

**GARDNERVILLE WATER COMPANY
STATEMENT OF INVESTMENT POLICY**

ADOPTED NOVEMBER 12, 2013

This document cancels and supersedes all prior rules addressing this matter.

I. PURPOSE:

This statement is intended to provide guidelines for the prudent investment of the Gardnerville Water Company's ("GWC") cash reserves and outline the policies for maximizing the efficiency of the GWC's cash management system. The ultimate goal is to enhance the economic status of the GWC while protecting its assets.

II. OBJECTIVES:

- A. Safety. Safety of principal is the foremost objective of the GWC. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value.
- B. Liquidity. An adequate percentage of the portfolio should be maintained in liquid short-term securities, which can be readily converted to cash as necessary to meet cash requirements.
- C. Yield. Yield shall be considered only after the basic requirements of safety and liquidity have been met.
- D. Diversification. The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types.
- E. Public Trust. All participants in the investment process shall act as do custodians of the public trust.

III. AUTHORITY AND DUTIES:

- A. Treasurer. The Treasurer of the Board of Directors shall: be responsible for overseeing GWC investments; review on a monthly basis all investments, purchases, redemptions and investment changes; approve all sales of investments; select Investment Advisors or depositories; and report all findings to the Board of Directors.
- B. Financial Officer. The Financial Officer shall make purchases, sales and changes of investment opportunities. The Financial Officer shall report monthly all investments, purchases, redemptions and investment changes to the Treasurer. The Financial Officer must seek the Treasurer's pre-approval of any sales of investments.
- C. Investment Advisor. The Investment Advisor shall suggest purchases, sales and changes of investment opportunities. The Investment Advisor shall report on a monthly basis all investments, purchases, redemptions, changes to the Treasurer. The Investment Advisor must obtain the Treasurer's approval of any action regarding GWC assets.

IV. INTERNAL CONTROLS:

The Board of Directors shall review the investment practices used by the Treasurer for compliance with the investment policy and written procedures. The controls shall be designed to minimize losses of GWC funds arising from fraud, errors, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by Board of Directors and employees of the GWC.

As a part of the annual audit, the auditor shall review GWC investment procedures, including investment statements. Any irregularities shall be reported promptly to the Treasurer and the Board of Directors. The Board of Directors shall adopt the auditor's recommendations for internal controls, absent reasonable cause not to do so.

V. REPORTING

The Financial Officer or Investment Advisor shall submit quarterly to the Board of Directors an investment report that summarizes all securities. Reporting will include: the type of investment, institution, date of maturity, investment amount, market value, yield, and any other information that may be of interest to the Board.

VI. ELIGIBLE INVESTMENTS:

The following are the GWC’s investment guidelines:

- A. Direct Treasury obligations of the US Government, and US Government Agency obligations for which full faith and credit of the US Government is pledged or guaranteed
- B. Direct obligations of US Government Sponsored Enterprises
- C. Institutional money market funds
- D. FDIC insured Certificates of Deposit within the current FDIC insurance limit
- E. Highly rated Corporate Obligations including but not limited to: Commercial paper, Corporate Bonds, and Medium Term Notes
- F. Highly rated Municipal Bonds, or pre-refunded issues
- G. Repurchase agreements collateralized by US Treasuries or Agencies

VII. INVESTMENT ALLOCATION

	Investment Type	Quality Criteria	Duration	Portfolio Amount	Issuer Limits
Class A	US Treasuries	Full Faith and Credit of United States	Up to 36 months	100% of portfolio	Unlimited
	US Agencies	Limited to AA rated or higher	Up to 36 months	100% of portfolio	Up to 50% of portfolio
	Money Market	Institutional Class	Unlimited	100% of portfolio	Up to 10% of portfolio
	FDIC Insured Bank CD’s	Within the current FDIC insurance limits	Up to 60 months	100% of portfolio	Within the current FDIC insurance limits
	Repurchase Agreements	Collateralized by US Treasuries or Agencies	Up to 30 days	50% of portfolio	Up to 25% of portfolio
Class B	Commercial Paper	A1/P1 A2/P2	Up to 90 days Up to 30 days	25% of portfolio 10% of portfolio	\$250,000
	Corporate Bonds	A or higher	Up to 60 months	25% of portfolio	\$250,000
	Municipal Bonds	A or higher	Up to 120 months	25% of portfolio	\$250,000

Total investments within Class B shall not exceed 30% of portfolio.

VIII. INVESTMENT ADVISOR AND DEPOSITORIES:

Subject to Board approval, the Treasurer will select one or more Investment Advisors or depositories to advise the Board. The Treasurer will provide the Board with the proposed Advisor's resume or list of qualifications for approval before delivering any funds thereto. In order to be approved by the Board of Directors, the institution to receive GWC funds must provide collateralization of funds or deposit insurance to safeguard against loss should the institution fail. The Investment Advisor must be experienced in institutional trading practices and must satisfy other criteria as the Board of Directors may establish.

IX. RISK TOLERANCE:

The GWC recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. The Treasurer, with the advice and guidance of the Financial Officer and the Investment Advisor, is expected to display prudence in the selection of securities as a way to minimize risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Treasurer shall periodically review investment strategies to control risks of default, market price changes and illiquidity.

X. ETHICS AND CONFLICTS OF INTEREST:

The Treasurer, Board of Directors and its designee(s) involved in the investment process shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

XI. UPDATE OF POLICY:

This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends.