

TO: FINANCE AND AUDIT
COMMITTEE
FROM: MARIO E. IGLESIAS
GENERAL MANAGER
DATE: MAY 15, 2023

AGENDA ITEM

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MAY 17, 2023

**REVIEW INVESTMENT POLICY, DETERMINE FUNDS TO BE
INVESTED AND SELECT PERMITTED INVESTMENT TYPES
THROUGH MULTI-BANK SECURITIES**

ITEM

Review Investment Policy ("Policy") and Determine Funds to be invested and Select Permitted Investment Types according to the Investment Policy Guidelines for Nipomo Community Services District ("District"). [RECOMMEND REVIEW AND DIRECT STAFF]

BACKGROUND

The District has historically invested funds not needed in the short-term in the Local Agency Investment Fund (LAIF) administered by the California State Treasurer. Due to current market conditions, short-term interest rates are higher than long-term interest rates creating what is known as the inverted yield curve. This provides the District with unique investment opportunities. In the current environment, the District may be able to achieve higher rates of return than it currently receives from LAIF by investing in securities such as Treasury bills (T-Bills) and Certificates of Deposit (CD's).

On February 15, 2023, the Finance and Audit Committee ("Committee") met and reviewed investment options and policies in accordance with Government codes. Staff was directed by the Committee to research the methodologies for investing in and holding in its portfolio, investments such as T-Bills and CD's within the parameters of the California Government Code and the Districts adopted Investment Policy. District staff consulted with its Municipal Advisor, Curt de Crinis, on the matter and was directed to Peter Yanez of Multi-Bank Securities, Inc. (MBS).

Peter Yanez of Multi-Bank Securities, Inc. (MBS) gave a presentation on investment strategies to the Committee Members at their March 16, 2023 Finance and Audit Committee meeting. MBS is a broker-dealer of fixed-income securities for municipal institutions and utilizes Pershing LLC (a subsidiary of BNY Mellon) as the custodial safekeeping agent. MBS also made a presentation to the Board of Directors at the March 22, 2023 Board Meeting. The District would need to retain the services of MBS or a similar agent in order to initiate the investment purchasing activities.

On April 19, 2023, the Finance and Audit Committee met and reviewed the proposed edits to the District's Policy and Policy Guidelines, provided comments and directed staff to present the updated Policy to the Board at the April 26, 2023 Board Meeting.

On April 26, 2023, the Board of Directors met and amended the Investment Policy, established Investment Policy Guidelines and approved the General Manager to sign agreements with Multi-Bank Securities, Inc.

The Policy states the following in section 7.A.:

"A. PERMITTED INVESTMENTS

The District Finance Officer/Treasurer is authorized to deposit or invest District funds only in the following institutions and investments, and only in compliance with applicable state law:

1. County pooled funds (California Government Code §§ 27133(g), 53635, 61053)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code §§ 16429.1, 61053)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code §§ 53630 et seq., 61053).
4. U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for payment of principle and interest, provided that the maximum maturity is five (5) years. There shall be no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries.
5. Federally insured time deposits ("Certificates of Deposit") in state or federally chartered banks, savings and loans or credit unions, provided that all such investments shall be federally insured, fully collateralized in accordance with California law. The maximum maturity of such deposits shall not exceed five (5) years.
6. Negotiable Certificates of Deposit ("NCD") issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that not more than 30% of the portfolio invested shall be invested in a combination of federally insured non-negotiable certificates of deposit, and the maximum maturity does not exceed five (5) years.
7. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
8. Proceeds of bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond indentures or other instrument providing for the bond issuance. (California Government Code §§ 5922(d), 53601(m))"

In accordance with the Investment-Opportunity Evaluation and Purchase Guidelines, the determination of funds to be invested for the Fiscal Year 22-23 would be \$5,601,000 as seen in "Table A. Available Funds" on the following page.

Table A. Available Funds

Fiscal Year 2022-2023 Budgeted Operating Expenses	\$10,640,000	
	X 50%	
		\$5,320,000
Fiscal Year 2022-2023 Budgeted Funded Replacement Projects		\$3,630,000
Fiscal Year 2022-2023 Budgeted Capital Projects		\$4,327,000
FISCAL YEAR 2022-2023 LIQUID CASH FLOW REQUIRED – MAINTAIN FUNDS IN LAIF		\$13,277,000
CASH AVAILABLE JULY 2022		\$18,878,000
FUNDS AVAILABLE TO INVEST		\$5,601,000

The Investment-Opportunity Evaluation and Purchase Authorization section states that the Finance and Audit Committee will establish the benchmark (greater than 1%) based off the LAIF rate of return. As of March 31, 2023, the LAIF rate of return was 2.74%, the benchmark then is 3.74% and so investments purchased should be anything greater than 3.74%. According to MBS, CDs are at the highest rate, 5.20%, and treasuries are at 4.839% as of May 15, 2023. In addition, we will evaluate the current investments and discuss and establish a securities ladder to present to the Board of Directors.

Peter Yanez, MBS, will be at the meeting via Zoom to provide recommendations on investment purchases and answer questions.

FISCAL IMPACT

The District has a significant amount of monies currently invested in LAIF. While these funds earn a return, the returns are currently less than returns paid on T-Bills and CD's. LAIF has the advantage of liquidity and security, but with the right strategy the District may be able to increase the return on its investments by directing some of these funds to short-term Treasury Bills and CDs. Currently, Treasury Bills are returning nearly twice what LAIF funds are returning. This may not always be the case, but establishing guidance for investing District funds will aid the District in maximizing its returns on investment in a timely manner when defined conditions are met.

STRATEGIC PLAN

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.
- B.6 Maintain sound investment policy and investments.

RECOMMENDATION

Staff recommends your Committee review the Policy and Investment Policy Guidelines and provide direction on investment amount and purchasing securities in accordance with the Policy to be presented to the Board on May 24, 2023 for their approval.

ATTACHMENTS

- A. Resolution 2023-1664 Investment Policy
- B. Investment Policy Guidelines

May 17, 2023

ITEM 2

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2023-1664**

**A RESOLUTION OF THE
BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING THE DISTRICT'S INVESTMENT POLICY**

WHEREAS, the Board of Directors of the Nipomo Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle; and

WHEREAS, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies; and

WHEREAS, the District's investments are governed by an investment policy, originally adopted in 2014, that is reviewed annually and requires updating from time to time.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District as follows:

1. The District's Board has determined it may be advisable to add certain categories of permitted investments to the list of permitted investments in the District's 2023 Investment Policy to increase investment yield while still protecting safety and liquidity of the District's funds;
2. The District's 2023 Investment Policy is hereby amended as shown in underline in Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the Nipomo Community Services District this 26th of April, 2023 on the following roll call vote:

AYES: *Directors Eby, Hansen, Woodson, Malvarose*
NOES: *Director Gaddis*
ABSENT: *NONE*
CONFLICTS: *NONE*



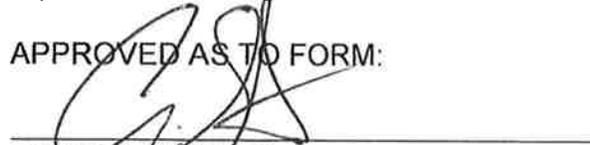
RICHARD MALVAROSE, President
Nipomo Community Services District

ATTEST:



MARIO IGLESIAS
Secretary to the Board

APPROVED AS TO FORM:



CRAIG A. STEELE
District Legal Counsel

**RESOLUTION 2023-1664
EXHIBIT A**

**INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT**

1. INTRODUCTION

This policy establishes the standards under which the District's Finance Officer/Treasurer will conduct business with financial institutions with regard to the investment process.

2. PURPOSE AND SCOPE

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in deferred compensation accounts for employees. Proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et seq.) and this policy. Investments shall be made in judgment and with care, skill, prudence, and diligence under circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims; not for speculation, but to safeguard the principal of their capital and maintain the liquidity needs of the District. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. The Investment Officer (Finance Officer/Treasurer defined below) acting in accordance with written procedures and the investment policy and exercising prudence and due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3. FINANCE OFFICER/TREASURER

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. The District's Assistant General Manager shall serve as the District's Finance Officer and Treasurer in the absence of the District's General Manager. The services of any investment or financial advisor to the District shall be governed by the terms and standards set forth in this Policy.

4. SCOPE

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

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**INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT**

A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk. To protect against fraud or embezzlement or losses caused by the collapse of an individual securities dealer, all securities owned by the District shall be held in safekeeping by a third party bank trust department designated by the District. This designated third party shall act as agents for the District under the terms of a custody agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the District's safekeeping agent. Investment advisors, dealers and others entrusted with holding and managing District funds shall be bonded and insured to protect the District against embezzlement or fraud. Securities held in custody for the District shall be independently audited by the District annually to verify investment holdings and the other factors required by this policy and applicable law.

B. LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature in advance of cash needs.

C. YIELD

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

D. COMPLIANCE

This Investment Policy is written to be in compliance with applicable California and Federal law.

6. STANDARDS OF CARE

A. PRUDENCE

The Finance Officer/Treasurer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer/Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

B. DISCLOSURES

Finance Officer/Treasurer shall disclose any material interest in financial institutions or professionals with which he/she conducts the District business, and shall comply with all applicable laws relating to conflicts of interest.

C. INTERNAL CONTROLS AND PROCEDURES

**RESOLUTION 2023-1664
EXHIBIT A**

**INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT**

The Finance Officer/Treasurer shall establish, maintain, and comply with a system of written internal controls, which shall be reviewed at least annually with the District's independent (external) auditor. The controls are designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions of employees of the District or third parties. The Finance Officer/Treasurer shall evaluate any audit reports in a timely manner with the Board. The quarterly reports of the District shall be provided to the Board as required by this Policy and applicable law. Daily compliance of the investment portfolio shall be performed by the Finance Officer/Treasurer or designee. Compliance will be determined on a fair market value basis. All agreements, statements, and trade packets will be subject to review annually by the District's auditors in conjunction with their audit.

7. INVESTMENTS AUTHORITY

A. PERMITTED INVESTMENTS

The District Finance Officer/Treasurer is authorized to deposit or invest District funds only in the following institutions and investments, and only in compliance with applicable state law:

1. County pooled funds (California Government Code §§ 27133(g), 53635, 61053)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code §§ 16429.1, 61053)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code §§ 53630 et seq., 61053).
4. U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for payment of principle and interest, provided that the maximum maturity is five (5) years. There shall be no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries.
5. Federally insured time deposits ("Certificates of Deposit") in state or federally chartered banks, savings and loans or credit unions, provided that all such investments shall be federally insured, fully collateralized in accordance with California law. The maximum maturity of such deposits shall not exceed five (5) years.
6. Negotiable Certificates of Deposit ("NCD") issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that not more than 30% of the portfolio invested shall be invested in a combination of federally insured non-negotiable certificates of deposit, and the maximum maturity does not exceed five (5) years.
7. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
8. Proceeds of bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond indentures or other instrument providing for the bond issuance. (California Government Code §§ 5922(d), 53601(m))

B. PROHIBITED INVESTMENTS

The District's Finance Officer/Treasurer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.

**RESOLUTION 2023-1664
EXHIBIT A**

**INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT**

3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.
4. Those investments or institutions not permitted by this Policy, or by action of the Board of Directors.

C. DIVERSIFIED INVESTMENTS

Investments, other than investments referenced in paragraphs 7-A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment, and shall be allocated in amounts that maximize the availability of FDIC insurance.

8. REPORTS

A. MONTHLY REPORT

The Finance Officer/Treasurer shall make monthly reports to the Board with the following information:

- Investments made or retired during the preceding month.
- Single transfers between permitted institutions of greater than \$500,000.

B. QUARTERLY REPORT

The Finance Officer/Treasurer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within forty-five (45) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution/issuer
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security, including par and dollar amount invested on all securities, investments, and moneys held by the District
5. Current market value of securities, with identification of the source of the valuation, for each security held by the District as well as securities under the management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund
6. Coupon, Coupon Frequency (monthly, yearly, at maturity), Call Protection
7. Statement of compliance with the Statement of Investment Policy or the manner in which the portfolio is not in compliance
8. Statement of the District's ability to meet cash flow requirements, including any pool expenditure requirements, for the next six months, or an explanation as to why sufficient money may not be available
9. Accrued Interest (if applicable)
10. Description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs

**RESOLUTION 2023-1664
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INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

C. ANNUAL REPORT

Prior to February 1, of each year, the Finance Officer/Treasurer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

D. LIMITED QUARTERLY REPORT

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF) created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer/Treasurer may submit to the Board of Directors and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 8.B, above. This special reporting policy does not relieve the Finance Officer/Treasurer of the obligation to prepare an annual investment report as identified in paragraph 8.C, above.

May 17, 2023

ITEM 2

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
and
INTERNAL CHECKLIST**

The investment-opportunity evaluation and purchase activities shall be in accordance with the adopted Investment Policy of the Nipomo Community Services District (“District”).

BASIC STRATEGY

The basic investment strategy will be to safeguard the principal of all investments, maintain sufficient liquidity to meet the regular cash flow needs of the District while reserving contingent liquidity to meet unanticipated cash flow demands, and utilize various investment approaches to take advantage of current market yield opportunities. A maximum rate of return will be sought in a manner consistent with the safeguarding of principal and meeting liquidity needs.

INTERNAL CONTROLS

The District has established a system of written internal controls and checklist (pages 3-6), which is reviewed annually by the District’s independent auditor. The controls are designed to provide a reasonable assurance that loss, theft, or misuse can be prevented.

PERFORMANCE BENCHMARK

The investment portfolio is constructed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, matching the investment risks controls and cash flow requirements, thus preserving capital, meeting liquidity and providing yield. The District’s investment strategy is to manage the portfolio with less credit risk and interest rate risk than a benchmark comparable index. The District’s portfolio benchmark is the California Local Agency Investment Fund (LAIF).

DETERMINATION OF AMOUNT OF FUNDS TO BE INVESTED-ANNUALLY IN JULY

Prior to performing an investment-opportunity evaluation, the District shall determine the amount of funds available for investment annually in July after the budget has been adopted for the new fiscal year. Below is the matrix to determine the amount available:

TEMPLATE EXAMPLE (high level cash flow model)

Fiscal Year 2022-2023 Budgeted Operating Expenses	\$10,640,000	
	X 50%	
		\$5,320,000
Fiscal Year 2022-2023 Budgeted Funded Replacement Projects		\$3,630,000
Fiscal Year 2022-2023 Budgeted Capital Projects		\$4,327,000
FISCAL YEAR 2022-2023 LIQUID CASH FLOW REQUIRED – MAINTIAN FUNDS IN LAIF		\$13,277,000
CASH AVAILABLE JULY 2022		\$18,878,000
FUNDS AVAILABLE TO INVEST		\$5,601,000

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
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INVESTMENT CRITERIA (in accordance with Investment Policy)

- Once the amount of funds available to invest has been determined, the investment-opportunity evaluation will be made by in coordination with the Finance and Audit Committee.
- Investments shall be purchased in accordance with established internal controls.
- The District's policy is to hold investments until maturity.
- Investments will only be liquidated prior to maturity if an emergency exists, as determined by the General Manager.
- Investments shall be purchased in the new issue market unless it is deemed advantageous by the General Manager to purchase in the secondary market.
- The ladder approach to investment should be used not to exceed 5 years in maturity. Ladder approach provides the following:
 - i) Funds distributed over a range of maturities
 - ii) Portfolio less affected by negative trending change of interest rates
 - iii) Reduces risk of buying at market highs and selling at market lows
 - iv) Can reduce interest rate risk
 - v) Low maintenance "buy and hold" strategy

INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE AUTHORIZATION

- Annually, in July, the Finance and Audit Committee meet.
- Establish the benchmark LAIF rate of return
- Establish rates of return approved investment types
- Compare the rates of return and if the rate of return on approved investment types exceeds 100 basis points (1%) or higher, funds should be evaluated for strategic investment shift to the higher yielding instrument.
- Establish a ladder approach to capitalize on a positive yield curve and assure consistent cash availability.
- Obtain approval by Board of Directors prior to purchase that exceeds \$500,000.
- Report to the Board of Directors quarterly, pursuant to Investment Policy.

Internal Controls

As public servants, it is our responsibility to safeguard Nipomo Community Services District's ("District") funds while adhering to laws and regulations governing processes over investing activities. Developing good internal controls for investing activities is important for the prudent investment of public funds as well as to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees by defining responsibilities in the investing process. Entities can use internal controls to protect against embezzlement, theft, fraud, and poor decision making.

This document does not address all possible circumstances that need to be considered when establishing internal controls or assessing risk.

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
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Control Objectives:

1. Controls are in place in the process to ensure accountability is established as early as possible at all points along the accountability chain.
2. Assets are safeguarded from loss through watchful and responsible care and reconciliation functions.
3. Segregation of duties, or mitigating controls, exists within transaction processes, custody, and recording functions.
4. Transactions, current secondary market value and events are properly recorded and reported.
5. Staff understands their duties, responsibilities, and accountabilities.
6. Investment practices are documented and in compliance with current NCS D Investment Policy state laws and regulations.
7. Transaction activities are properly authorized.

Segregation of Duties:

Segregation of duties is one of the most important features of an internal control plan. The fundamental premise of segregated duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. These are called incompatible duties when performed by the same individual. Examples of incompatible duties include situations where the same individual (or small group of people) is responsible for:

- Managing both the operation of and record keeping for the same activity.
- Managing custodial activities and record keeping for the same assets.
- Authorizing transactions and managing the custody or disposal of the related assets or records.

Stated differently, there are four kinds of functional responsibilities that should be performed by different persons within the same department.

1. Custody of assets involved: This duty refers to the actual physical possession or effective physical control/safekeeping of property. The District will use a qualified third-party custodian.
2. Recording transactions: This duty refers to the accounting or record keeping function, which in most organizations, is accomplished by entering data into a computer system.
3. Authorization to execute transactions: This duty belongs to persons with authority and responsibility to initiate and execute transactions.
4. Periodic reviews and reconciliation of existing assets to recorded amounts: This duty refers to making market rate comparisons at regular intervals and taking action to resolve differences.

The advantage derived from proper segregation of duties is twofold:

- Fraud is more difficult to commit because it would require collusion of two or more persons, and most people hesitate to seek the help of others to conduct wrongful acts.
- By handling different aspects of the transaction, innocent errors are more likely to be prevented.

**NIPOMO COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY GUIDELINES**

**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
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Segregation of Duties Controls Questions:

A.	Segregation of Duties:	Yes	No	N/A	Comments
1.	Are responsibilities for initiating transactions segregated from approval authority?				
3.	Are responsibilities for monitoring investment market values and performance segregated from acquisition activities?				
6.	Is access to investment applications and functions within programs limited to those who have a legitimate need?				
7.	Are all investment bank wire transfers independently reviewed and approved?				

Procedural Controls Questions:

B.	Procedural Controls:	Yes	No	N/A	Comments
1.	Is there a complete listing of all investments that are under the entity's control?				
3.	Is there a written investment policy available?				
4.	Do approval procedures include formal establishment and periodic review of investment policies?				
5.	Do approval procedures ensure only investments permitted by law or policies are acquired?				
6.	Do approval procedures include integration of the investment program with the cash management program and with expenditure requirements?				
7.	Is due diligence of broker-dealer and other financial institutions completed before business is conducted?				
8.	Is there an established authority and responsibility for investment-opportunity evaluation and purchase?				
9.	Is there a periodic evaluation of the performance of the investment portfolio by persons independent of investment portfolio management activities?				
10.	Do approval procedures include verification that all income due from investments has been received?				
11.	Are there formal procedures governing the level and nature of approvals required to purchase, exchange, or sell an investment?				
12.	Do approval procedures include competitive bidding for certificate-of-deposit purchases?				
13.	Is the authority to purchase, exchange, or sell investments clearly defined?				
14.	For investments in government securities, does the investment officer appear to understand the types of securities owned?				
15.	Do custodial procedures include registering all securities in the name of the entity?				

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**INVESTMENT-OPPORTUNITY EVALUATION AND PURCHASE
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17.	Do custodial procedures include authorization by the appropriate body of authority with access to securities?				
18.	Do custodial procedures include bonding of individuals with access to securities?				
19.	Are dual signatures or authorizations required to obtain or release securities from safekeeping?				
20.	Do detail accounting procedures include the maintenance of detail accounting records for investments by the investment department?				
21.	Is an accounting record/register maintained for each investment, including; cost, description, date purchased, interest rate, maturity date and identifying number?				
22.	Are there procedures to ensure transactions arising from investments are properly processed, including income and amortization entries?				
23.	Do detail accounting procedures include controls to ensure investment earnings are credited to the fund from which resources for the investment were provided?				
24.	Do detail accounting procedures include a periodic comparison between income received and the amount specified by the terms of the security, or from publicly available investment information?				
25.	Are there controls to ensure transactions are recorded on a timely basis?				
26.	If current market value (or fair value) is used to value investments, is this basis applied consistently for all investments in all funds?				
27.	Are procedures in place to reconcile the detail accounting records with the general ledger control?				
28.	Do procedures include a periodic review of the nature of investments included in general ledger balances?				
29.	Do general ledger procedures include monthly verification, provided by the custodian of principal and market values, of all investments and collateral?				
30.	Is the principal and market values provided by the custodian compared to internal (general ledger) records?				
31.	Are comparisons of book balances used in reconciliations with balances in the general ledger accounts?				
32.	Do general ledger procedures include a review and approval of all reconciliations by an official not responsible for receipts and disbursements?				

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33.	Do general ledger procedures include an investigation of unusual reconciling items by an official not responsible for receipts and disbursements?				
34.	Is evidence of reviews and reconciliations signed by an official not responsible for receipts and disbursements?				