

**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** – Approval of the Board of Finance minutes from the meeting held on October 13, 2020.

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



**Agenda Item 4 – For discussion and possible action:** on the request by the Director of the State of Nevada Department of Business and Industry to approve the Findings of Fact pertaining to the issuance of industrial development revenue bonds in one or more issues in an aggregate amount not to exceed \$20,000,000 for the purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing, improving, and equipping a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site to be located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada and/or (ii) the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada. The project will be owned by Fulcrum Sierra Holdings, LLC, and operated by Fulcrum BioEnergy, Inc. Approval of the Board of Finance is required pursuant to NRS 349.580(2).

Terry Reynolds with the Department of Business and Industry presented the details of the sixth installment of the Fulcrum project and stated that bond funds in the amount of \$20,000,000 will be used for constructing, improving, and equipping a facility to be used for converting municipal solid waste into renewable fuel products, including the use of solar energy. Mr. Reynolds noted this volume cap will be part of the renewable energy cap in the amount of \$100,000,000 which was set aside in 2018. He noted that once completed, the project will be running on 100% of renewable energy which makes it the first in the State of Nevada. He noted proceeds of the bonds will be used to finance the improvements to the project, pay capitalized interest on the bonds, fund certain reserves relating to the bonds, and pay certain issuance expenses on the bonds. Mr. Reynolds noted Fulcrum will also make an additional equity contribution of ~\$15 million to assist in covering these costs.

Governor Sisolak inquired about the number of jobs related to this project, including types of jobs and average wages.

Mr. Reynolds noted detailed job information is provided on pages 28 and 29 of the materials. He stated the current number of construction jobs is 695 and permanent jobs is 123. The hourly wages are higher than Nevada averages and range between \$30 - \$46 before rates and benefits. He noted that construction wages are forecasted to be more than \$100,000 per day, and although they slowed during the initial days of the pandemic and due to other delays, they are increasing toward ~\$3 million per month.

Mr. Macias thanked the Governor for his leadership during the pandemic and noted the clear, concise direction provided by him and his staff allowed work to continue safely.

Member Courier inquired about the \$15 million in equity provided by the firm and questioned if this amount would be primarily used toward interest cost expense, citing page 27 of the materials.

Mr. Reynolds stated Member Courier is correct these monies are expected to be used toward bond financing costs, including an increase in debt reserve amounts.

Controller Byrne inquired about the jobs and questioned whether the firm hired Nevada residents to fill these jobs or if persons were hired from other states, such as California.

Mr. Reynolds noted that the majority if not all construction jobs hired Nevada residents and the same for the permanent jobs with the exception of two or three positions.

**Controller Byrne 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 \$18,000,000 of Multi-Unit Housing Revenue Bonds (Lake Mead West Apartments), for the purpose of construction of a 156-unit affordable housing rental project in North Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Foresight Companies, Ltd. The Richman Group 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 \$18,000,000 of multi-unit housing revenue bonds for the construction of a 156-unit family apartment complex in North Las Vegas located at Coran Lane and Lake Mead Boulevard near the North Las Vegas airport. He noted that the bonds will be used for new construction of an affordable apartment complex in North Las Vegas. The rental housing will serve several hundred households across a spectrum of income ranging from 30% to 60% of the area medium income (AMI). The project will be developed by Foresight Companies which is a Nevada-based developer; he noted this is the firm’s first application before the Board although it has over 3,000 units of other multi-unit family housing. The Division will be the conduit issuer on the project and there will be no liability for the repayment of the bonds for the State of Nevada. The project will be structured in two phases; the construction phase and the permanent phase where they will pay down the full amount and use tax credit equity to reduce the permanent debt.

Mr. Holliday presented the financials noting both the permanent and construction phase will be placed directly with Red Stone Tax Exempt Funding and the Richman Group Affordable Housing Corporation will be the limited investor. Richman Group Affordable Housing Corporation will provide an equity investment of ~\$11.13 million in exchange for the right to receive nearly all of the tax benefits available on the project, including the four (4) percent low-income housing tax credits.

Governor Sisolak thanked the Housing Division representatives and the developer, Foresight Companies for bringing this important project to the Board for approval. He stated this area in North Las Vegas has a tremendous need for affordable housing.

Treasurer Conine echoed the Governor’s comments and thanked the developer for bringing desperately needed units to Nevada residents.

**Treasurer Conine moved to approve Agenda Item 5. Motion passed unanimously.**

**Agenda Item 6 - Receive and discuss a report on bond expenditures as of June 30, 2020.**

Ms. Kim Shafer presented the bond expenditure report for period ended June 30, 2020. She reviewed the current outstanding proceeds for all previous bond issuances with the exception of the 2019 issuances. She noted no significant concerns with agency spenddown of proceeds from prior issuances, stating all of calendar year 2015 and 2016 issuances have been exhausted. Ms. Shafer provided a high-level overview of the State agencies with outstanding proceeds. She noted that this process has been important to ensure the State complies with federal regulations regarding the spenddown of tax-exempt debt and allows the State not to issue debt when it is not needed.

Treasurer Conine noted this reporting and tracking process allowed his staff to work with the Governor's Finance Office to determine an additional \$4 million in bond proceeds was not needed in 2020 for a particular agency due to unspent proceeds from 2018 and 2019. He thanked his staff for the hard work and diligence on this report.

**This was not an action item and therefore did not require a vote of the members.**

**Agenda Item 8 – Public Comment**

No public comment in Carson City or Las Vegas. Public comment closed.

Meeting adjourned at 1:25 pm.



STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance (Board) Members

FROM: Lori Chatwood, Deputy Treasurer-Debt Management

SUBJECT: January 12, 2021 Agenda Item #4-Resolution approving the Department of Taxation Permanent School Fund Report and the State Permanent School Fund Guarantee Agreement for Churchill County School District

DATE: December 28, 2020

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***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 Churchill County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2021, in the aggregate principal amount not to exceed \$12,100,000.

**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 Churchill County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2021, in the aggregate principal amount not to exceed \$12,100,000. 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 ~\$190,000 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 \$40 million.

**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



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

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 Churchill County PSFG Resolution);
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 A-Board of Finance Resolution-Exhibit 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 A-Board of Finance Resolution-Exhibit C-Certificate of Treasurer).

The PSFG Program is currently rated “AAA” by both Moody’s Investor Service (Moody’s) and S & P Global Ratings (S&P). The PSFG provides an opportunity for school districts to gain the benefits of a “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 be utilizing the 2021 Refunding Bonds’ proceeds for the purpose of refunding, paying and discharging all or a portion of its outstanding 2011 PSFG Bonds (\$4,925,000) and 2019 non-PSFG Refunding Bonds (\$8,489,000). The 2019 Bonds refinanced bonds issued in 2009 and 2010 and along with the 2011 bonds were used to fund projects which include a multi-use facility and science remodel at Churchill County High School, classroom upgrades at the “Old High School”, and various improvements district-wide such as roof replacement and technology upgrades. The District anticipates this refunding transaction to result in cashflow savings of approximately \$1,150,000 over the life of the bonds with approximately \$190,000 attributable to the use of the PSFG. The District anticipates the savings from the refinancing to be used to fund improvement projects in its 5-year capital improvement plan.

**PSFG Details:** As of January 12, 2021, the District has \$21,575,000 of outstanding principal guaranteed by the Permanent School Fund (PSF). With the approval by the Board of this resolution and the issuance of the District 2021 Refunding Bonds (\$12,100,000), the District will be utilizing \$28,750,660 of its total PSFG authorization of \$40,000,000. Additionally, as of January 12, 2021, the total amount of all outstanding

bonds guaranteed or approved to be guaranteed by the Guarantee Act (\$154,060,800) does not exceed \$1,049,364,068 which is 250% of the lower of the cost or fair market value of the assets in the PSF (\$419,745,627 on June 30, 2020). With the approval of the District's 2021 guarantee, there is remaining capacity in the PSFG Program of \$883,203,268.

**Recommendation:** State Treasurer Zach Conine and Melanie Young, Executive Director of the Nevada Department of Taxation respectfully request the State Board of Finance's approval of the resolution pertaining to the Churchill County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2021, in the aggregate principal amount not to exceed \$12,100,000.



## APPENDIX A

### Permanent School Fund Guarantee (PSFG) History and Background

The 1956 special session of the legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund (PSF) to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The 1997 legislature added Nevada Revised Statutes (NRS) 387.513 -387.528, inclusive, which created the *Guarantee of Bonds With Money From the State Permanent School Fund (PSFG)* in an amount not to exceed two hundred fifty percent of the lower of the cost or fair market value of the assets in the PSF with the amount of the guarantee for bonds of each school district not to exceed \$25 million outstanding at any one time.

The 2007 legislature amended the statutes to increase the maximum amount of the guarantee for bonds of each school district outstanding at any one time to \$40 million.

**Approval:** The school district submits a PSFG application to the State Treasurer who provides a copy of the application to the Executive Director of the Department of Taxation. The Department of Taxation then investigates the school district's ability to make timely payments on the debt service of the bonds.

The State Treasurer determines the proposed school district PSFG bonds plus the school district's outstanding PSFG bonds do not exceed the \$40 million limitation established by the Guarantee Act as well as determining the amount of bonds to be guaranteed under the PSFG, in addition to the total amount of outstanding PSFG bonds will not exceed the 250% of the lower of the cost or fair market value of the assets in the PSF limitation also established by the Guarantee Act.

The State Board of Finance approves a resolution which approves the report submitted by the Executive Director of the Department of Taxation and the form of the State Permanent School Fund Guarantee Agreement pertaining to the school district.

**Payment Default :** If a school district fails to make a timely payment on the debt service of bonds that are guaranteed pursuant to the provisions of the PSFG, the State Treasurer will make the payment on the debt service by withdrawing funds from the State Permanent School Fund (PSF) and report the payment to the Executive Director of the Department of Taxation.

The amount of money withdrawn from the PSF to make the debt service payment shall be deemed a loan to the school district and the loan must be repaid by the school district, unless payment would cause it to default on other outstanding bonds, medium-term obligations or installment-purchase agreements.

If the school district is not able to fully repay the loan, including any accrued interest, in a timely manner, the State Treasurer will withhold the money that would otherwise be distributed to the school district from the interest earned on the PSF that is distributed by the Distributive School Account. The State Treasurer will apply the money first to the interest on the loan and, when the interest is paid in full, then to the balance. When the interest and balance on the loan is repaid, the State Treasurer will resume making the distributions that would otherwise be due to the school district.

## 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 CHURCHILL COUNTY SCHOOL DISTRICT, NEVADA, GENERAL OBLIGATION (LIMITED TAX) REFUNDING BONDS (PSF GUARANTEED) SERIES 2021.**

**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**, the Churchill County School District, Nevada (the "District") has submitted its application to the State Treasurer for a Guarantee of its Churchill County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2021, in maximum aggregate principal amount of \$12,100,000 (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 his 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, in addition to any other outstanding bonds of the District guaranteed pursuant to the Guarantee Act, does not exceed the limitations established by 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 6 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 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 the Bonds in substantially the form now on file with the Secretary to the Board, to be executed and delivered in connection with the Bonds.

PASSED, ADOPTED AND APPROVED on January 12, 2021.

Attest:

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Steve Sisolak, Governor, Chairman  
State Board of Finance

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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"), 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 and compared copy of the resolution (the "Resolution"), which was passed and adopted by the Board at the duly held meeting of January 12, 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.

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 minute book of the Board kept for that purpose in my office.

3.       The members of the Board listed below attended such meeting and voted in favor of the passage of the Resolution:

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

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; and on the official website of the State pursuant to NRS 232.2175;

(c)       Unless such requirements were suspended by the Governor of Nevada's Declaration of Emergency Directive 006, as extended, 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, to wit:



- (i) Capitol Building, Carson City, Nevada,
- (ii) Blasdel Building, Carson City, Nevada,
- (iii) Legislative Building, Carson City, Nevada,
- (iv) Nevada State Library, Carson City, Nevada,
- (v) Grant Sawyer Building, Las Vegas, Nevada,
- (vi) City Hall, Reno, Nevada,
- (vii) City Hall, Elko, Nevada,
- (viii) City Hall, Henderson, Nevada;

(d) 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; 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; and the form of the Guarantee Agreement referred to in the Resolution is attached to this certificate as Exhibit D..

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 January 12, 2021.

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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)

EXHIBIT D

(Attach Form of Guarantee Agreement)



## ATTACHMENT B

### Letter of Executive Director of the Department of Taxation



BRIAN SANDOVAL  
Governor  
JAMES DEVOLLD  
Chair, Nevada Tax Commission  
DEONNE E. CONTINE  
Executive Director

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

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

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

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

November 30, 2020

Lori Chatwood  
Deputy Treasurer of Debt Management  
State of Nevada  
101 North Carson Street, #4  
Carson City, NV 89701-4786

**Re: Guaranty Request – Churchill School District**

Dear Ms. Chatwood:

The Department of Taxation has reviewed the materials submitted on behalf of the Churchill 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 and 2008 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 \$0.55. The District proposes to issue bonds in the amount of \$12,100,000 in February 2021.

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 has 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 \$0.55 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 Churchill County School District School Building Bonds, in an amount not to exceed \$12,100,000.

Sincerely,

  
Melanie Young  
Executive Director

DEC:kg

cc: John Peterson  
Ryan Henry  
Christi Fielding

## ATTACHMENT C

### Certification of the 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 Churchill County School District, Nevada, General Obligation (Limited Tax) Refunding Bonds (PSF Guaranteed) Series 2021 (the "Bonds") to be guaranteed by the State of Nevada under the Guarantee Agreement between the Churchill County School District and the Treasurer will not exceed the aggregate principal amount of \$12,100,000.

2. The maximum principal amount of the Bonds (i.e., \$12,100,000), plus the total amount of outstanding bonds guaranteed pursuant to NRS 387.513 to 387.528, inclusive, on the date of delivery of the Bonds will not exceed the limitation established by subsection 1 of NRS 387.522.

WITNESS my hand on 12/9, 2021.

STATE OF NEVADA

By 

Zachary B. Conine, State Treasurer

ATTACHMENT D

Guarantee Agreement

## STATE PERMANENT SCHOOL FUND GUARANTEE AGREEMENT

DATED as of \_\_\_\_\_, 2021, by and between CHURCHILL 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) Refunding Bonds (PSF Guaranteed) Series 2021 (the "Bonds"), in the aggregate principal amount of \$\_\_\_\_\_ 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 January 12, 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 January 27, 2021; 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 District's Superintendent 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 Standard & Poor's Rating Services.

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:

Churchill County School District  
690 South Maine Street  
Fallon, Nevada 89406  
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, 17<sup>th</sup> 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.

CHURCHILL COUNTY SCHOOL  
DISTRICT, NEVADA

By: \_\_\_\_\_  
President, Board of Trustees

STATE OF NEVADA

By: \_\_\_\_\_  
Zachary B. Conine, State Treasurer



STEVE SISOLAK  
Governor

STATE OF NEVADA



TERRY J. REYNOLDS  
Director

DEPARTMENT OF BUSINESS AND INDUSTRY  
OFFICE OF THE DIRECTOR

TO: Board of Finance (BoF) Members

FROM: Director Terry Reynolds, State of Nevada Business and Industry

A handwritten signature in black ink, appearing to read "T. Reynolds", written over the "FROM:" line.

SUBJECT: 1-12-21 Informational Item Regarding Issuance of Industrial Revenue Bonds for the Brightline/Xpress West High Speed, Intercity Rail System Project

DATE: December 16, 2020

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Informational Item Regarding Issuance of Industrial Revenue Bonds for the Brightline/Xpress West High Speed, Intercity Rail System Project

On July 24, 2020, the Board of Finance approved the Findings of Fact pertaining to the issuance of development revenue bonds in an amount not to exceed \$950 million (\$200 million in State of Nevada industrial revenue bonds which is leverage into a total of \$950 million). Department of Business and Industry Director, Terry J. Reynolds presented this item noting the revenue bonds support numerous aspects of a high speed, intercity rail system running for ~35 miles immediately adjacent to the Interstate 15 corridor between the Nevada side of the California and Nevada border, and a passenger station to be located in Las Vegas, on the east side of Interstate 15 withing the general boundary of Blue Diamond Road to the South, West Warm Spring Rod to the North and Las Vegas Boulevard to the West.

Director Reynolds indicated to the Board he anticipated to issue the bonds in or around September 2020; however, this schedule has changed since July. The \$200 million in bond capacity is being redistributed to the Housing Division following the State of California's decision to redistribute its \$600 million in bond capacity previously allocated to the rail project. The current fixed income market and the large issuance associated with the project made it difficult to sell the bonds during this difficult year. Director Reynolds and the Private Activity Bond Council decided at its December 8, 2020 meeting to redirect these bonds toward affordable housing projects. The \$200 million will be split with \$183 million allocated toward multifamily housing projects and \$17 million to the Nevada Rural Housing Authority.

Director Reynolds will continue to discuss the project and the market environment with advisors and has encouraged Brightline to reapply for the bonds as early as next year. Pursuant to NRS 349.580(2), the Board of Finance will need to review and approve the Director's Findings of Fact related to the issuance at a future meeting.



STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Kim Shafer, Deputy Treasurer - Investments

SUBJECT: BoF Agenda Item #6 – Local Government Investment Pool Audited Financial Statement

DATE: December 22, 2020

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***Agenda Item #6***

Review and approve the Fiscal Year 2020 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 2020 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 2020 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, Cornelius Nzume, 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, 2020

# State of Nevada Local Government Investment Pool

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## 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 State of Nevada Local Government Investment Pool (the LGIP), an investment trust fund of the State of Nevada, which comprise the statement of fiduciary net position – investment trust fund as of June 30, 2020, and the related statement of changes in fiduciary net position – investment trust fund for the year then ended, and the related notes to the financial statements.

### 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 an opinion on the 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 LGIP, as of June 30, 2020, 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, an external investment pool of the State of Nevada, 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, 2020, 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 October 28, 2020 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 28, 2020

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 \$31,839,211 and \$30,302,556 as of June 30, 2020 and 2019, respectively. This is an increase over the previous year of 5%.
- The Net Position of the LGIP increased in 2020 by \$499,526,971 from \$1,259,871,242 at June 30, 2019 to \$1,759,398,213 at June 30, 2020. 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 June 30, 2019 amount of \$204,942 by 24% but remained reasonable at \$254,173 at June 30, 2020 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 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, 2020

**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, 2020, the LGIP reported a net position of \$1,759,398,213.

	<b><u>2020</u></b>	<b><u>2019</u></b>
Assets		
Investments at Fair Value	\$ 1,754,723,749	\$ 1,255,459,072
Interest Receivable	<u>4,739,544</u>	<u>4,533,038</u>
Total Assets	<u>1,759,463,293</u>	<u>1,259,992,110</u>
Liabilities		
Accounts Payable	29,413	25,250
Interest Payable	<u>35,667</u>	<u>95,618</u>
Total Liabilities	<u>65,080</u>	<u>120,868</u>
Net Position	<u><u>\$ 1,759,398,213</u></u>	<u><u>\$ 1,259,871,242</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 \$499,526,971 as of June 30, 2020.

	<b><u>2020</u></b>	<b><u>2019</u></b>
Change in Net Position		
Investment Income		
Interest Income	\$ 28,635,185	\$ 27,750,089
Net Change in Fair Value of Investments	<u>3,458,199</u>	<u>2,757,409</u>
Total investment income	32,093,384	30,507,498
Investment Expenses	<u>254,173</u>	<u>204,942</u>
Net Investment Income	31,839,211	30,302,556
Distribution to Member Agencies	(27,803,197)	(26,448,737)
Principal Transactions	<u>495,490,957</u>	<u>134,198,960</u>
Change in Net Position	499,526,971	138,052,779
Net Position, Beginning of Year	<u>1,259,871,242</u>	<u>1,121,818,463</u>
Net Position, End of Year	<u><u>\$ 1,759,398,213</u></u>	<u><u>\$ 1,259,871,242</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 cashflow 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, 2020

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Assets	
Investments at fair value	\$ 1,754,723,749
Interest receivable	<u>4,739,544</u>
Total assets	<u>1,759,463,293</u>
Liabilities	
Accrued management fee	25,747
Accrued treasurer's fee	3,666
Interest payable	<u>35,667</u>
Total liabilities	<u>65,080</u>
Net Position	
Held in Trust for Pool Participants	<u><u>\$ 1,759,398,213</u></u>

State of Nevada  
Local Government Investment Pool  
Statement of Changes in Fiduciary Net Position – Investment Trust Fund  
Year Ended June 30, 2020

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Additions	
Investment income	
Interest income	\$ 28,635,185
Net change in fair value of investments	<u>3,458,199</u>
Total investment income	32,093,384
Investment expenses	
Management and other administrative fees	<u>254,173</u>
Total additions	<u>31,839,211</u>
Deductions	
Distributions to member agencies from net investment income, excluding change in fair value	(27,803,197)
Principal Transactions, Net Increase (Note 3)	<u>495,490,957</u>
Change in Net Position	499,526,971
Net Position	
Beginning of Year	<u>1,259,871,242</u>
End of Year	<u><u>\$ 1,759,398,213</u></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 State of Nevada 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.

### **Measurement Focus and Basis of Presentation**

The LGIP is an investment trust fund (a fiduciary fund) of the State of Nevada. The LGIP reports transactions and balances using the economic resources measurement focus and the accrual basis of accounting. The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report (CAFR) 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.

### **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, 2020, consisted of the following securities:

	Maturity Date	Annualized Discount/Interest Rate at Time of Purchase	Principal Amount	Amortized Cost	Fair Value
<b>Negotiable Certificates of Deposit</b>					
Mizuho Bank	07/20/2020	1.640	\$ 25,000,000	\$ 25,000,000	\$ 25,021,250
BNP Paribas	08/12/2020	0.230	25,000,000	25,000,000	25,000,000
Toronto Dominion Bank	08/17/2020	0.180	25,000,000	25,000,000	24,999,500
Toronto Dominion Bank	09/15/2020	1.620	25,000,000	25,000,000	25,075,000
Bank of Montreal	10/01/2020	2.000	30,000,000	30,000,000	30,138,000
Wells Fargo Bank NA	10/13/2020	1.860	15,000,000	15,069,109	15,069,109
Nordea Bank ABPP NY	11/04/2020	1.840	25,000,000	25,000,000	25,000,000
Credit Agricole Crp Instl	11/13/2020	1.860	30,000,000	30,000,000	30,180,000
UBS AG Stamford BRH Instl	11/16/2020	1.170	25,000,000	25,000,000	25,081,250
Cooperative Centrale Instl	11/23/2020	0.650	25,000,000	25,023,098	25,040,500
Royal Bank of Canada Instl	04/16/2021	1.140	25,000,000	25,000,000	25,160,750
			<u>275,000,000</u>	<u>275,092,207</u>	<u>275,765,359</u>
<b>Commercial Paper</b>					
Novartis Fin Corp	07/01/2020	0.170	17,000,000	17,000,000	16,999,970
John Deere Cap	07/15/2020	0.380	25,000,000	24,996,306	24,999,583
Exxon Corp	08/06/2020	0.460	25,000,000	24,988,500	24,996,017
Sumitomo Mitsui	08/12/2020	0.270	25,000,000	24,992,125	24,995,342
MUFG Bank Ltd.	08/17/2020	0.240	25,000,000	24,992,167	24,993,000
Exxon Corp	08/21/2020	0.890	25,000,000	24,968,758	24,993,897
Toyota Motor Corp.	08/24/2020	0.720	25,000,000	24,973,000	24,993,392
MUFG Bank Ltd.	09/15/2020	1.750	25,000,000	24,907,639	24,985,883
Coca Cola Co.	10/13/2020	1.640	19,980,000	19,885,339	19,970,093
Gotham FDG Corp.	10/27/2020	0.250	25,000,000	24,979,514	25,000,000
HSBC USA Inc.	11/23/2020	0.550	25,000,000	24,944,618	24,968,063
Honeywell Intl.	12/03/2020	0.450	25,000,000	24,951,563	24,966,850
Toyota Motor Corp.	12/07/2020	0.960	25,000,000	24,894,000	24,967,778
J. P. Morgan Securities	01/29/2021	0.450	25,000,000	24,933,750	24,950,448
			<u>336,980,000</u>	<u>336,407,278</u>	<u>336,780,316</u>

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	Maturity Date	Annualized Discount/Interest Rate at Time of Purchase	Principal Amount	Amortized Cost	Fair Value
<b>Corporate Notes</b>					
Wells Fargo & Co	07/22/2020	2.600	\$ 5,000,000	\$ 5,004,231	\$ 5,006,100
Caterpillar Financial	09/04/2020	1.850	5,750,000	5,756,562	5,765,410
Massmutual Global Funding	09/22/2020	1.950	10,474,000	10,480,631	10,511,706
Citibank NA	10/20/2020	2.125	10,000,000	9,978,152	10,038,600
US Bank NA	10/23/2020	2.050	10,000,000	10,002,772	10,039,600
Walmart Inc.	10/25/2020	3.250	10,000,000	10,047,850	10,077,200
Coca-Cola Co.	10/27/2020	1.875	13,250,000	13,255,715	13,315,720
Travelers Co.	11/01/2020	3.900	11,050,000	11,153,642	11,176,965
PNC Bank NA	11/05/2020	2.450	3,280,000	3,284,833	3,297,548
Massmutual Global Funding	11/23/2020	2.450	4,720,000	4,732,225	4,760,403
Metropolitan Life Global	12/03/2020	2.500	5,000,000	4,987,794	5,044,800
Visa Inc.	12/14/2020	2.200	9,808,000	9,850,267	9,872,635
Metropolitan Life Global	01/08/2021	2.400	6,956,000	6,974,224	7,032,168
Wells Fargo Bank NA	01/15/2021	2.600	25,175,000	25,354,727	25,479,366
New York Life Global	01/28/2021	2.950	3,000,000	2,999,286	3,042,180
US Bank NA	02/04/2021	3.000	10,000,000	10,062,396	10,133,700
Citibank NA	02/12/2021	2.850	7,000,000	7,030,679	7,090,930
Phillip Morris International	02/25/2021	1.875	7,000,000	6,997,471	7,053,270
John Deere Capital Corp.	03/04/2021	2.800	5,125,000	5,183,305	5,210,588
Caterpillar Financial	03/15/2021	2.900	9,200,000	9,309,611	9,372,132
Home Depot Inc.	04/01/2021	4.400	9,705,000	9,861,190	9,902,497
Wells Fargo & Co	04/01/2021	4.600	20,262,000	20,742,672	20,888,906
Bank of New York Mellon Corp.	04/15/2021	2.500	5,672,000	5,667,857	5,758,498
US Bank NA	04/26/2021	3.150	5,000,000	5,022,145	5,103,600
Apple Inc.	05/06/2021	2.850	18,900,000	19,192,282	19,312,020
John Deere Capital Corp.	06/07/2021	2.300	5,000,000	4,998,414	5,085,350
Citibank NA	07/23/2021	3.400	11,465,000	11,624,480	11,806,886
JP Morgan Chase & Co.	08/15/2021	2.295	5,299,000	5,300,349	5,310,075
Metropolitan Life Global	09/15/2021	1.950	13,840,000	13,862,889	14,085,383
Cisco Systems Inc.	09/20/2021	1.850	3,844,000	3,839,374	3,912,346
Wells Fargo Bank NA	10/22/2021	3.625	7,198,000	7,341,172	7,470,372
Truist Bank	01/15/2022	2.625	10,000,000	10,104,652	10,314,200
			<u>287,973,000</u>	<u>290,003,849</u>	<u>292,271,154</u>
<b>U.S. Government Agency Securities</b>					
Federal Farm Credit Bank	09/04/2020	2.690	10,000,000	9,997,670	10,045,300
Federal Farm Credit Bank	10/02/2020	1.850	10,000,000	9,997,462	10,043,400
Federal Farm Credit Bank	11/27/2020	2.800	6,748,000	6,747,748	6,819,664
Federal Agricultural Mortgage Corp.	01/29/2021	1.600	10,000,000	10,000,000	10,082,300
Federal Farm Credit Bank	04/05/2021	1.770	10,000,000	9,987,044	10,118,100
Federal Farm Credit Bank	04/29/2021	2.400	6,914,000	6,940,076	7,032,990
Federal Home Loan Bank	06/21/2021	1.915	12,000,000	11,996,100	12,196,920
Federal Agricultural Mortgage Corp.	08/12/2021	2.050	10,000,000	10,000,000	10,014,100
Federal Farm Credit Bank	04/08/2022	0.375	10,000,000	10,018,796	10,026,900
Federal Farm Credit Bank	05/06/2022	0.250	5,000,000	4,994,137	5,001,800
Federal Farm Credit Bank	06/22/2022	0.260	10,000,000	9,996,267	10,000,400
			<u>100,662,000</u>	<u>100,675,300</u>	<u>101,381,874</u>

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U.S. Government Agency Discount Notes					
Federal Home Loan Mortgage Corp.	08/12/2020	0.110	\$ 25,000,000	\$ 24,996,792	\$ 24,995,750
Federal National Mortgage Assoc.	08/13/2020	0.110	37,667,000	37,662,051	37,660,220
Federal Home Loan Mortgage Corp.	08/20/2020	0.135	30,000,000	29,994,375	29,993,700
Federal National Mortgage Assoc.	08/26/2020	0.135	44,400,000	44,390,676	44,389,788
Federal Home Loan Bank	08/28/2020	0.148	32,000,000	31,992,370	31,992,320
Federal Home Loan Bank	08/28/2020	0.145	30,000,000	29,992,992	29,992,800
Federal Home Loan Mortgage Corp.	09/24/2020	0.135	20,000,000	19,993,625	19,993,400
Federal Home Loan Bank	09/25/2020	0.140	25,000,000	24,991,639	24,991,750
			<u>244,067,000</u>	<u>244,014,520</u>	<u>244,009,728</u>
U.S. Treasury Bill					
U.S. Treasury Bill	08/11/2020	0.134	50,000,000	49,992,357	49,992,500
U.S. Treasury Bill	08/25/2020	0.105	25,000,000	24,995,990	24,994,750
U.S. Treasury Bill	08/25/2020	0.130	40,000,000	39,992,056	39,991,600
U.S. Treasury Bill	09/22/2020	0.176	50,000,000	49,979,711	49,984,500
U.S. Treasury Bill	09/22/2020	0.172	25,000,000	24,990,093	24,992,250
U.S. Treasury Bill	09/22/2020	0.163	15,000,000	14,994,380	14,995,350
U.S. Treasury Bill	11/27/2020	0.162	25,000,000	24,983,289	24,983,000
U.S. Treasury Bill	02/25/2021	0.184	50,000,000	49,939,088	49,947,000
			<u>280,000,000</u>	<u>279,866,964</u>	<u>279,880,950</u>
U.S. Treasury Notes					
U.S. Treasury Note	08/31/2020	1.375	25,000,000	24,991,606	25,049,500
U.S. Treasury Note	09/30/2020	1.375	10,000,000	9,970,388	10,029,700
U.S. Treasury Note	03/31/2021	2.250	10,000,000	10,046,611	10,155,500
			<u>45,000,000</u>	<u>45,008,605</u>	<u>45,234,700</u>
Supranational Note					
International Bank for Reconst.	06/24/2021	2.250	15,000,000	15,078,700	15,296,100
Supranational Discount Note					
International Finance Corp.	07/28/2020	0.120	30,000,000	29,997,300	29,997,300
Asset Backed Security					
Verizon Owner Trust	12/20/2021	2.220	12,000,000	12,001,608	12,030,720
Foreign Note					
Royal Bank of Canada	10/30/2020	2.350	10,000,000	10,016,743	10,066,900
Money Market Mutual Fund					
Goldman Sachs Govt. - FS	07/01/2020	2.270	112,008,647	112,008,647	112,008,647
			<u>\$ 1,748,690,647</u>	<u>\$ 1,750,171,721</u>	<u>\$ 1,754,723,748</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 90 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 90 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, 2020 with average maturity of 130 days. See the table presented above for the maturity of each investment in the LGIP's portfolio at June 30, 2020.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the LGIP. The LGIP's investments as of June 30, 2020 were rated by Standard and Poor's and the ratings for the portfolio are as follows:

	Fair Value	Credit Quality Ratings			
		AAA	AA	A	A-1
Negotiable Certificates of Deposit	\$ 275,765,359	\$ -	\$ -	\$ 100,235,250	\$ 175,530,109
Commercial Paper	336,780,316	-	-	-	336,780,316
Corporate Notes	292,271,154	-	112,927,742	179,343,412	-
U.S. Government Agency Securities	101,381,874	-	101,381,874	-	-
U.S. Government Agency Discount Notes	244,009,728	-	244,009,728	-	-
U.S. Treasury Bills	279,880,950	-	279,880,950	-	-
U.S. Treasury Notes	45,234,700	-	45,234,700	-	-
Supranational Note	15,296,100	15,296,100	-	-	-
Supranational Discount Note	29,997,300	-	-	-	29,997,300
Asset Backed Security	12,030,720	12,030,720	-	-	-
Foreign Note	10,066,900	-	10,066,900	-	-
Money Market Mutual Fund	112,008,647	112,008,647	-	-	-
	<u>\$ 1,754,723,748</u>	<u>\$ 139,335,467</u>	<u>\$ 793,501,894</u>	<u>\$ 279,578,662</u>	<u>\$ 542,307,725</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, 2020, the following investments exceeded 5% of the LGIP's total investments:

	Fair Value	Percentage
Money Market Mutual Fund	\$ 112,008,647	6.38%
Federal Home Loan Bank	99,173,790	5.65%
U.S. Treasury Bills	279,880,950	15.95%

### 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.

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The following table summarizes the fair value measurements of the LGIP investments as of June 30, 2020:

Investments by fair value level	Fair Value	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 275,765,359	\$ -	\$ 275,765,359	\$ -
Commercial Paper	336,780,316	-	336,780,316	-
Corporate Notes	292,271,154	-	292,271,154	-
U.S. Government Agency Securities	101,381,874	-	101,381,874	-
U.S. Government Agency Discount Notes	244,009,728	-	244,009,728	-
U.S. Treasury Bills	279,880,950	279,880,950	-	-
U.S. Treasury Notes	45,234,700	45,234,700	-	-
Supranational Note	15,296,100	-	15,296,100	-
Supranational Discount Note	29,997,300	-	29,997,300	-
Asset Backed Security	12,030,720	-	12,030,720	-
Foreign Note	10,066,900	-	10,066,900	-
Money Market Mutual Fund	112,008,647	112,008,647	-	-
Total investments by fair value level	<u>\$1,754,723,748</u>	<u>\$ 437,124,297</u>	<u>\$1,317,599,451</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, 2020.

### Note 3 - Principal Transactions

Transactions in principal investments from local governments for the year ended June 30, 2020 were as follows:

Principal deposits	\$3,192,040,829
Reinvestment of interest distributions	27,803,197
Less Withdrawals	<u>(2,724,353,069)</u>
Principal transactions, net increase	<u>\$ 495,490,957</u>





Supplementary Information  
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BAKER WATER AND SEWER GENERAL IMPROVEMENT DISTRICT	\$ 6,092
BEATTY WATER AND SANITATION DISTRICT	36,868
BEATTY WATER AND SANITATION DISTRICT CAPITAL IMPROVEMENT	327,785
BEATTY WATER AND SANITATION DISTRICT SEWER TR	167,987
BOULDER CITY	60,548,826
CARSON CITY AIRPORT AUTHORITY	363,117
CARSON CITY AIRPORT AUTHORITY GATE ACCOUNT	15,367
CARSON CITY AIRPORT AUTHORITY GENERAL FUND	153,672
CARSON CITY AIRPORT AUTHORITY - RESERVE ACCOUNT	415,582
CARSON CITY CONVENTION & VISITORS BUREAU	12
CARSON CITY CONVENTION & VISITORS BUREAU CAPITAL PROJECT	1
CARSON CITY CONVENTION & VISITORS BUREAU VT	3
CHURCHILL COUNTY MOSQUITO ABATEMENT	1,194,189
CARSON CITY SCHOOL DISTRICT	313,891
CARSON CITY SCHOOL DISTRICT BOND	11,545,307
CHURCHILL COUNTY TREASURER	530,439
CHURCHILL COUNTY TELEPHONE	3,128,834
CARSON CITY TREASURER	11,115,412
CARSON WATER SUB-CONS DIST	702,365
CARSON WATER SUBCONSERVANCY DISTRICT FLOOD	405,439
CARSON WATER SUBCONSERVANCY DISTRICT RESERVE	782,084
CHURCHILL COUNTY SCHOOL DISTRICT	6,022,585
CLARK COUNTY TAX RECEIVER	123
CARSON-TRUCKEE WATER CONSERVENCY DISTRICT	856,206
DOUGLAS COUNTY MOSQUITO ABATEMENT DISTRICT	1,150,214
DOUGLAS COUNTY SERIES 2019, ACQUISITION FUND	118,299
DOUGLAS COUNTY, SEWER REVENUE BOND, SERIES 2019, RESERVE ACCOUNT	110,648
DOUGLAS COUNTY LAKE TAHOE SEWER CONSTRUCTION FUND	707,497
DOUGLAS COUNTY LAKE TAHOE SEWER GENERAL FUND	3,170,691
DOUGLAS COUNTY LAKE TAHOE SEWER IMPROVEMENT DISTRICT CLN	225,853
DOUGLAS COUNTY LAKE TAHOE SEWER OPEB	348,536
DOUGLAS COUNTY LAKE TAHOE SEWER PLANT REPAIR	515,618
DOUGLAS COUNTY SCHOOL DISTRICT	16,180,000
DOUGLAS COUNTY 2016 HIGHWAY BOND	3,428,497
DOUGLAS COUNTY TREASURER	12,043,533
ESMERELDA COUNTY SCHOOL DISTRICT	1,898,924
ELKO COUNTY TREASURER	31,608,979
EAST FORK FIRE PROTECTION DISTRICT	2,034,351
EAST FORK SWIM POOL DISTRICT	1,850,510
EAST FORK SWIM POOL DISTRICT 2	61,717
CITY OF ELKO	30,000,000
ELY GENERAL FUND	367
ELY LAND FILL FUND	1,232
ELY LAND FILL CLOSURE	137
ELY SEWER FUND	970
ELY WATER FUND	1,238
ELK POOL SANITATION DISTRICT	415
ESMERELDA COUNTY TREASURER	1,660
EUREKA COUNTY SCHOOL BOND	4,463,091
EUREKA COUNTY TREASURER	13,707,682

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FALLON DRINKING WATER #2	\$ 72,129
FALLON ELECTRICAL BOND 2017	4,899,135
CITY OF FALLON	465,788
FALLON WATER STORAGE	146,801
FALLON SEWER 15	1,584,545
FALLON WILLIAM N. PENNINGTON YOUTH CENTER	470,636
CITY OF FERNLEY	10,180,741
GERLACH GENERAL IMPROVEMENT DISTRICT	293,317
GERLACH GENERAL IMPROVEMENT DISTRICT CAPITAL IMPROVEMENT	5,166
GERLACH GENERAL IMPROVEMENT DISTRICT IMPROVEMENT ASSOCIATION	70,272
GERLACH GENERAL IMPROVEMENT DISTRICT SHORT LIVED SEWER	14,502
GERLACH GENERAL IMPROVEMENT DISTRICT SEWER PUMP	23,204
GERLACH GENERAL IMPROVEMENT DISTRICT TREATMENT PLANT	313,349
GERLACH GENERAL IMPROVEMENT DISTRICT TRANSFER STATION	5,362
GERLACH GENERAL IMPROVEMENT DISTRICT WM	105,168
GARDENERVILLE RANCHOS DR REVENUE BOND	625,128
GARDENERVILLE RANCHS GENERAL IMPROVEMENT DISTRICT	5,847,992
GARDENERVILLE RANCHS GENERAL IMPROVEMENT DISTRICT NVEST	4,795,198
GOLCONDA WATER DISTRICT	151
HUMBOLDT COUNTY SCHOOL DISTRICT	6,342,084
HUMBOLDT COUNTY TREASURER GENERAL	15,359,395
HENDERSON SRF RESTRICTED	93,969
CITY OF HENDERSON	144,759,480
HENDERSON DISTRICT PUBLIC LIBRARIES	6,996,498
HUMBOLDT GENERAL HOSPITAL GENERAL	238,866
INDIAN HILLS CAPITAL IMPROVEMENT	270,751
INDIAN HILLS DRINKING REVENUE BOND	251,837
INDIAN HILLS GENERAL IMPROVEMENT DISTRICT	8,729
INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT	13,197,183
INCLINE VILLAGE EPA SRF	229,399
INCLINE VILLAGE PUBLIC WORKS	5,110,439
INCLINE VILLAGE TRPA	229,808
KINGSBURY GENERAL IMPROVEMENT DISTRICT	18,527,812
KINGSTON TOWN WATER UTILITY	209,975
LYON COUNTY SCHOOL DISTRICT BOND 2016	10,283,479
LYON COUNTY SCHOOL DISTRICT DEBT	24,225
LYON COUNTY SCHOOL DISTRICT GOVERNMENT SERVICES TAX	1
LYON COUNTY SCHOOL DISTRICT OPERATIONS	5,162,393
LYON COUNTY SCHOOL DISTRICT RES CONSTRUCTION TAX	248,748
LYON COUNTY SCHOOL DISTRICT TRUST	13,339
LANDER COUNTY TREASURER	9,531,583
LANDER COUNTY WATER & SEWER	52,049
LINCOLN COUNTY SCHOOL DISTRICT	80
LINCOLN COUNTY SCHOOL DISTRICT BOND 2009	12
LINCOLN COUNTY	807
CITY OF LOVELOCK	523,275
LAS VEGAS CONVENTION AUTHORITY 2018 LAND FUND 23	6,811,143
LAS VEGAS CONVENTION AUTHORITY PEOPLE MOVER 2019B	11,881,456
LAS VEGAS CONVENTION AUTHORITY 2019C BOND	11,130,268
LAS VEGAS CONVENTION AUTHORITY 2019D BOND	18,026,585

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LAS VEGAS CONVENTION AUTHORITY CAPITAL	\$ 9,704,239
LAS VEGAS CONVENTION AUTHORITY DEBT SERVICE	289,369
LAS VEGAS CONVENTION AUTHORITY GENERAL	66,449,337
LAS VEGAS CONVENTION AUTHORITY DEBT SERVICE 91 AND 92	3,271,375
LAS VEGAS CONVENTION AUTHORITY SB1 ROOM TAX	50,717,241
LAS VEGAS CONVENTION AUTHORITY BOND RESERVE FUND	16,404,488
LAS VEGAS CONVENTION AUTHORITY OPEB RESERVE	2,305,364
CITY OF LAS VEGAS 2018A CORRIDOR OF HOPE	10,375,000
CITY OF LAS VEGAS 2018A FIRE STATION #3	2,496,870
CITY OF LAS VEGAS NORTH LOC	611
CITY OF LAS VEGAS 15A	4,478,661
LAS VEGAS VARIOUS PURPOSE BOND 2016D	9,550,262
LAS VEGAS TID BONDS 2016 PROJECT FUND	802,394
CITY OF LAS VEGAS 609 PROJECT FUND	446,053
CITY OF LAS VEGAS 813 PROJECT FUND	4,176,081
CITY OF LAS VEGAS 814 PROJECT FUND	30,174,454
CITY OF LAS VEGAS	57,494,594
LAS VEGAS CITY REDEVELOPMENT AGENCY	20,492,119
LAS VEGAS VALLEY WATER DISTRICT	71,627,835
LYON COUNTY TREASURER	51,978,896
MCGILL RUTH CONSOLIDATED SEWER AND WATER GENERAL IMPROVEMENT DISTRICT	80,366
MINERAL COUNTY SCHOOL DISTRICT	170,270
MINERAL COUNTY SCHOOL DISTRICT GENERAL ACCOUNT	740,059
MINERAL COUNTY TREASURER-RTC	457
CITY OF MESQUITE ANTHEM SID	282,988
CITY OF MESQUITESID CANYON CR	409,797
MINDEN GARDENERVILLE SANITATION DISTRICT SRF CLEAN RESTRICTED ACCOUNT	82,716
MINDEN GARDENERVILLE SANITATION DISTRICT	6,245,171
NYE COUNTY SCHOOL DISTRICT	15,011,311
NYE COUNTY TREASURER LIBRARY	142,237
NYE COUNTY TONOPAH LIBRARY DISTRICT	197,926
NYE COUNTY TREASURER	462,866
NORTH LAKE TAHOE FIRE PROTECTION DISTRICT	7,685,718
CITY OF NORTH LAS VEGAS	370,479,684
OASIS ACADEMY	1,854,718
OLIVER PARK GENERAL IMPROVEMENT DISTRICT	90,718
PERSHING COUNTY SCHOOL DISTRICT	1,929,815
PERSHING COUNTY SCHOOL DISTRICT DEBT	430,401
PERSHING COUNTY TREASURER	1,293,991
CITY OF RENO	35,472,486
ROUND HILL GENERAL IMPROVEMENT DISTRICT	227,592
RENO SPARKS CONVENTION & VISITORS AUTHORITY	4,233,076
RENO TAHOE AIRPORT AUTHORITY	22,106,158
STOREY COUNTY COX ACCOUNT	30,792
STOREY COUNTY LINNECKE ACCOUNT	11,744
STOREY COUNTY SCHOOL DISTRICT GENERAL FUND	6,122,979
STOREY COUNTY SCHOOL DISTRICT 80-20	57,458
STOREY COUNTY SCHOOL DISTRICT DEBT SERVICE	534,264
STOREY COUNTY TREASURER	2,469,307
SKYLAND GENERAL IMPROVEMENT DISTRICT	2

State of Nevada  
Local Government Investment Pool  
Statement of Participant Balances  
June 30, 2020

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SOUTHERN NEVADA WATER AUTHORITY	\$ 175,215,877
TRUCKEE CARSON IRRIGATION DISTRICT	5,745,732
TAHOE DOUGLAS DISTRICT	2,132
TAHOE DOUGLAS VISITORS AUTHORITY	3,165,476
TRUCKEE MEADOWS WATER AUTHORITY DRINKING WATER	2,425,367
TOPAZ RANCH ESTATES CAPITAL USDA	90,265
TOPAZ RANCH ESTATES EQUIPMENT	19,395
TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT	82,881
TOPAZ RANCH ESTATES SLA	198,445
TOPAZ RANCH ESTATES WATER CO	118,301
TOPAZ RANCH ESTATES WATER RTS	3,411
TAHOE REGIONAL PLANNING AGENCY	1,149,662
VIRGIN VALLEY WATER DISTRICT	1,654,116
WASHOE COUNTY SCHOOL DISTRICT WORKER'S COMPENSATION	2,604,187
WASHOE COUNTY TREASURER	110,894,234
WINNEMUCCA CONVENTION & VISITORS AUTHORITY	261,864
WELLS 2002 REVENUE BOND FUND	63,347
WELLS WATER REVENUE BONDS 1975	14,400
WELLS 2002 USDA WATER BOND RESERVE	18,679
WELLS WATER CAPITALIZATION FUND	152,525
CITY OF WELLS	2,363,268
WELLS 1989 REVENUE BOND RESERVE	13,814
CITY OF WINNEMUCCA	69,158
WHITE PINE COUNTY TREASURER	10,420,554
WEST WENDOVER	1,468,091
WEST WENDOVER BOND 2007	42,821
WEST WENDOVER PIPELINE	1,386,843
CITY OF YERINGTON	5,075,817
ZEPHYR HEIGHTS GENERAL IMPROVEMENT DISTRICT	200,349
ZEPHYR HEIGHTS GENERAL IMPROVEMENT DISTRICT	2,944
ZEPHYR KNOLLS GENERAL IMPROVEMENT DISTRICT	143,588
	<hr/>
TOTAL PARTICIPATING LOCAL GOVERNMENTS	1,754,856,951
	<hr/>
NET UNDISTRIBUTED UNREALIZED GAINS	4,541,262
	<hr/>
	\$ 1,759,398,213
	<hr/> <hr/>



**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](http://WWW.NEVADATREASURER.GOV)**

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## **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

<b>ASSET- BACKED SECURITY (ABS)</b>	A security backed by notes or receivables against assets. Examples are automobiles loans and credit card receivables.
<b>AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS</b>	Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.
<b>BANKERS' ACCEPTANCES (BA)</b>	Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.
<b>BASIS POINT</b>	1/100 of one (1) percent. (decimally .0001)
<b>BENCHMARK</b>	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.
<b>BROKER</b>	A party who brings buyers and sellers together, and charges a commission for this service.
<b>CERTIFICATE OF DEPOSIT (CD)</b>	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.
<b>COLLATERAL</b>	Securities or cash which a borrower pledges to secure repayment of a loan.
<b>COLLATERALIZED MORTGAGE OBLIGATION (CMO)</b>	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.
<b>COMMERCIAL PAPER (CP)</b>	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.
<b>CORPORATE NOTE</b>	A negotiable security issued by a corporation.

<b>CUSTODIAN</b>	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.
<b>DEALER</b>	A firm or individual who buys and sells for his own account.
<b>DELIVERY VS. PAYMENT (DVP)</b>	The exchange of securities and cash at settlement date.
<b>DISCOUNT BASIS</b>	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.
<b>DIVERSIFICATION</b>	Allocating investment funds to a variety of securities to minimize market risk.
<b>DURATION</b>	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.
<b>FAIR VALUE</b>	The amount at which an investment can be exchanged between buyer and seller.
<b>FANNIE MAE</b>	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.
<b>FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FARMERMAC)</b>	A federally chartered agency of the United States. It was established to provide a secondary market for agricultural real estate mortgage loans.
<b>FEDERAL FARM CREDIT BANK (FFCB)</b>	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.
<b>FEDERAL FUNDS RATE</b>	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.



<b>NEVADA REVISED STATUTES (NRS)</b>	The codified laws of the State of Nevada as enacted by the Legislature.
<b>PAR VALUE</b>	The principal amount a holder will receive at the maturity of an issue.
<b>PORTFOLIO</b>	A collection of securities held by an investor.
<b>PREMIUM</b>	The amount by which the market price of an issue exceeds face value.
<b>PRUDENT PERSON RULE</b>	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.
<b>RATINGS</b>	The evaluation of an issuer's credit standing published by Moody's, Standard & Poors, Fitch or other rating services.
<b>REPURCHASE AGREEMENT</b>	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.
<b>SAFEKEEPING</b>	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.
<b>SECURITIES INDUSTRY ASSOCIATION</b>	An organization which offers premiere educational programs to member securities firms.
<b>STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)</b>	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.
<b>TIME CERTIFICATE OF DEPOSIT (TCD)</b>	A non-negotiable financial instrument issued with a specific amount, rate and maturity date.
<b>UNITED STATES TREASURY BILLS(T-BILLS)</b>	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, 2020, and the related notes to the financial statements, which collectively comprise the LGIP's basic financial statements and have issued our report thereon dated October 28, 2020.

**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 LGIP's internal control. Accordingly, we do not express an opinion on the effectiveness of 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, and contract 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 black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 28, 2020

**Zach Conine**  
State Treasurer



STATE OF NEVADA  
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: 1\_12\_21 BoF Agenda Item #7– State Treasurer Investment Report

DATE: December 30, 2020

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**Agenda Item #7**

For discussion and possible action: on the approval of the State Treasurer's quarterly investment report for the quarter ended September 30, 2020 and 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.

**Fixed Income Market Highlights as of September 30, 2020**

- Compared to the extreme volatility in the first and second quarters of the calendar year, the quarter ended September 30, 2020 was relatively quiet in the fixed income market. Treasury yields were mostly unchanged with the 10-Year Treasury increasing three (3) basis points during the quarterly to close at 0.69%. In addition, the slope of the curve increased modestly as noted in the chart below.
- Monetary policy remains highly accommodative with the Federal Reserve unveiling a new inflationary-policy framework that will allow inflation to modestly exceed its 2% target as part of an 'inflation averaging' program.

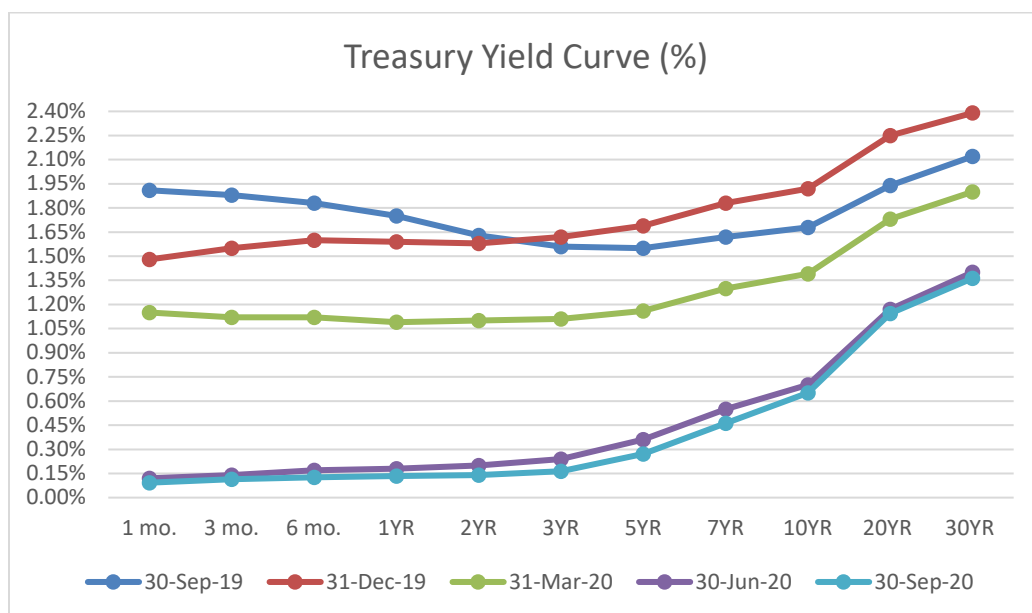


Chart is for illustrative purposes only. Investment Policy prohibits the General Portfolio from investing in Treasuries beyond 10 years.

## Investment Performance as of September 30, 2020

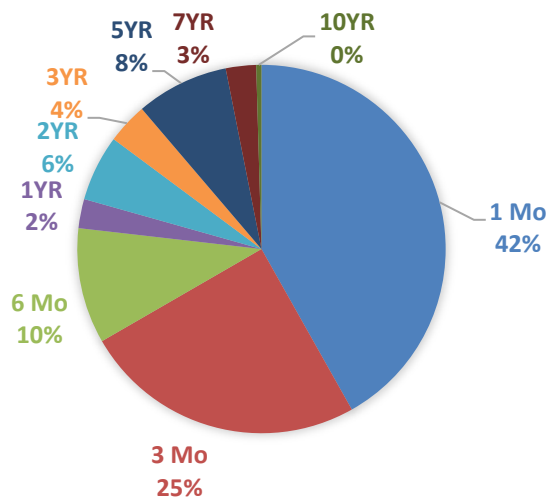
### **Local Government Investment Pool (LGIP)**

As of September 30, 2020, the total assets under management (AUM) were \$2.21 billion. The yield to maturity as of September 30, 2020 was 0.523% which is 38 basis point in excess of the benchmark yield of 0.14%.

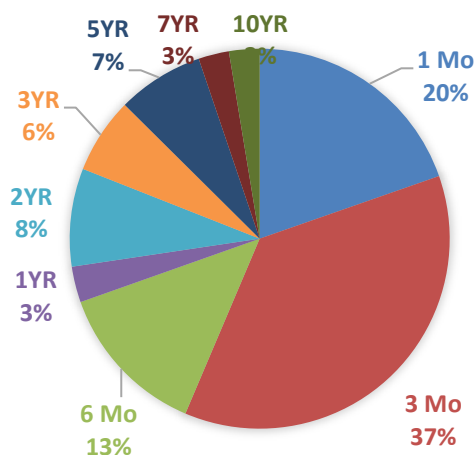
### **General Portfolio**

As of September 30, 2020, the AUM for the General Portfolio was \$3.53 billion (market value). The yield to maturity was 0.71%. As of July 1, 2019, staff began management of the entire General Portfolio after the two outside managers' contracts expired. However, contracts for two new fixed income managers were approved by the State Board of Examiners and effective October 1, 2020. Each manager was funded \$80 million during the fourth calendar quarter of 2020. Buckhead Capital Management manages securitized assets and began investing in October and Western Asset Management manages a credit portfolio which began investing in November. The performance of these two managers will be reported to the Board with the fourth calendar quarter report at the March 2021 meeting.

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of September 30, 2020 versus one-year prior.

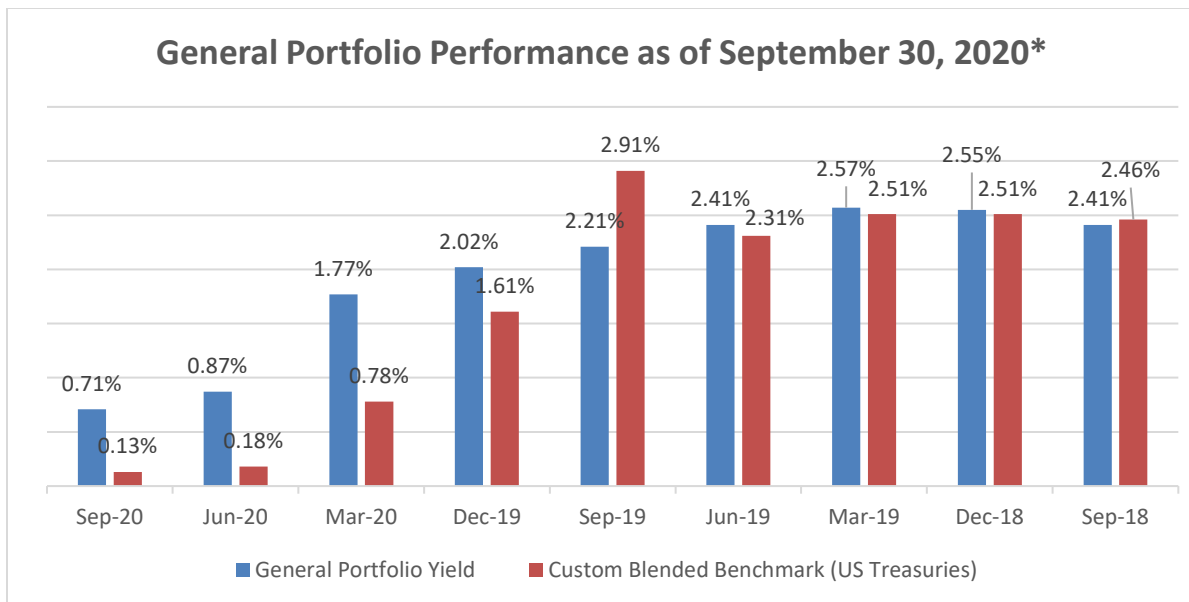


Asset Weighted Maturities as of 9.30.20



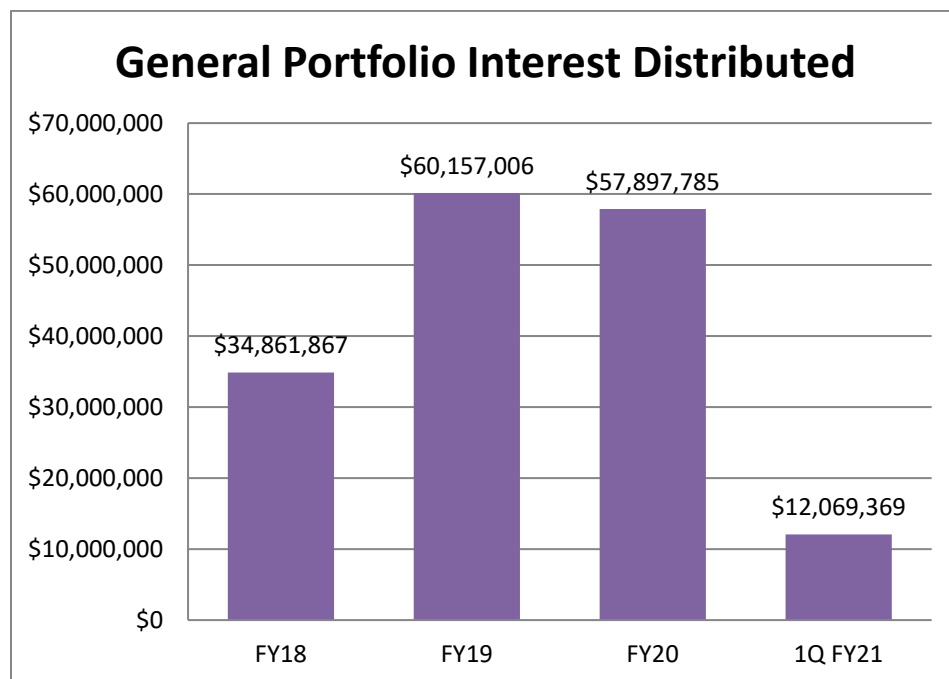
Asset Weighted Maturities as of 9.30.19





\*Custom benchmark yield matches the asset-weighted maturities of the General Portfolio for each quarter to the appropriate Treasury yield.

The chart below provides the historical interest distributed for the entire Fiscal Year 2020 and by each prior fiscal year for the General Portfolio. Interest is distributed to statutorily approved funds, such as the State General Fund and statutorily approved budget accounts.



### Recommendation:

I respectfully request consideration and approval of the quarterly investment reports and the Treasurer's investment policies for the General Portfolio and the LGIP.



State Treasurer  
[www.NevadaTreasurer.gov](http://www.NevadaTreasurer.gov)

## INVESTMENTS

### GENERAL PORTFOLIO

FISCAL YEAR 2021

Period Ending  
September 30, 2020

### Overview

Investment of the State of Nevada General Fund Portfolio is a function performed by the State Treasurer, who, by the provisions of NRS 355, has adopted policies for the prudent and conservative investment of these funds. The General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

### Investment Guidelines

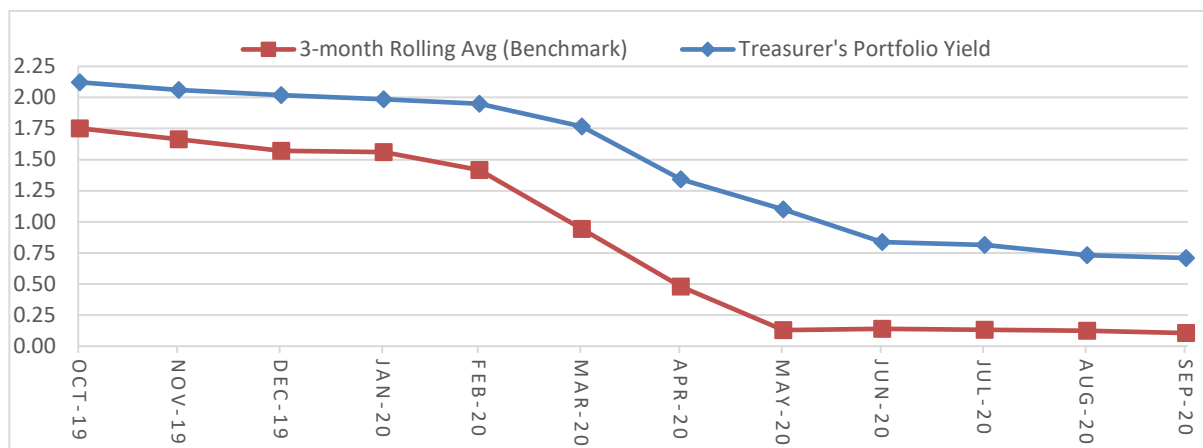
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, foreign notes, international development notes, asset-backed securities, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The targeted duration of the portfolio is one and a half years, with no security extending longer than ten years.

The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrently with cash needs in the short and medium term. Monies deemed to have a longer investment horizon, are invested to take advantage of longer term market opportunities.

### Performance

As of September 30, 2020, the yield on the portion of the General Portfolio was 0.709%. A three month rolling average of this benchmark for this period was 0.11% with the average days to maturity at 218 days. The average days to maturity for the portfolio was 278 days.

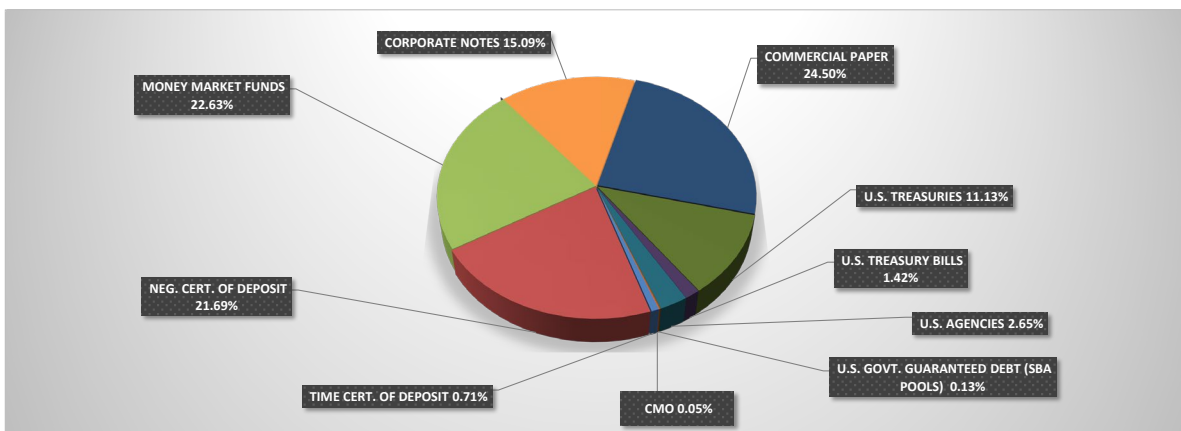
### Performance vs. Benchmark



\* Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

**GENERAL PORTFOLIO**  
**Amortized Book Value**

	<u>September 30, 2020</u> <u>Amortized Book Value</u>	<u>June 30, 2020</u> <u>Amortized Book Value</u>
	<u>Total Portfolio</u>	<u>Total Portfolio</u>
TIME CERTIFICATES OF DEPOSIT	\$ 25,000,000	\$ 25,000,000
NEGOTIABLE CERTIFICATES OF DEPOSIT	763,001,628	748,000,000
MONEY MARKET FUNDS	796,345,141	863,691,992
ASSET-BACKED SECURITIES	-	-
MORTGAGE-BACKED SECURITIES	-	-
CORPORATE NOTES	530,839,469	641,147,506
COMMERCIAL PAPER	861,960,095	772,020,611
MUNICIPAL BONDS	-	-
U.S. TREASURIES	391,725,783	437,267,464
U.S. TREASURY BILLS	49,995,278	-
U.S. AGENCIES	93,295,834	106,494,097
U.S. GOVERNMENT GUARANTEED DEBT	4,411,856	5,606,603
SUPRANATIONALS	-	-
COLLATERALIZED MORTGAGE OBLIGATION	1,856,157	2,161,116
REPURCHASE AGREEMENTS	-	-
<b>TOTAL</b>	<b>\$ 3,518,431,241</b>	<b>\$ 3,601,389,388</b>



**YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
<b>TOTAL PORTFOLIO</b>	<b>\$3,518,431,241</b>	<b>\$2,763,971,165</b>

**State of Nevada**  
**Office of the State Treasurer**  
**Schedule of General Fund Interest Revenue**

	Quarter Ended 09/30/2020	Quarter Ended 12/31/2020	Quarter Ended 03/31/2021	Quarter Ended 06/30/2021	FY 2021 Totals
<b><u>Average Daily Balances of Funds</u></b>					
General Fund	1,495,148,012				1,495,148,012
All Funds	3,516,802,318				3,516,802,318
<b><u>Annualized Interest Rate</u></b>					
Cash Basis (see Note 1)	1.3770%				1.3770%
Accrual Basis	1.4142%				1.4142%
<b><u>Interest Distribution for General Fund (Cash Basis)</u></b>					
General Fund Interest Collected	5,131,222				5,131,222
General Fund Interest Revenue - Distributed	5,131,222				5,131,222
Undistributed General Fund Interest Revenue	-				-
<b><u>Interest Distribution for All Funds (Cash Basis)</u></b>					
All Funds Interest Collected	12,069,369				12,069,369
All Funds Interest Revenue - Distributed	12,069,369				12,069,369

**Note 1** Interest is distributed to statutorily approved funds and budget accounts based on the cash basis of accounting. Under the cash basis of accounting, earnings are distributed in the quarter received but not necessarily in the quarter they were earned. Therefore, some of the receipts included in the Actual General Fund interest collected line were actually earned in the prior period and some of the earnings included in the General Fund interest revenue - accrual basis line will not be collected until a subsequent period.



## INVESTMENTS

LOCAL GOVERNMENT  
INVESTMENT POOL  
FISCAL YEAR 2021  
QUARTER 1

### Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of September 30, 2020, there were 88 members of the LGIP, which includes cities, counties, school districts, and various special districts. The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio.

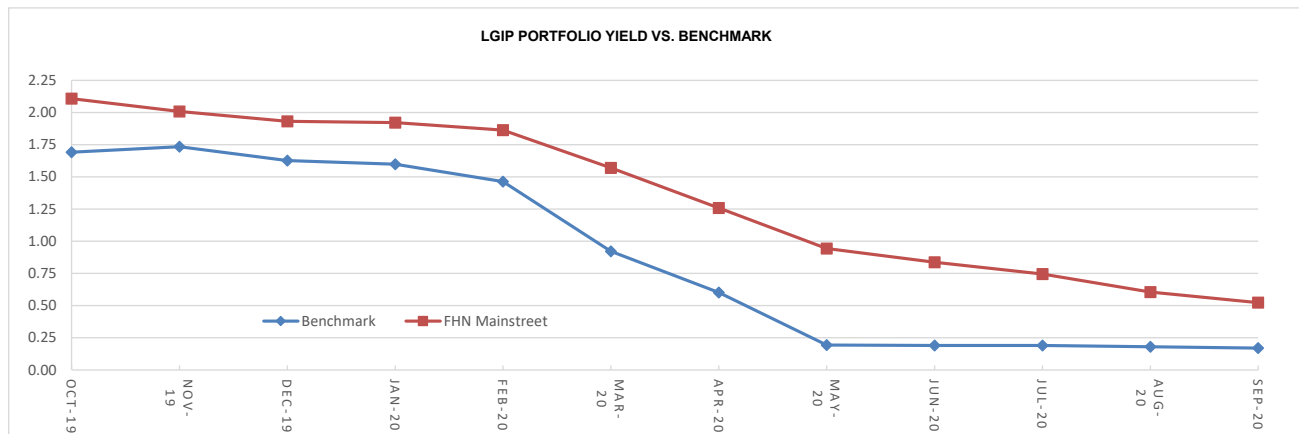
### Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, foreign notes, international development notes, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed 150 days, and no single security may be longer than two years.

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 9.4% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 51.6% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will

### Performance

FHN Financial began managing the LGIP portfolio in July 2015. As of September 30, 2020, the LGIP's portfolio yield was 0.523%, and the blended benchmark was 0.14%. The average days to maturity of the LGIP portfolio was 141 days.



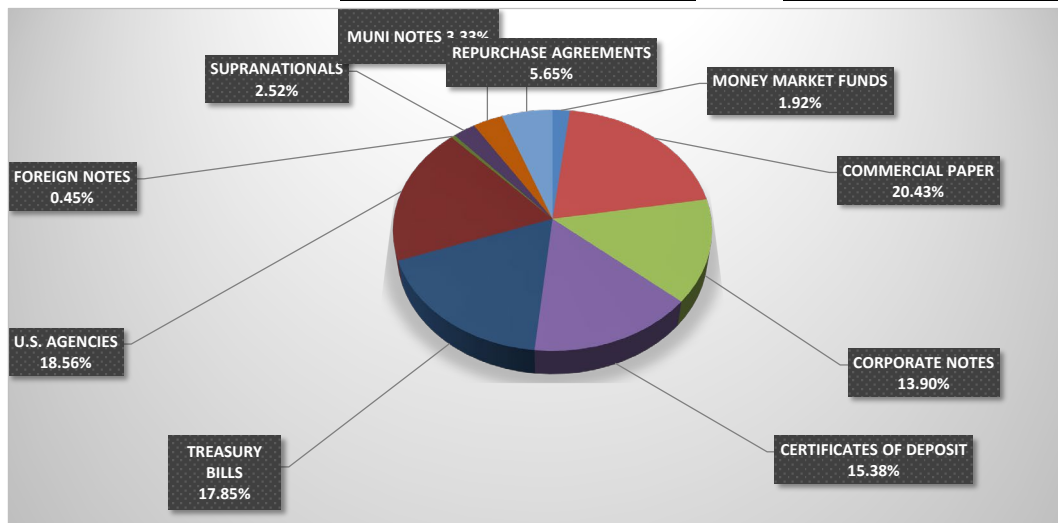
\* Benchmark is 3-month rolling weighted average of 55% Dealer Commercial Paper 150-Day Index, 30% Agency Note 180 Day Index, and 15% Dreyfus Institutional Preferred Government Money Markey Fund.

\*\*Benchmark was updated July 2020. This graph represents that change. June 2020 and prior shows the old benchmark.

## Administration

The State Treasurer has adopted an Investment Policy relating specifically to the LGIP. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the LGIP at least every four months. The State Treasurer hereby confirms all LGIP investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The State Treasurer may contract with an independent auditor to review LGIP transactions for accuracy and fairness in reporting.

	<u>September 30, 2020</u>		<u>June 30, 2020</u>	
	<u>Amortized Book</u>	<u>Purchased Interest</u>	<u>Amortized Book</u>	<u>Purchased Interest</u>
MONEY MARKET FUNDS	\$ 42,510,785	\$ -	\$ 112,008,647	\$ -
COMMERCIAL PAPER	451,760,213	-	336,406,999	-
CORPORATE NOTES	307,310,473	83,662	290,042,145	180,706
CERTIFICATES OF DEPOSIT	340,016,417	217,511	275,092,207	217,511
SUPRANATIONALS DISCOUNTS	-	-	15,078,658	-
TREASURY NOTES	-	-	-	-
TREASURY BILLS	394,867,146	-	324,875,569	-
U.S. AGENCIES	410,405,445	2,364	344,689,903	2,292
FOREIGN NOTES	10,004,070	-	10,016,701	-
SUPRANATIONALS	55,587,256	136,067	29,997,300	-
ASSET-BACKED SECURITIES	-	-	12,001,875	-
MUNI NOTES	73,454,555	180,446	-	-
REPURCHASE AGREEMENTS	125,000,000	-	-	-
TOTAL	\$ 2,210,916,360	\$ 620,050	\$ 1,750,210,005	\$ 400,509
GRAND TOTAL	\$ 2,211,536,410	\$ 2,211,536,410	\$ 1,750,610,514	\$ 1,750,610,514



## YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
<b>TOTAL PORTFOLIO</b>	<b>\$2,211,536,410</b>	<b>\$1,360,381,037</b>