THE VILLAGE OF NORTH PALM BEACH

ACCOUNTING POLICIES & PROCEDURES MANUAL FOR INTERNAL CONTROLS

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Summary of Significant Accounting Policies

HISTORY

The Village of North Palm Beach, Florida ("the Village") was incorporated in 1956 pursuant to Chapter 31481, Laws of Florida, Extraordinary Session 1956. The Village is located in the northeast portion of Palm Beach County, Florida. Its municipal area comprises approximately 1,900 acres of land and 1,200 acres of lakes, canals and lagoons. The Village's non-seasonal population consists of approximately 13,000 residents, which increases during the winter months to approximately 20,000 people. The Village operates under the Council Manager form of government and provides the following services to its residents: public safety, planning and zoning, sanitation, recreation, library, parks, marinas and a country club. The Village Council (the 'Council") is responsible for legislative and fiscal control of the Village.

Accounting Policies

Basis of Presentation

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund equity and other credits, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are reported by generic classification within the financial statements as follows:

Governmental Fund Types

General Fund – used to account for all financial resources applicable to the general operations of the Village government except those required to be accounted for in another fund.

Capital Projects Fund – used to account for resources principally provided by general long-term debt and used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Fund Type

Enterprise Fund – used to account for operations that provided services on a user charge basis to the public and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary fund activities and basis of accounting are similar to those often found in the private sector. The Village's sole proprietary activity is the operation of a golf and country club.

Fiduciary Fund Types

Trust Funds – used to account for assets held by the Village in a trustee capacity. The pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

Agency Funds – used to account for assets held by the Village. The Village retains no equity interest in these funds.

Account Groups

Account groups are not funds since they do not reflect available financial resources and related liabilities. Instead, they are used to establish accounting control and accountability for the Village's general fixed assets and general long-term debt. The following is a description of the account groups of the Village:

General Fixed Assets Account Group – used to maintain control and cost information for all fixed assets other than those accounted for in the proprietary fund.

General Long-Term Debt Account Group – used to record outstanding long-term debt other than debt recorded in the proprietary fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the period in which they become susceptible to accrual, i.e., when they become measurable and available to pay liabilities of the current period. Ad valorem taxes and charges for services are susceptible to accrual when collected in the current year or within 60 days subsequent to year-end, provided that amounts received pertain to billings through the fiscal year just ended. Intergovernmental revenues, which include state revenue sharing allotments, local government one-half cent sales tax, and county shared revenue, among other sources, are recorded in accordance with their legal or contractual requirements if collected in the current period or within 60 days after year-end. Revenues from reimbursement grants are recorded in accordance with the grant terms if collected in the current period or within six months after year-end. Interest is recorded when earned. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Occupational license revenues collected in advance of periods to which they relate are recorded as deferred revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The proprietary fund and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when they are incurred. Membership fees of the proprietary fund that are collected in advance of the period to which they apply are recorded as deferred revenue.

Budgetary Accounting

State of Florida statures require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Council annually adopts an operating budget and appropriates funds for the general fund. The Village also adopts a non-appropriated operating budget for the enterprise fund (Country Club) at the same time it adopts the General Fund Budget. The procedures for establishing budgetary data are as follows:

> In July of each year, the Village Manager submits a proposed operating budget to the Council for the next fiscal year commencing the following October 1st. The proposed budget includes expenditures and the means of financing them.
>
> During the third week of July, the Council holds public meetings to obtain taxpayer comments.
>
> Upon completion of the public hearings and prior to October 1, a final operating budget is legally enacted through the passage of an ordinance. Estimated beginning fund balances are considered in the budgetary process.

Purchasing

Objective

The primary objective of the Village's purchasing operation is to maximize the value of the dollar spent. All Village departments are responsible for accomplishing this objective by planning for future purchase needs and completing them in an economical manner.

Responsibilities of Finance Department

- Maintain an up to date vendor list.
- Process purchase requisitions.
- Prepare and issue purchase orders.
- Pay vendor invoices.

Responsibilities of Village Clerk

- Maintaining bid files.

Responsibilities of Operating Departments

- Obtain prices on comparable items.
- Search for new sources of goods and services and provide these vendor names to the Finance Department.
- Provide complete information on items to be purchased on the purchase requisitions and reference the budget line item description.
- Provide appropriate documentation with purchase requisitions as required.
- Plan for purchases to minimize emergency purchases.
- Prepare technical specifications.
- Determine if sufficient funds are available in the budgeted line item.
- Attempt to use the Finance Department's vendor list as a minimum for all quote requirements.

Responsibilities of Village Manager

- Advertise for bids.
- Take formal bids.

Purchasing Policy

Determining Purchasing Methods:

a. All purchases that are budgeted to exceed $25,000 on either an annual basis or span across fiscal years such as a "multi-year" contract:

1. Must be formally advertised in a newspaper of general circulation with the advertisement being no less than fourteen (14) days prior to the opening of bids.
2. Must be awarded on a sealed bid basis by vote of Village Council.
3. The vendors list will be used as a minimum notification list of available vendors for the purposes of soliciting bids.

b. All purchases having an estimated cost between $2,500 and $25,000:

1. Require three (3) quotations. A written quote from each vendor is to be attached to the requisition. Where a written quote is not available and on approval of the Village Manager, a memorandum from the Department Head documenting the three (3) verbal quotes is required. No hand-written quotes will be accepted.
2. All purchases in excess of $2,500 and up to $10,000 shall be authorized by the Department Head, Finance Director, and Village Manager.
3. All purchases in excess of $10,000 and up to $25,000 shall be brought to the Village Council on Consent Agenda for approval.

c. Purchases having an estimated cost of up to $2,500, unless otherwise described in this manual:

1. Do not require bids or three (3) quotes; however, Department Heads are encouraged to obtain the most cost-effective price.
2. Shall be authorized by Department Heads.

d. Exceptions – In certain instances exceptions to the above may exist and purchases may be accomplished using alternate methods:

1. Through the use of the emergency purchase provisions as provided for in the Emergency Purchases section of this manual.
2. When annual contracts exist, i.e. gas, oil, tires, office supplies, etc.
3. When requirements imposed by federal, state, or county grants provide different regulations.
4. When the Village Manager deems it appropriate to use procedures of more formality than set out above.
5. When the Village Council waives the purchasing rules and regulations.

e. The purchase of bulk motor and diesel fuel necessary to operate Village vehicles and the purchase of inventory and goods for resale or distribution to the public shall not be subject to the rules and regulations set forth herein and may be approved by the Village Manager and/or the Finance Director.

f. The purchase of food and beverage inventory necessary to operate the Village Restaurant shall not be subject to the rules and regulations set forth herein and shall require Village Manager approval when the total order being placed exceeds $2,500.

g. Expenditures for utilities, advertising, subscriptions, registration fees, training, travel, seminars and lectures, performing artists and entertainers, membership dues, uniform allowances, license or maintenance renewals for existing software, and similar products or services for which competitive procurement is either not available or wholly impracticable shall not be subject to the rules and regulations set forth herein and may be approved by the Village Manager and/or the Finance Director.

Initiating a Purchase

Purchase Requisition

A purchase requisition must be completed and submitted to the Finance Department with the appropriate documentation attached. Where equipment is covered by maintenance contracts, requests for service may be made directly by the respective department. Copies of all approved maintenance agreements shall be submitted to the Finance Department at the beginning of each fiscal year. An annual purchase order that shall not exceed one year will be issued, if required by the vendor.

Requisition Preparation

Procedure to process regular requisitions:

a. Print each requisition in duplicate and give the following:

   1. Department account number.
   2. Date of requisition.
   3. Suggested vendor name and address.
   4. Village delivery location.
   5. Quantity.
   6. A complete, detailed description of the item(s) to be purchased along with a budget line reference.
   7. Estimated net cost of line items of goods and services.
   8. Estimated cost of shipping and handling.
   9. Signature of department head which indicates department head's approval of purchase.

b. When necessary, bid documentation, i.e. telephone bids, requests for quotations, etc. should be attached to the purchase requisition.

c. Purchase requisition originals are to be sent to the Finance Department.

d. Second copy is kept in the requesting department's file.

e. Upon receiving the requisition, Finance will determine the availability of funds in the department's account. If the funds are available, preparation and processing of the purchase order will be completed and forwarded to the Village Manager for final authorization.

f. Requisitions over $25,000 will be subject to the bidding process. Once the Village Council awards the bid to a vendor, the operating department must prepare and forward to the Finance Department the purchase order requisition along with a copy of the bid documentation and the adopted resolution.

g. The Village's purchasing policy allows management to "piggyback" on:

   1. Current federal supply schedules, U.S. General Services Administration (GSA) or any other federal agency contracts;
   2. Current cooperative purchase contracts; and
   3. Other state and local government contracts for labor and materials, providing those government contracts identify those specific services or materials required and the government contract is both active and no older than 18 months from the date of the requested purchase.

   If the "piggyback" provision is to be utilized, the operating department will obtain a verbal quote from a secondary qualified vendor to verify the "fair market" value of the item or services sought. If this quote is significantly lower, staff will go through the normal purchasing/bidding procedures. The verbal quote verification procedure will be indicated as part of the back-up material for the purchase.

h. In the event the "piggy-back" provision is utilized and a "change" in services, outside the scope of the government contract is required, that change will be treated as a "change order" in accordance with this policy.

Purchasing Procedures, Bids, Contracts, Vendor Selection, etc.

Formal Bidding

Formal bids are required for purchases in excess of $25,000.

Writing Specifications

Upon submitting a request for formal bidding, the department should also transmit desired specifications to be included as a part of the bidding process.

Care should be taken to design specifications so that they are not so narrow as to limit competition unnecessarily. Department heads have the responsibility for complying with this guideline.

Identifying Suppliers

Operating departments are responsible for maintaining a comprehensive, updated list of suppliers of various products frequently purchased by that department. It is the Village's policy to award to the lowest qualified bidder offering merchandise conforming to pre-defined specifications.

Sealed Bid Opening

All bids/proposals shall be submitted to the Village Clerk's Office. All sealed bids are to be opened at the exact time, date and place specified in the bid package. A bid package contains: (1) notice to bidders; (2) complete bid specifications and (3) contract documents, if appropriate. All bids are to be opened publicly with tabulation being made available to all vendors participating. Formal bids are to be checked for proper submission of any required bid deposits, bonds, etc. All sealed bids will be opened by a bid board consisting of the Village Manager, the Department Head concerned, and the Village Clerk. After evaluation, a recommendation will be made by the Village Manager for transmittal to the Village Council.

Sole Source Items

"Sole source purchases are the acquisition of goods and services that for all practical purposes can only be obtained from a single vendor, usually because of limited technology, technological compatibility with existing systems, goods or services already in use by the Village or other unique qualities of the goods or services that preclude a competitor's price comparison." All sole source purchases will be documented by a memo from a Department Head justifying why the purchase is sole source. Every reasonable effort must be made to locate competitive suppliers. Only the Village Manager may certify an item as sole source. Approval of sole source purchases over $10,000 is to be made by the Village Council.

Contracts, Retainage, Change Orders, & Payment

a. The Village Manager is authorized to sign contracts on behalf of the Village that involve expenditures for goods and services that are line items within the Village budget and do not exceed ten thousand ($10,000). Prior to execution of contracts, the Village Manager shall first comply with the purchasing regulations adopted by the Village Council and have the contracts reviewed by the Village Attorney for legal sufficiency.

b. Contracts for over $10,000 must be approved by the Village Council.

c. The annual contracts awarded by Palm Beach County, the State of Florida and the Palm Beach County Cooperative Purchasing Council, and other governmental agencies for labor and materials are accepted by the Village in accordance with their terms.

d. The American Institute of Architecture, AIA Document G702-1992, Application and Certificate for Payment, is the form that is completed by the Contractor and Certified by the Architect/Engineer as part of their payment request. This form shows the Original Contract amount then the progression of payments previously paid, retainage, current request and balance of contract to complete the Project. The percentage of retainage is specified in the Agreement that is executed by the Village and the Contractor. A standard of ten percent (10%) will be used unless adjusted by the Mayor and Council.

Change Orders

A Change Order is a written instrument prepared by the Contractor, certified by the Architect/Engineer and approved by the Village stating their agreement to the following:

a. Actual change in work required.

b. The dollar amount of the adjustment and its effect on the Contract's Total Sum.

c. The extent of the adjustment and how it will affect the Contract's timeframe.

d. If a lump sum payment is necessary, the request must be properly itemized and supported by sufficient substantiating data to permit evaluation. All parties involved must mutually accept the adjustment(s) as presented.

e. Unit prices stated in the Contract Documents or subsequently agreed upon must be mutually acceptable to all parties in involved.

f. If costs are to be determined, all parties must agree upon a mutually acceptable fixed or percentage fee.

Change Order Process

a. All proposed change orders must be approved by the Village Engineer (if involved in the project), the Department Head overseeing the project, and the Village Manager.

b. The Village Manager has the authority to approve change orders under $10,000 that are within the original scope of the project and that do not exceed the original budget line item for the project; however, the Village Council will be notified of any such change orders for their approval and ratification at the next scheduled Council Meeting.

c. All change orders in excess of $10,000 must be brought to the Village Council for approval.

d. If exigent circumstances exist requiring immediate action and a delay would adversely impede the project operationally, the Village Manager can with written documentation, authorize a change order in excess of the $10,000. The Village Manager will be responsible for immediately reporting this Change Order at the next scheduled Council Meeting for ratification.

Design-Build Contracts

Except as provided herein, the foregoing Policies and Procedures are not applicable to the procurement of design-build contracts. Design-build contracts shall comply with the following rules:

a. If the Village Manager determines that a design-build contract is the appropriate method of procurement for any construction project, a design criteria package for the design and construction of the project shall be prepared and sealed by a design criteria professional either employed or retained by the Village. The design criteria professional shall meet the requirements of subsection (2) of Section 287.055(2), Florida Statutes (Consultants' Competitive Negotiation Act). If the Village enters into a professional services contract for preparation of the design criteria package, the selection of the design criteria professional shall comply with subsections (4) and (5) of Section 287.055, Florida Statutes.

b. The design criteria package shall specify performance-based criteria for the project, including but not limited to the legal description of the site; survey information concerning the site; interior space requirements; material quality standards; schematic layout and conceptual design criteria for the project; cost or budget estimates; design and construction schedules; site development requirements; provision for utilities, stormwater retention and disposal; and parking requirements.

c. A design criteria professional who has been selected to prepare the design criteria package shall not be eligible to render services under a design-build contract executed pursuant to the design-build criteria package.

d. The Village shall publicly announce in a uniform and consistent manner the fact that design-build services are required. The announcement shall include a general description of the project, procedures for obtaining the request for proposals, and the time within which interested design-build firms may submit proposals.

e. The Village Manager or his or her designee shall establish criteria, procedures, and standards for the evaluation of design-build contract proposals, weighted for the particular project, and shall solicit competitive proposals pursuant to the prepared design criteria package from qualified design-build firms for the project under consideration. In addition to price, evaluation factors shall include, but not be limited to, ability of professional personnel; past performance; ability to meet time and budget requirements; location of firm; and recent, current and projected work loads.

f. For each public construction project involving the award of a design-build contract, the Village Manager may initiate a two-step process whereby firms first submit qualification statements. The Village Manager or, at the Manager's option a selection committee selected by the Village Manager, shall evaluate qualification statements in accordance with published criteria, including, but not limited to, past experience; availability; and the qualifications of key personnel and (provided that at least three (3) qualification statements have been submitted) select no fewer than three (3) qualified design-build firms from which competitive proposals shall be solicited based on the design criteria package. This step is not mandatory and the Village Manager may forego the pre-qualification process.

g. The Village Manager or, at the Manager's option, an evaluation committee selected by the Village Manager, shall evaluate the proposals in accordance with the criteria set forth the solicitation and recommend to the Village Council no fewer than three (3) qualified design-build firms in order of preference. The Village Council may require public presentations and shall rank the firms. The Village Manager, in consultation with the Village Attorney, shall then commence negotiations with the top-ranked firm.

h. Should the Village Manager be unable to negotiate a satisfactory contract with the top-ranked firm, negotiations shall be formally terminated in writing and negotiations commenced with the second-ranked firm. Should the Village Manager be unable to negotiate a satisfactory contract with the second-ranked form, negotiations shall be formally terminated in writing and negotiations commenced

with the third-ranked firm. Should the Village Manager be unable to negotiate a satisfactory contract with any of the selected firms, additional firms shall be selected in accordance with the foregoing procedures and negotiations shall continue until a contract is reached.

i. The Village Manager shall consult with the design criteria professional who prepared the package concerning evaluation of the proposals, approval of detail work and drawings for the project and compliance of project construction.

j. Each contract for design-build services shall contain a prohibition against contingent fees as required by law.

k. In the case of a valid public emergency, the Village Manager may suspend the procedures specified herein, and authorize negotiations of a design-build contract with the best qualified design-build firm available at that time.

Contract Payment Process

Certificates for Payment

An Architect and/or an Engineer will be engaged on all professionally bid projects which are new or structurally reengineered. In those instances:

a. The Architect/Engineer will, within seven days after receipt of the Contractor's Application for Payment, either issue to the Village a Certificate for Payment, with a copy to the Contractor, or notify the Contractor and the Village in writing of the Architect/Engineer's reasons for withholding certification in whole or in part.

b. The issuance of a Certificate for Payment will constitute a representation by the Architect/Engineer to the Owner that the work has progressed to the point indicated and that the quality of the Work is in accordance with the Contract Documents. It will further constitute a representation that the Contractor is entitled to payment in the amount certified.

Final Completion & Final Payment

a. Upon receipt of written notice that the work is ready for final inspection and acceptance and upon receipt of a final Application for Payment, the Architect/Engineer will promptly make such inspection and, when the Architect/Engineer finds the work acceptable under the Contract Documents and the Contract fully performed, the Architect/Engineer will promptly issue a final Certificate for Payment.

b. Neither final payment nor any remaining retained percentage shall become due until the Contractor submits to the Architect/Engineer:

    1. an affidavit that payrolls, bills for materials and equipment and other indebtedness connected with the work have been paid or otherwise satisfied,

    2. a certificate evidencing that insurance required by the Contract Documents to remain in force after final payment is currently in effect and will not be cancelled or allowed to expire until at least 30 days prior to written notice has been given to the Village,

    3. a written statement that the Contractor knows of no substantial reason that the insurance will not be renewable to cover the period required by the Contract Documents,

    4. consent of surety, if any, to final payment,

    5. if required by the Village, other data establishing payment or satisfaction of obligations.

NOTE: Contractor's application for payment (partial or final) for repairs or maintenance to "existing" systems and infrastructure can be authorized by the Village Department Head for which those repairs/maintenance was authorized.

c. Acceptance of final payment by the Contractor, a Subcontractor or material supplier shall constitute a waiver of claims by that payee except those previously made in writing and identified by that payee as unsettled at the time of final Application for Payment.

d. The Certificate of Completion and the Application for Final Payment forms must be completed. The Application for Final Payment requests the release of the retainage and requires the following signatures:

1. For Projects $10,000 or less, the Director managing the project and the Village Manager will sign off upon completion of the project.

2. Projects from $10,001 to $100,000 – The Director managing the project along with the Director of Community Development and the Village Manager will sign-off upon completion of the project.

3. Projects exceeding $100,000 requires the same signature authority as item #2 and will be forwarded to the Mayor and Council for final closeout and release of contractual retainage.

Purchase Orders

Use of Purchase Orders

A purchase order should be used for the purchase of a single item over $2,500 that is not purchased on a regular basis. This would include all purchases not covered by a blanket purchase order. All purchases that are budgeted to exceed $25,000 on an annual basis or span across fiscal years such as a "multi-year" contract surpass the Village's bid threshold and will be bid prior to the beginning of the fiscal year. Exceptions are outlined in the Purchasing Policy "Determining Purchasing Methods" section, as well as in the Emergency Purchases section.

Procedure for Issuing a Purchase Order

a. All purchase orders will be issued by the Finance Department.

b. All purchase orders will be sequentially numbered.

c. The purchase order is prepared in triplicate.

d. The purchase order is printed giving the following information:

1. Purchase order number.
2. Vendor code number.
3. Vendor name.
4. Vendor address.
5. Vendor contact person.
6. Vendor telephone number.
7. Vendor fax number.
8. Department account number.
9. Requisition number.
10. Date of purchase order.
11. Required delivery date.

12. Terms
13. F.O.B. point
14. Destination shipping point.
15. Quantity ordered.
16. Vendor proprietary stock number (if any).
17. Generic description of goods or services ordered.
18. Unit price.
19. Extension
20. Net total of goods and services ordered.
21. Allowable shipping charges.
22. A box checking an original or confirming purchase order.
23. Signature of responsible Village official.

How Purchase Orders are processed

a. The original copy is delivered directly to the vendor.

b. The second copy is retained by the Finance Department for account encumbrance and is attached to the requisition original.

c. The third copy is sent to the Department Head or the requisitioning department.

Cancellation of a Purchase Order

All cancellations of orders must be made by forwarding to the Finance Department the receiving copy of the purchase order with the word "VOID" printed across the face of said copy. The Department Head should sign and date all voided purchase orders, as well as provide a brief reason for the void.

Expediting Orders

Once the Finance Department has issued a purchase order, no follow-up work is done on the order by Finance. It will be the responsibility of the operating department to expedite orders.

Back Orders of Partial Payments

When several items are ordered, the supplier may deliver only a portion of the quantity requested. The supplier may then advise you that the remainder of the order has been back ordered. The Department Head should retain the copy of the purchase order until all items are delivered. Should the vendor invoice the Village for the partial order delivered, the following partial payment procedures should be followed:

a. When the invoice is received, the department head should forward the invoice to the Finance Department with his or her approval of the partial payment. Notations should be made on the invoice that the order is "INCOMPLETE" and the purchase order number circled, or noted if it is not mentioned on the invoice. The Finance Department will use this as authority for partial payment. Documentation must be sent to the Finance Department indicating which items have been received before the Finance Department makes the payment on such invoice.

b. The department copy of the purchase order remains in the department until the entire order is filled, invoiced, or balance canceled.

Blanket Purchase Orders

Blanket purchase orders can be requested from the Finance Department for the purchase of materials, supplies, parts and similar items over a certain period of time not to exceed a single fiscal year. Examples include, but are not limited to, office supplies, computer supplies, uniforms, firearms and firearm accessories, badges and specialized public safety equipment, hardware store purchases, tires, tubes, and batteries.

A blanket purchase order may be in any amount up to $10,000 and must be approved by the Department Director, the Finance Director, and the Village Manager. No single purchase pursuant to a blanket purchase order shall exceed $2,500. Blanket purchase orders in excess of $10,000 shall be approved by the Village Council, provided, however, that blanket purchase orders in excess of $10,000 and up to $25,000 shall be placed on the Consent Agenda.

Split Purchases (Pyramiding)

a. Split purchases, or pyramiding, is defined as issuing more than one purchase order on the same product with the intent of circumventing these regulations and/or budget limitations within an unreasonably short time period such that the totals of the purchase orders equal an amount greater than that authorized by these regulations. **Split purchases are prohibited**.

Emergency Purchases

General Policy

True emergencies do occur as a result of parts, supplies, and labor needed to repair equipment and facilities that are needed to provide services for the health, welfare and safety of the public. Anticipating needs in advance, whenever possible, will hold emergency purchases to a minimum and allow the use of standard procedures.

Procedure

a. Emergency purchases between $0 to $2,500, mark invoice “EMERGENCY PURCHASE”. The invoice must be submitted to and approved by the Department Head, subject to confirmation by Village Manager.

b. Emergency purchases of more than $2,500 and up to $25,000, mark invoice “EMERGENCY PURCHASE”, and contact the Village Manager for approval, subject to confirmation by the Village Council.

c. Emergency purchases over $25,000 are not to be made without the approval of the Village Council.

Purchasing Cards

Recognizing the advent of automated internet supply vendors and the occasional time sensitive procurements, the utilization of a Village purchasing card is both necessary and required. The Finance Department shall maintain one purchasing card per department to be utilized in select cases in accordance with the existing purchasing regulations. Any department needing to use the purchasing card shall request in writing, to the Finance Director, the intended use of the card, the amount and the account number(s) to be charged. All requests must be approved by the department head prior to sending it to the Finance Department. If the request meets all applicable purchasing regulations and the departmental funds are available, the Finance department will obligate the Village for the purchase by use of the Village's purchasing card. The department making the purchasing request shall be responsible for providing invoices (receipts) or other acceptable documentation to the Finance Department immediately upon receipt. All invoices (receipts) shall be initialed with the account number(s) to be charged.

Sales Tax Exemption

Village purchases are exempt from Florida sales tax. When making purchases, the vendor will be provided with the sales tax exemption number.

Budget Transfers

Budget Amendment Ordinance

A budget amendment ordinance is required when a transfer of monies increases/decreases the budgeted total of the respective fund.

Budget Transfer Requirements

a. Budget transfers from the Council Contingency Account and the Country Club Contingency Account must be approved by the Village Council.

b. The Village Manager may approve transfers among activity amounts within a department so long as the amounts of the transfers do not exceed $10,000. However, transfers between departments (and not merely divisions within a single department) and any change to the total departmental expenses must be submitted to, and approved by, the Village Council.

Departments/Controlled Divisions

The following are the departments/controlled divisions and are considered for budget transfer purposes:

1. Village Manager:	- Village Manager - Village Attorney - General Services	***2. Finance:***	- Finance - General Services - Debt Services - Reserve - Insurance (Country Club) - Debt Services (Country Club) - Reserve (Country Club)
3. Village Clerk:	- Village Clerk - Village Council	***4. Recreation:***	- Recreation - Special Events - Pool - Tennis
5. Library:	- Library	***6. Public Safety:***	- Law Enforcement - Fire Rescue - General Services
7. Public Works:	- Administration - Facilities Maintenance - Sanitation - Street & Ground Maintenance - Vehicle Maintenance	***8. Country Club:***	- Administration - Golf Course Maintenance - Golf Shop/Carts/Driving Range - Food & Beverage - Clubhouse Grounds
9. Community Development:	- Community Planning - Building - Code Enforcement	***10. Information Technology:***	- Information Technology
11. Human Resources:	- Human Resources		

Emergency Budget Transfer

Emergency Budget Transfer Procedures

Emergency budget transfer procedures for emergency purchases are as follows:

a. Emergency budget transfers up to $10,000 among existing budgeted line items of the existing budget (regardless of department) require Village Manager approval, subject to confirmation of the Village Council.

b. Emergency budget transfers over $10,000 require Village Council approval.

Debt Policy

Under the governance and guidance of Federal and State laws and the Village's Charter, Ordinances and Resolutions, the Village may periodically enter into debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt for the purpose of meeting its governmental obligation to its residents. It is the Village's desire and direction to assure that such debt obligations are issued and administered in such fashion as to obtain the best long-term financial advantage to the Village and its residents.

The Village hereby establishes the following policies concerning debt:

- The Village Charter and the Constitution of the State of Florida do not provide for a legal debt limit. However, in making or providing of capital improvements, the Village shall not incur a general obligation debt requiring the full faith and credit and taxing power of the Village that exceeds five percent (5%) of the property tax base of the Village.

- The Village will analyze the impact of debt service on total annual fixed costs before any long-term debt is issued.

- Any loan obligation over $500,000 shall require review and comment by the Village's Audit Committee prior to Council action.

- The Village will not use proceeds from long-term debt for current, on-going operations. Long-term borrowing will be confined to capital improvements too large to be financed from current revenues.

- The Village will utilize the form of borrowing that is most cost-effective, including not just interest expense but all costs, including upfront costs, administrative and legal expenses, prepayment penalties, and reserve requirements.

Receipt of Goods and Services

Acceptance

a. Department Heads are responsible for inspecting all goods upon receipt to determine that the quantity and quality of merchandise received meets the specifications of the order.

b. If there is a discrepancy, the Department Head is responsible for informing the vendor and the Finance Department immediately and documenting the conversation in writing.

c. If quantity and quality conform to purchase order specifications, the Department Head signs off on the invoice and returns it to the Finance Department for processing.

Process for Payment

a. If the shipment does not complete the purchase order, the Department Head is responsible for forwarding the invoice with their signature approving payment along with a copy of the purchase order to the Finance Department.

b. If the shipment completes the purchase order, the Department Head must mark “Close Purchase Order” on the PINK copy of the PO, sign the invoice approving final payment, and return both of these copies along with any other pertinent documentation necessary for processing to the Finance Department. Mark the receiving copy “SHIPMENT COMPLETE RECEIVED” and forward it to the Finance Department.

c. Forward the vendor packing slip or bill of lading (if any) with the receiving copy to the Finance Department.

d. Services, as distinct from commodities, rendered must be certified by the Department Head that the quality meets the specifications of the purchase order before the invoice is paid.

Payment

Invoices

a. Original vendor invoices will be sent directly to the Finance Department.

b. The Finance Department will pay the invoice only if:

1. The invoice has been received by the Finance Department.
2. The Department Head must sign off on the invoice certifying that there has been a satisfactory delivery of goods or services.
3. Total quantity received per line item is equal or less than quantity ordered. An explanation is required when discrepancies exist.
4. Unit Price on invoice is the same as unit price on the purchase order. An explanation is required when discrepancies exist.
5. Extension per line item is correct.
6. Total of line item extensions is reflected by the net total on the invoice.
7. Advantage is taken of all allowable discounts.
8. Funds are available within the department's budget.

Invoice Retirement

a. Check is issued to vendor, signed by the appropriate authorized individual(s).

b. Original invoice is marked "PAID".

c. The "PAID" invoice, any other necessary supporting documentation, and the remittance copy of the check are attached to the purchase order and filed.

Check Requests

a. Department Head may request checks on prescribed forms for:

1. Travel
2. Training
3. Subscriptions
4. Reimbursements
5. Petty Cash
6. Donations
7. Contributions
8. Contract Labor
9. Independent Contractors
10. Etc.

b. All check requests that are submitted for payment should include supporting documents and are subject to follow terms and conditions of accounting policies and procedures.

Telephone and Utility Bills

All Village telephone and utility bills are processed through the Finance Department to verify long distance service usage and to verify proper departmental allocation of utility costs. Any bills received in another department should be forwarded to the Finance Department. Prior to forwarding telephone bills to Finance, Department Heads must review and sign off on all charges to be paid.

Check Signers

All checks drawn on any depository of Village funds shall be signed by both the Village Manager and the Finance Director, or in the absence or inability of the Finance Director and/or the Village Manager to sign such checks, they shall be signed by the Vice Mayor and/or the Mayor.

Surplus and Obsolete Material and Equipment

Methods of Disposition

a. Surplus, worn out or obsolete material and equipment may be disposed of in any of the following ways:

   1. By transferring to other departments.

   2. By returning to the manufacturer or supplier.

   3. By trading in on new equipment.

   4. By junking.

   5. By advertising for sale.

b. Each department shall report its surplus or obsolete stock, equipment or materials to the Finance Department.

c. All Capital Equipment shall be declared surplus by Village Council before processing as surplus.

Procedure for Sale of Surplus Items

a. If surplus material is sold, it shall be accomplished by the affected department in conformance with competitive practices.

b. Surplus property may be disposed of by auction. Final approval for sales will be made by the Village Manager or his designee. Advertisement for such sales will be made in a local newspaper at least one time, no less than five (5) days prior to sale or auction.

Fixed Assets Accounting and Recording

The Village follows the capitalization requirements of GASB Statement #34 (Asset Capitalization & Depreciation Guidance) for its fixed assets.

General Definition

Capital assets include: land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles and infrastructure.

Recording and Tagging

Departments will fill out the fixed asset worksheet for all newly acquired assets with the following information:

a. Description
b. Price
c. Department
d. Location
e. Condition
f. Custodian
g. VIN – Manufacturer – Model – Model Year – License Number
h. Estimated life
i. Vendor, Purchase Order Number, Inventory Number, Inventory Date, Amount

Once information is received a tag number is assigned and information is put into the system. A print out of the information is run and the tag number is attached to the print out. The print out and tag number are sent to the Department Head to put the metal asset tag number on the equipment. The copy of the print out is to be retained by the department until equipment is disposed.

Recording Land
Land is to be capitalized but not depreciated. It is recorded at historical cost and remains at that cost until disposal. If there is a gain or loss on the sale of land, it is reported as a special item in the statement of activities.

Recording Land Improvements
Land improvements include items such as excavation and non-infrastructure utility installation; driveways, sidewalks, parking lots, flagpoles, retaining walls, and fencing, outdoor lighting, and other non-building improvements intended to make the land ready for its intended purpose. Land improvements can be further categorized as non-exhaustible and exhaustible.

> Non-Exhaustible - Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciable.
>
> Exhaustible - Other improvements that are part of a site, such as parking lots, landscaping and fencing, are usually exhaustible and are therefore depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

Recording Buildings

Buildings should be recorded at either their acquisition cost or construction cost. The cost of new construction should be carefully evaluated. Usually projects consist of major components such as land, land improvements, building construction (including professional fees and permits), furniture, fixtures and equipment. In addition, buildings include components (e.g., roof, air conditioner system, etc.) that should be recorded separately when significant because these building components have different useful lives. The value of each component needs to be determined and placed within its own category.

Recording Building Improvements

Building improvements that extend the useful life should be capitalized. Examples of building improvements include roofing projects, major energy conservation projects, or remodeling and replacing major building components. Only those projects that meet the capitalization threshold need to be included.

Recording Construction in Progress

Construction in progress should be capitalized and not depreciated. It should be reported with land and other non-depreciating assets at the government-wide level. Unspent debt proceeds from capital assets related debt should be reported in the net assets section of the statement of net assets as "restricted for capital projects."

Recording Machinery and Equipment

Assets such as furniture, machinery and equipment (that meet threshold levels) should be identified and inventoried. Some assets, individually, may fall below the capitalization threshold but may be purchased in large quantities by the Village. Examples include library books, textbooks and computers. The Village should aggregate such assets and consider the materiality and significance of them and if material or significant capitalize such items either individually or in the aggregate.

Recording Vehicles

Vehicles should be identified, inventoried, and if applicable depreciated.

Recording Intangible Assets

Intangible assets are defined as intangible resources that lack a physical substance, are nonfinancial in nature, and have a useful life that extends beyond a single fiscal year. Examples include easements, land use rights (i.e. water rights), patents, trademarks and copyrights. In addition, intangible assets include computer software that is purchased, licensed or internally generated (including websites) as well as outlays associated with an internally generated modification of computer software. Only those intangible resources that meet the capitalization threshold should be capitalized.

Recording Infrastructure

Infrastructure assets are long-lived capital assets that normally can be preserved for a significant greater number of years than most capital assets and that are normally stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water systems, and dams. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to property or access to the property.

Capitalization Threshold

Capital assets and infrastructure are capitalized and depreciated as outlined in the capitalization threshold table below:

Capitalization Threshold Table:

	Capitalize and Depreciate
Land	Capitalize only
Land improvements	$25,000
Building	$50,000
Building Improvements	$50,000
Construction in Progress	Capitalize only
Machinery & Equipment	$5,000
Vehicle	$5,000
Intangible Assets	
Internally Generated Software	$100,000
Purchased Software	$25,000
Easements	$5,000
Other Intangible Assets	$100,000
Infrastructure	$250,000

Deletions

To delete equipment or an asset from asset records the asset worksheet should be filled out for retire date, disposal code, and sell price.

Physical Inventory

Physical inventory of all fixed assets must be taken annually.

Each department will be responsible for taking an annual physical count of their department's inventory per the list provided by the Finance Department. Department Head shall certify the complete physical count, additions, deletions and changes marked on the list, and reconciliation of all discrepancies.

The Department of Finance will be responsible for keeping up to date listings of all fixed assets.

Exception

Department Heads may request the Finance Department to track and inventory any item less than $5,000.

Cash Management

General Policy

The Village's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, and "Florida Security for Public Deposits Acts". The Village also opts for the investment policy in compliance with State of Florida statutes chapter 218.415.

Transfer of Funds

The following Village officials are authorized to transfer funds between Village bank accounts on behalf of the Village:

1. Mayor
2. Vice Mayor
3. Village Manager
4. Finance Director

Surety Bond Requirement

The following Village officials shall each before entering upon the duties of their respective office; give a good and sufficient Surety Company bond to the Village in the following amount:

1. Village Manager, $ 200,000
2. Finance Director, $ 200,000
3. Village Clerk, $ 10,000
4. Country Club Manager or Administrator, $ 200,000

Cash Receipts and Deposits

All mail, including checks, is received by the Executive Secretary to the Village Manager. The Executive Secretary then distributes the mail to each department. Each department is responsible for preparing the deposit and submitting the checks and report to the Finance Department on a daily basis for posting in the general ledger.

Departments are required to send their deposits to the Finance Department within one business day. Departments are not allowed to hold any cash and/or checks to be processed at a later date.

Petty Cash

The Village maintains petty cash boxes for regular operations, customer service and incidentals. The following is the list of departments with Petty Cash:

General Fund	
Public Safety	$ 200
Community Development	400
Recreation	300
Village Clerk	50
Human Resources	100
Tennis Shop	300
Pool Shop	100
Library	150
Finance	150
Total Petty Cash - GF	**$ 1,750**

Country Club	
Administration	$ 500
Driving Range	1,400
Golf Pro Shop	500
Restaurant	1,600
Total Petty Cash CC	**$4,000**

All disbursements from petty cash require appropriate supporting documentation:

1. Payment Amount
2. Payment Date
3. Description of Expenditure
4. Account Number
5. Proper Authorization

The designated employee in the department is responsible for the verification of payments made from the petty cash accounts, replenishment of the funds and the reconciliation of the account balances on a monthly basis.

The procedures to reimburse the petty cash funds are as follows:

The designated employees of the department prepares a disbursement form which contains the following information:

1. Disbursement Date
2. Name of the Payor
3. Description of Disbursement
4. Account Number and Amount

The petty cash supporting documentation is attached to the completed disbursement form. Replenishment requisitions are reviewed and approved by the Department Head and sent to the Finance Department for replenishment of the funds.

Departmental Procedures

Finance Department

Payments are received through the mail and via electronic funds transfer (EFT/ACH) from various sources. Deposit slips are prepared by an Accounting Clerk, and checks are deposited in the bank daily by a courier (Public Safety Officer). Any payments received during the day, which are not to be deposited in the bank, are kept in the secured area until the deposit is made.

A daily deposit sheet is prepared listing payments received. These receipts are identified by type and coded by the Accounting Clerk.

All deposits are posted to the general ledger (cash, revenue or other account as applicable). A copy of any support documentation is scanned and filed within the customer folder, along with a validated copy of the deposit slip.

The Finance Director and Finance Manager periodically review the reports and deposit records.

Village Clerk

The Village Clerk's Office receives payments for copies of public records, zoning maps, code supplements, lien certifications, donations, and code enforcement fines/liens. A receipt is generated for each transaction, with one copy to the purchaser, one copy to the bank bag, and one copy remains in the receipt book in the Clerk's office. A bank deposit is prepared as needed by the Administrative Assistant and verified by the Deputy Village Clerk or Village Clerk. The bank deposit form specifies the total received for each of the Clerk's revenue line items. The cash, checks, and deposit form are sent to the Finance Department for processing.

Public Safety

Public Safety receives payments for special details, copies of reports, fingerprinting, new alarms, false alarms, alarm permit renewals, water restrictions, parking violations, and bicycle registrations. A receipt is generated for each transaction. A bank deposit is prepared as needed. The bank deposit form specifies the total received for each of the department's revenue line items. The cash, checks, and deposit form are sent to the Finance Department for processing.

Public Works

The Public Works Department receives payments for refuse collection, project plans & specification documents, and vegetation debris ordinance fees. A bank deposit is prepared as needed. The bank deposit form specifies the total received for each of the department's revenue line items. The cash, checks, and deposit form are sent to the Finance Department for processing.

Library

The Library receives payments and issues receipts for fines, lost/damaged books, memberships, library cards, faxes, copies, donations, etc.. A bank deposit is prepared as needed. The bank deposit form specifies the total received for each of the department's revenue line items. The cash, checks, and deposit form are sent to the Finance Department for processing.

The Library also collects money for the Friends of the Library. These monies are turned over to the Treasurer of the Friends at their convenience.

Community Development Department

Building Division

All applications for building permits, business tax receipts, revisions, and contractor and non-domicile registrations are submitted to the Building Division. Staff verifies the application/registration information and determines the applicable fee(s). Staff then enters appropriate information into the computer system. Partial payment is due at the time of submittal. A receipt is issued to customers when fees are received. State fees, Palm Beach County impact fees and remaining Village fees will be collected upon issuance when applicable.

Staff distributes the application to the appropriate personnel (e.g. Building Official, Fire Chief, Planner, etc.) for plan review. After all necessary approvals are completed, the information is updated in the computer system and the applicant is notified.

Planning and Zoning

Any land use, rezoning, variance, or plat applications are submitted to the Community Development Director for processing along with all estimated filing fees affiliated with the project. The Planner then reviews and verifies all information for accuracy and enters the information into the MUNIS software (which assigns each project a unique project identification number).

The Planner sets up an account with the Finance Department for each assigned project number to track any/all account receivables and/or payables for that project.

The Planner submits a batch report to Finance with the deposit. Cash, checks and the batch report are placed in a locked deposit bag and sent to the Finance Department at the end of the day.

Prior to final approval of the project, the project account is reconciled. If the actual costs exceed the project deposit, the developer is required to pay the balance prior to final approval. If the deposit amount exceeds the actual cost, the balance is refunded to the applicant.

Code Compliance

Payments received for abandoned property and/or abatement fees are entered into the computer system. All checks and cash are processed by the Code Compliance Officer as part of their daily deposit procedure. Code enforcement liens are collected and received and processed by the Village Clerk's Office.

Preparing the Daily Deposit

Prior to the end of their shift each day, each Permit and Licensing Technician, Code Compliance Officer and Planner generate a batch report from the computer system summarizing all of the day's transactions. Each individual reconciles their drawer, and prepares the necessary reports for the cash and checks received. These are submitted to the supervisor for approval. All cash, checks, and batch reports are placed in a locked deposit bag and sent to the Finance Department at the end of the day.

Recreation Department

Registrations

All registrations are taken at the Anchorage Park Facility. Staff verifies registration information, including resident/non-resident status. Staff rings all transactions through the RecTrac system. Monies are placed in a deposit bag and dropped into the safe at the end of the evening. Checks and cash are totaled and compared to amounts on the Cash Journal that is printed out. Cash, checks, receipts, and cash journal tape are all placed in a locked deposit bag and sent to the Finance Department.

Tennis Shop

Every sale is entered into the RecTrac POS system and a receipt is given to the customer.

A roster of all members is maintained in the Tennis Shop for reference, although all members should have a membership card with them.

Closing Procedures are completed by the employee in charge of the cash register.

1. The cash register is closed out at the end of each day.
2. A Cash Journal is printed from the system which summarizes the clerks' monies for the day. The employee completes the balance sheet indicating the amount of cash and checks received.
3. The money and the Cash Journal are put in a locked deposit bag and stored in the safe until pickup the next morning to go to the Finance Department.

Pool Shop

The Pool maintains a daily log-in sheet for members and non-members. The Pool Attendant turns this sheet in with the cash receipts for the day.

Pool Director Coaches sell merchandise in the shop. This merchandises is NOT Village property, or Village sales or receipts.

Receipts are generated in triplicate for such purchases of merchandise and are distributed as follows:

White----customer copy
Yellow---coach's copy when charged to a member's account
Pink------remains in the shop

Closing procedures are completed by the employee in charge of the cash register:

1. The cash register is closed out at the end of each day.
2. A Cash Journal is printed and the clerk completes a balance sheet indicating the amount of cash and checks received.
3. The money and the Cash Journal are turned into the Golf Shop Administration Office and stored in their safe until pickup the next morning to go to the Finance Department.

Country Club

There are four cash registers on the club premises:

1. Golf Pro Shop (2)
2. Restaurant (2)

The Golf Shop registers produce three tapes, one for the customer, one for the starter, and one for the Village. The registers at the Restaurant produce two receipts, one for the customer and one for the Village. All Country Club receipts are forwarded to the Finance Department. Each cash register has its own specific procedures for closing out the register, which will be described separately below:

Golf Pro Shop

Every sale is entered into the Golftrac POS system and each receipt is generated in triplicate. The receipts are distributed differently depending on type of purchase:

Green & Cart Fees:	Merchandise:
one for the drawer	one for the drawer
one for the starter	
one for the customer	one for the customer

At the end of the day, the cashier completes a balance sheet after reconciling to their individual Cash Journal. The cashier puts all money, receipts and the Cash Journal in a bank deposit bag which is placed in a locked night deposit safe and forwarded to the Finance Department the next morning.

Driving Range

The money is removed daily from ball machines and entered into the GolfTrac POS system as driving range sales. The money is deposited with the regular business.

Restaurant

Every sale is entered into the MICROS POS system. Each server is in charge of his/her own "bank." Closing procedures are as follows:

1. The individual "bank" is closed out at the end of each employee's shift.
2. A Cash Journal is printed out at the end of the employee's shift. The employee balances the monies being turned in with the Cash Journal.
3. The money and the Cash Journal are turned into the F & B Director to be compiled with the daily sales and placed in a locked night deposit safe. These items are then forwarded to the Finance Department the next morning.

Investment Policy

The Village of North Palm Beach (the "Village") has adopted the Investment Policy pursuant to Chapter 218.415, Florida Statutes.

I. Purpose

The Village invests any surplus funds that are in excess of the amounts needed to meet current expenses. This investment policy places the highest priority on the safety and liquidity of funds.

II. Scope

This investment policy applies to all the investment activity of the Village, except for its employees' pension funds, which are organized and administered separately, or for funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

Funds included:

a. General Fund
b. Special Revenue Funds
c. Enterprise Funds
d. Capital Projects Funds
e. Any new funds created by the governing body unless specifically exempt.

III. Investment Objectives

The primary objectives, in priority of order, of investment activities shall be safety of principal, liquidity of funds, and maximizing investment income.

1) Safety

Safety of principal is the foremost objective of investment activities. Investments shall be undertaken in a manner that seeks to insure preservation of capital in the overall portfolio. All other investment objectives are secondary to the safety of principal. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk-
Credit risk, the risk of loss due to the failure of the security issuer or backer, will be minimized by:

i. Limiting investments to safe types of securities.

ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business.

iii. Diversifying the investment portfolio so that potential losses on individual securities will not place an undue financial burden on the Village.

iv. Monitoring all of the Village's investments to anticipate and respond appropriately to changing market conditions.

v. Quarterly reporting, in comparative format, of all market values of invested funds and instruments.

b. Interest Rate Risk-
The Village will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rate by:

i. Structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

ii. Investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools unless it is anticipated that long-term securities can be held to maturity without jeopardizing the liquidity requirements.

2) Liquidity

a. General Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that the securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. Portions of the portfolio may be placed in interest-bearing checking/savings accounts with qualified public depositories. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a Nationally Recognized Statistical Rating Organization (NRSRO), or local government investment pools which offer same-day liquidity for short-term funds.

b. Local Liquidity: The chief financial officer of the Village shall establish and maintain a local, liquid fund in an amount equal to, as a minimum, one-twelfth (1/12) of the designated operating funds in the annual Village budget.

3) Investment Income

Without compromising safety and liquidity, the highest possible total return should be obtained on the Village's funds. Income will include interest/dividends received as well as any realized or unrealized gains and losses of principal of the underlying security. Return on investment is of least importance compared to the safety and liquidity objectives described above. However, return is attempted through active management where the Investment Advisor utilizes a total return strategy (which includes both realized and unrealized gains and losses in the portfolio). This total return strategy seeks to increase the value of the portfolio through reinvestment of income and capital gains. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Despite this, an Investment Advisor may trade to recognize a loss from time to time to achieve a perceived relative value based on its potential to enhance the total return of the portfolio.

IV. Performance Measurements

In order to assist in the evaluation of the portfolio's performance, the Village shall use nationally recognized benchmarks for the short term and long term portfolios. Performance calculations will not include any balances invested in overnight sweep accounts.

a. Operating Funds or Short term portfolio-

Investment performance of funds designated as short-term funds and other funds that must maintain a high degree of liquidity will be compared to the return of the S&P Rated GIP Index Government 30-Day Gross of Fees Yield. Investments of current operating funds shall have maturities of no longer than twelve (12) months.

b. Core Funds or Long-term portfolio-
Investment performance of the Village portfolio will be compared to the Bank of America Merrill Lynch 1-3 year United States Treasury Note Index or the equivalent composed of U.S. Treasury or Government securities, with duration and asset mix that approximates the Village portfolio. The benchmark's performance will be compared to the portfolio's total rate of return. Investments of long-term funds shall have a term appropriate to the need for funds, but in no event shall exceed five and a half (5.50) years.

V. Prudence and Ethical Standards

1. Prudence
The standard of prudence to be used shall be the "prudent person rule", which states that:

> Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for the investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

The Chief Financial Officer, or other persons performing the investment functions, acting in accordance with written policies and procedures, and exercising 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 immediately and that appropriate action is take to control adverse developments.

While the standard of prudence to be used by authorized staff who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the Investment Advisor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

2. Ethical Standards
Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

VI. Authorized Investments and Pre-qualification

The Village may invest and reinvest, in accordance within the objectives stated in subsection (c), in the financial instruments noted in the table inset below. The following are the guidelines for investments and limits on security types, issuers, and maturities as established by the Village. The Chief Financial Officer, or other persons performing the investment functions shall have the option to further restrict investment percentages from time to time based on market conditions. The percentage allocations requirements for

investment types and issuers are calculated based on the original cost of each investment, at the time of purchase. Investments not listed in this policy are prohibited.

1) **Banks -** The Village shall only select a QPD (Qualified Public Depository) with a collateral pledge level of 25% or 50% as established by the State Chief Financial Officer pursuant to Section 280.04, Florida Statutes.

2) **U.S. Treasury & Government Guaranteed -** U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

3) **Federal Agency/GSE -** Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).

4) **Supranationals –** U.S. dollar denominated debt obligations of a multilateral organization of governments where U.S. is a shareholder and voting member.

5) **Corporates –** U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a domestic or foreign corporation, financial institution, non-profit, or other entity.

6) **Municipals –** Obligations, including both taxable and tax-exempt, issued or guaranteed by any State, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any State or territory.

7) **Agency Mortgage Backed Securities -** Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and REMICs.

8) **Asset-Backed Securities -** Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables, including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases, or home-equity loans.

9) **Non-Negotiable Certificate of Deposit and Savings Accounts -** Non-negotiable interest bearing time certificates of deposit, or savings accounts in banks organized under the laws of this state or in national banks organized under the laws of the United States and doing business in this state, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

10) **Commercial Paper –** U.S. dollar denominated commercial paper issued or guaranteed by a domestic or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

11) **Money Market Funds -** Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7.

    A thorough investigation of any money market fund is required prior to investing, and on an annual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

12) **Local Government Investment Pools –** State, local government or privately-sponsored investment pools that are authorized pursuant to state law.

A thorough investigation of any intergovernmental investment pool is required prior to investing, and on an annual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus must be obtained.

13) **The Florida Local Government Surplus Funds Trust Funds ("Florida Prime")** A thorough investigation of the Florida Prime is required prior to investing, and on an annual basis. Attachment B is a questionnaire that contains a list of questions, to be answered prior to investing, that cover the major aspects of any investment pool/fund. A current prospectus or portfolio report must be obtained.

General Investment and Portfolio Limits

1. General investment limitations:
    a. Investments must be denominated in U.S. dollars and issued for legal sale in U.S. markets.
    b. Minimum ratings are based on the highest rating by any one Nationally Recognized Statistical Ratings Organization ("NRSRO"), unless otherwise specified.
    c. All limits and rating requirements apply at time of purchase.
    d. Should a security fall below the minimum credit rating requirement for purchase, the Investment Advisor will notify the Chief Financial Officer.
    e. The maximum maturity (or average life for MBS/ABS) of any investment is 5.50 years. Maturity and average life are measured from settlement date. The final maturity date can be based on any mandatory call, put, pre-refunding date, or other mandatory redemption date.
2. General portfolio limitations:
    a. The maximum effective duration of the aggregate portfolio is 3 years.
    b. Maximum exposure to issuers in any non-U.S. country cannot exceed 10 percent per country.
3. Investment in the following are permitted, provided they meet all other policy requirements:
    a. Callable, step-up callable, called, pre-refunded, putable and extendable securities, as long as the effective final maturity meets the maturity limits for the sector
    b. Variable-rate and floating-rate securities
    c. Subordinated, secured and covered debt, if it meets the ratings requirements for the sector
    d. Zero coupon issues and strips, excluding agency mortgage-backed Interest-only structures (I/Os)
    e. Treasury TIPS
4. The following are **NOT PERMITTED** investments, unless specifically authorized by statute and with prior approval of the governing body**:**
    a. Trading for speculation
    b. Derivatives (other than callables and traditional floating or variable-rate instruments)
    c. Mortgage-backed interest-only structures (I/Os)
    d. Inverse or leveraged floating-rate and variable-rate instruments
    e. Currency, equity, index and event-linked notes (e.g. range notes), or other structures that could return less than par at maturity
    f. Private placements and direct loans, except as may be legally permitted by Rule 144A or commercial paper issued under a 4(2) exemption from registration
    g. Convertible, high yield, and non-U.S. dollar denominated debt
    h. Short sales
    i. Use of leverage
    j. Futures and options
    k. Mutual funds, other than fixed-income mutual funds and ETFs, and money market funds
    l. Equities, commodities, currencies and hard assets

VII. Maturity and Liquidity Requirements

The Village's investment portfolio shall be structured to provide sufficient liquidity to pay obligations as they come due. Furthermore, to the extent possible an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than five and a half (5.50) years from the date of purchase.

VIII. Portfolio Composition

The following are the limits for investments and limits on security issues, and maturities in the portfolio. The Chief Financial Officer has the option to further restrict investment in selected instruments, to conform to the present market conditions.

Note: The table insert noted below defines two types of Village investments; "Operating" and "Core":

1. Operating: Those liquid funds necessary to conduct routine Village activity, in addition to an amount determined by the Village Council and administration sufficient to cover emergency situations and unforeseen capital expenditures.

2. Core: All funds not included in operating funds. In general, these funds can be invested in issues with longer-term maturities.

These terms shall be defined and the amounts will be designated at least once a year during the Village budget discussions. Changes during a year shall only be made by resolution of the Village Council. These changes will apply to the end of the current fiscal year and must be reconfirmed or changed as needed during the next annual budget process.

Operating Funds (Short-Term Portfolio) Permitted Investments

Authorized Investments	Sector Maximum (%)	Sector Minimum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maturity Range
Banks - Interest-bearing checking or savings accounts	100%	8.33% (1/12 of annual Village operating budget)	50%	N/A	N/A
Non-Negotiable Certificate of Deposits	91.67% (11/12th of annual Village operating budget)	0%	33.33%	N/A	30 days
Florida Local Government Surplus Funds Trust Funds ("Florida Prime")	25%	0%	N/A	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Intergovernmental Pools (LGIPs)	25%	0%	N/A	Highest Fund Quality and Volatility Rating Categories by all NRSROs who rate the LGIP, (AAAm/AAAf, S1, or equivalent	N/A
Money Market Funds (MMFs)	50%	0%	33.33%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
U.S. Treasury	50%	0%	N/A	N/A	30 days
Commercial Paper	5%	0%	N/A	Highest ST Rating Category (A-1/P-1, or equivalent)	30 Days

Core Funds (Long-Term Portfolio) Permitted Investments

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maximum Maturity
U.S. Treasury	100%	100%	N/A	5.50 Years (5.50 Years avg. life[4] for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB*	75%	40%[3]	N/A	5.50 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Corporates	50%[2]	5%	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)	5.50 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.50 Years
Agency Mortgage-Backed Securities (MBS)	25%	40%[3]	N/A	5.50 Years Avg. Life[4]
Asset-Backed Securities (ABS)	25%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.50 Years Avg. Life[4]
Non-Negotiable Certificate of Deposit or Savings Accounts	50%	None, if fully collateralized	None, if fully collateralized.	2 Years
Commercial Paper (CP)	50%[2]	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Money Market Funds (MMFs)	50%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Intergovernmental Pools (LGIPs)	50%	25%	Highest Fund Quality and Volatility Rating Categories by all NRSROs who rate the LGIP, (AAAm/AAAf, S1, or equivalent)	N/A
Florida Local Government Surplus Funds Trust Funds ("Florida Prime")	25%	N/A	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A

Notes:

[1] Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

[2] Maximum allocation to all corporate and bank credit instruments is 50% combined.

[3] Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

[4] The maturity limit for MBS and ABS is based on the expected average life at time of settlement, measured using Bloomberg or other industry standard methods.

* Federal National Mortgage Association (FNMA); Federal Home Loan Mortgage Corporation (FHLMC); Federal Home Loan Bank or its District banks (FHLB); Federal Farm Credit Bank (FFCB).

IX. Risk and Diversification

Assets held shall be diversified to control the risk of loss resulting from the over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. Diversification strategies shall be reviewed and revised periodically as deemed necessary by the Chief Financial Officer.

X. Authorized Investment Institutions and Dealers

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security brokers/dealers selected by credit worthiness. Authorized Staff shall only purchase securities from financial institutions, which are qualified as public depositories by the Treasurer, or Chief Financial Officer of the State of Florida, "Primary Dealers" as designated by the Federal Reserve Bank of New York, or from direct issuers of commercial paper.

The Village's Investment Advisor shall utilize and maintain its own list of approved primary and non-primary dealers.

XI. Third-Party Custodial Agreements

All securities purchased by the Village shall be properly designated as an asset of the Village and shall be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The third-party custodian will be required to designate all securities held as assets of the Village. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by the Chief Financial Officer, or his/her respective designees. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

XII. Master Repurchase Agreement

All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the SIFMA Master Repurchase Agreement.

XIII. Bid Requirement

An appropriate maturity date will be determined for each investment base on cash flow needs and market conditions. Based on these considerations, the Chief Financial Officer will analyze and select one or more optimal types of investments, a minimum of three (3) reputable, qualified, and financially sound banks and/or dealers must be contacted and asked to provide bids on securities in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in subsection III must be selected.

XIV. Internal Controls

a. The Chief Financial Officer shall establish and maintain a written system of internal controls made a part of the Village's operational procedures. The internal controls shall be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the Village. No person shall engage in an investment transaction except as authorized in this policy.
b. Independent auditors, as a normal part of the annual financial audit to the Village, shall conduct a review of the system of internal controls to ensure compliance with policies and procedures as may be required by the Village.

XV. Continuing Education

The Chief Financial Officer shall complete eight (8) hours of continuing education annually in subjects or courses related to investment practices and products.

XVI. Reporting

The Chief Financial Officer, or his/her respective designee, shall prepare a quarterly investment report, which shall include securities in the portfolio by class and type, acquisition cost, income earned, yield, maturity date and market value as of the report date. The report will be provided to the legislative and governing body of the Village. The report shall be available to the public.

XVII. Securities Disposition

Every security purchased on behalf of the Village must be properly earmarked and:

a. If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the Village's interest in the security.

b. If in book entry form, must be held for the credit of the governing body by a depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Florida Statute Section 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and exercise trusts and which is doing business in the State of Florida, and must be kept in the depository in an account separate and apart from the assets of the financial institution; or

c. If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

XVIII. Sale of Securities

When invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the Chief Financial Officer may sell such investments at the then prevailing market price and place the proceeds into the proper account or fund.

XIX. Policy Considerations

1. Exemptions:
   Any investment held prior to the adoption of this policy that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments:
   This policy shall be reviewed on an annual basis by the Village Council at the "setting of council goals and objectives" session of the annual budget. The Village Council must approve any changes.

XX. Delegation of Authority

The Finance Director is the Chief Financial Officer of the Village and is responsible for investment decisions and activities. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established hereunder.

Nothing set forth herein shall preclude the Village from utilizing an Investment Advisor to assist in managing the Village's portfolio. Such Investment Advisor must be registered under the Investment Advisers Act of 1940. The Investment Advisor may invest funds on behalf of the Village in accordance with the mandates of this investment policy.

Authorized signatories are the Chief Financial Officer, the Village Manager and the Village Mayor. These individuals are also authorized to initiate wire transfers for the Village. All investment transactions require approval by two of the depository signatories.

XXI. Investment Policy Adoption

The Chief Financial Officer shall review the policy annually and, if necessary, present modifications to the Village Council for approval.

Glossary of Cash and Investment Management Terms

The following is a glossary of key investing terms, many of which appear in the Village's investment policy. This glossary clarifies the meaning of investment terms generally used in cash and investment management. This glossary has been adapted from the GFOA Sample Investment Policy and the Association of Public Treasurers of the United States and Canada's Model Investment Policy.

Accrued Interest. Interest earned but which has not yet been paid or received.

Agency. See "Federal Agency Securities."

Ask Price. Price at which a broker/dealer offers to sell a security to an investor. Also known as "offered price."

Asset Backed Securities (ABS). A fixed-income security backed by notes or receivables against assets other than real estate. Generally issued by special purpose companies that "own" the assets and issue the ABS. Examples include securities backed by auto loans, credit card receivables, home equity loans, manufactured housing loans, farm equipment loans, and aircraft leases.

Average Life. The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Bankers' Acceptance (BA's). A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers' acceptances are traded at a discount from face value as a money market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

Basis Point. One hundredth of one percent, or 0.01%. Thus 1% equals 100 basis points.

Bearer Security. A security whose ownership is determined by the holder of the physical security. Typically, there is no registration on the issuer's books. Title to bearer securities is transferred by delivery of the physical security or certificate. Also known as "physical securities."

Benchmark Bills: In November 1999, FNMA introduced its Benchmark Bills program, a short-term debt securities issuance program to supplement its existing discount note program. The program includes a schedule of larger, weekly issues in three- and six-month maturities and biweekly issues in one-year for Benchmark Bills. Each issue is brought to market via a Dutch (single price) auction. FNMA conducts a weekly auction for each Benchmark Bill maturity and accepts both competitive and non-competitive bids through a web based auction system. This program is in addition to the variety of other discount note maturities, with rates posted on a daily basis, which FNMA offers. FNMA's Benchmark Bills are unsecured general obligations that are issued in book-entry form through the Federal Reserve Banks. There are no periodic payments of interest on Benchmark Bills, which are sold at a discount from the principal amount and payable at par at maturity. Issues under the Benchmark program constitute the same credit standing as other FNMA discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

Benchmark Notes/Bonds: Benchmark Notes and Bonds are a series of FNMA "bullet" maturities (non-callable) issued according to a pre-announced calendar. Under its Benchmark Notes/Bonds program, 2, 3, 5, 10, and 30-year maturities are issued each quarter. Each Benchmark Notes new issue has a minimum size of $4 billion, 30-year new issues having a minimum size of $1 billion, with re-openings based on investor demand to further enhance liquidity. The amount of non-callable issuance has allowed FNMA to build a yield curve in Benchmark Notes and Bonds in maturities ranging from 2 to 30 years. The liquidity emanating from these large size issues has facilitated favorable financing opportunities through the development of a liquid overnight and term repo market. Issues under the Benchmark program constitute the same credit standing as other FNMA issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

Benchmark. A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance, and duration of the actual portfolio's investments.

Bid Price. Price at which a broker/dealer offers to purchase a security from an investor.

Bond. Financial obligation for which the issuer promises to pay the bondholder (the purchaser or owner of the bond) a specified stream of future cash-flows, including periodic interest payments and a principal repayment.

Book Entry Securities. Securities that are recorded in a customer's account electronically through one of the financial markets electronic delivery and custody systems, such as the Fed Securities wire, DTC, and PTC

(as opposed to bearer or physical securities). The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors' concerns about the certificates themselves. The vast majority of securities are now book entry securities.

Book Value. The value at which a debt security is reflected on the holder's records at any point in time. Book value is also called "amortized cost" as it represents the original cost of an investment adjusted for amortization of premium or accretion of discount. Also called "carrying value." Book value can vary over time as an investment approaches maturity and differs from "market value" in that it is not affected by changes in market interest rates.

Broker/Dealer. A person or firm transacting securities business with customers. A "broker" acts as an agent between buyers and sellers, and receives a commission for these services. A "dealer" buys and sells financial assets from its own portfolio. A dealer takes risk by owning inventory of securities, whereas a broker merely matches up buyers and sellers. See also "Primary Dealer."

Bullet Notes/Bonds. Notes or bonds that have a single maturity date and are non-callable.

Call Date. Date at which a call option may be or is exercised.

Call Option. The right, but not the obligation, of an issuer of a security to redeem a security at a specified value and at a specified date or dates prior to its stated maturity date. Most fixed-income calls are a par, but can be at any previously established price. Securities issued with a call provision typically carry a higher yield than similar securities issued without a call feature. There are three primary types of call options (1) European - one-time calls, (2) Bermudan - periodically on a predetermined schedule (quarterly, semi-annual, annual), and (3) American - continuously callable at any time on or after the call date. There is usually a notice period of at least 5 business days prior to a call date.

Callable Bonds/Notes. Securities which contain an imbedded call option giving the issuer the right to redeem the securities prior to maturity at a predetermined price and time.

Certificate of Deposit (CD). Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity). Can be as long as 10 years to maturity, but most CDs purchased by public agencies are one year and under.

Collateral. Investment securities or other property that a borrower pledges to secure repayment of a loan, secure deposits of public monies, or provide security for a repurchase agreement.

Collateralization. Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

Collateralized Mortgage Obligation (CMO). A security that pools together mortgages and separates them into short, medium, and long-term positions (called tranches). Tranches are set up to pay different rates of interest depending upon their maturity. Interest payments are usually paid monthly. In "plain vanilla" CMOs, principal is not paid on a tranche until all shorter tranches have been paid off. This system

provides interest and principal in a more predictable manner. A single pool of mortgages can be carved up into numerous tranches each with its own payment and risk characteristics.

Commercial Paper. Short term unsecured promissory note issued by a company or financial institution. Issued at a discount and matures for par or face value. Usually a maximum maturity of 270 days and given a short-term debt rating by one or more NRSROs.

Convexity. A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Note. A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

Counterparty. The other party in a two party financial transaction. "Counterparty risk" refers to the risk that the other party to a transaction will fail in its related obligations. For example, the bank or broker/dealer in a repurchase agreement.

Coupon Rate. Annual rate of interest on a debt security, expressed as a percentage of the bond's face value.

Current Yield. Annual rate of return on a bond based on its price. Calculated as (coupon rate / price), but does not accurately reflect a bond's true yield level.

Custody. Safekeeping services offered by a bank, financial institution, or trust company, referred to as the "custodian." Service normally includes the holding and reporting of the customer's securities, the collection and disbursement of income, securities settlement, and market values.

Dealer. A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own account.

Delivery Versus Payment (DVP). Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

Depository Trust Company (DTC). A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs, and BAs clear through DTC.

Derivatives. (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities, or commodities). For hedging purposes, common derivatives are options, futures, interest rate swaps, and swaptions. All Collateralized Mortgage Obligations (CMOs) are derivatives.

Derivative Security. Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Designated Bond. FFCB's regularly issued, liquid, non-callable securities that generally have a 2 or 3 year original maturity. New issues of Designated Bonds are $1 billion or larger. Re-openings of existing Designated Bond issues are generally a minimum of $100 million. Designated Bonds are offered through a syndicate of two to six dealers. Twice each month the Funding Corporation announces its intention to issue a new Designated Bond, reopen an existing issue, or to not issue or reopen a Designated Bond. Issues under the Designated Bond program constitute the same credit standing as other FFCB issues; they simply add organization and liquidity to the intermediate- and long-term Agency market.

Discount Notes. Unsecured general obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. Very large primary (new issue) and secondary markets exist.

Discount Rate. Rate charged by the system of Federal Reserve Banks on overnight loans to member banks. Changes to this rate are administered by the Federal Reserve and closely mirror changes to the "fed funds rate."

Discount Securities. Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value. Examples include: U.S. Treasury Bills, Federal Agency Discount Notes, Bankers' Acceptances, and Commercial Paper.

Discount. The amount by which a bond or other financial instrument sells below its face value. See also "Premium."

Diversification. Dividing investment funds among a variety of security types, maturities, industries, and issuers offering potentially independent returns.

Dollar Price. A bond's cost expressed as a percentage of its face value. For example, a bond quoted at a dollar price of 95 ½, would have a principal cost of $955 per $1,000 of face value.

Duff & Phelps. One of several NRSROs that provide credit ratings on corporate and bank debt issues.

Duration. The weighted average maturity of a security's or portfolio's cash-flows, where the present values of the cash-flows serve as the weights. The greater the duration of a security/portfolio, the greater its percentage price volatility with respect to changes in interest rates. Used as a measure of risk and a key tool for managing a portfolio versus a benchmark and for hedging risk. There are also different kinds of duration used for different purposes (e.g. MacAuley Duration, Modified Duration).

Fannie Mae. See "Federal National Mortgage Association."

Fed Money Wire. A computerized communications system that connects the Federal Reserve System with its member banks, certain U. S. Treasury offices, and the Washington D.C. office of the Commodity Credit Corporation. The Fed Money Wire is the book entry system used to transfer cash balances between banks for themselves and for customer accounts.

Fed Securities Wire. A computerized communications system that facilitates book entry transfer of securities between banks, brokers and customer accounts, used primarily for settlement of U.S. Treasury and Federal Agency securities.

Fed. See "Federal Reserve System."

Federal Agency Security. A debt instrument issued by one of the Federal Agencies. Federal Agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

Federal Agency. Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, SLMA, and TVA.

Federal Deposit Insurance Corporation (FDIC). Federal agency that insures deposits at commercial banks, currently to a limit of $250,000 per depositor per bank.

Federal Farm Credit Bank (FFCB). One of the large Federal Agencies. A government sponsored enterprise (GSE) system that is a network of cooperatively-owned lending institutions that provides credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. Consists of the consolidated operations of the Banks for

Cooperatives, Federal Intermediate Credit Banks, and Federal Land Banks. Frequent issuer of discount notes, agency notes and callable agency securities. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and agricultural industry. Also issues notes under its “designated note” program.

Federal Funds (Fed Funds). Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

Federal Funds Rate (Fed Funds Rate). The interest rate charged by a depository institution lending Federal Funds to another depository institution. The Federal Reserve influences this rate by establishing a "target" Fed Funds rate associated with the Fed's management of monetary policy.

Federal Home Loan Bank System (FHLB). One of the large Federal Agencies. A government sponsored enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also issues notes under its “global note” and “TAP” programs.

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities, and MBS. Also issues notes under its “reference note” program.

Federal National Mortgage Association (FNMA or "Fannie Mae"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “benchmark note” program.

Federal Reserve Bank. One of the 12 distinct banks of the Federal Reserve System.

Federal Reserve System (the Fed). The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven member Board of Governors known as the “Federal Reserve Board” and headed by its Chairman.

Financial Industry Regulatory Authority, Inc. (FINRA). A private corporation that acts as a self-regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD). Though sometimes mistaken for a government agency, it is a non-governmental organization that performs financial regulation of member brokerage firms and exchange markets. The government also has a regulatory arm for investments, the Securities and Exchange Commission (SEC).

Fiscal Agent/Paying Agent. A bank or trust company that acts, under a trust agreement with a corporation or municipality, in the capacity of general treasurer. The agent performs such duties as making coupon payments, paying rents, redeeming bonds, and handling taxes relating to the issuance of bonds.

Fitch Investors Service, Inc. One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

Floating Rate Security (FRN or "floater"). A bond with an interest rate that is adjusted according to changes in an interest rate or index. Differs from variable-rate debt in that the changes to the rate take place immediately when the index changes, rather than on a predetermined schedule. See also "Variable Rate Security."

Freddie Mac. See "Federal Home Loan Mortgage Corporation."

Ginnie Mae. See "Government National Mortgage Association."

Global Notes: Notes designed to qualify for immediate trading in both the domestic U.S. capital market and in foreign markets around the globe. Usually large issues that are sold to investors worldwide and therefore have excellent liquidity. Despite their global sales, global notes sold in the U.S. are typically denominated in U.S. dollars.

Government National Mortgage Association (GNMA or "Ginnie Mae"). One of the large Federal Agencies. Government-owned Federal Agency that acquires, packages, and resells mortgages and mortgage purchase commitments in the form of mortgage-backed securities. Largest issuer of mortgage pass-through securities. GNMA debt is guaranteed by the full faith and credit of the U.S. government (one of the few agencies that are actually full faith and credit of the U.S. government).

Government Securities. An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, Bonds, and SLGS."

Government Sponsored Enterprise (GSE). Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. government, but they are not direct obligations of the U.S. government. For this reason, these securities will offer a yield premium over U.S. Treasuries. Examples of GSEs include: FHLB, FHLMC, FNMA, and SLMA.

Government Sponsored Enterprise Security. A security issued by a Government Sponsored Enterprise. Considered Federal Agency Securities.

Index. A compilation of statistical data that tracks changes in the economy or in financial markets.

Interest-Only (IO) STRIP. A security based solely on the interest payments from the bond. After the principal has been repaid, interest payments stop and the value of the security falls to nothing. Therefore, IOs are considered risky investments. Usually associated with mortgage-backed securities.

Internal Controls. An internal control structure ensures that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

2. **Separation of transaction authority from accounting and record keeping** - A separation of duties is achieved by separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction.

3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.

4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverse Floater. A floating rate security structured in such a way that it reacts inversely to the direction of interest rates. Considered risky as their value moves in the opposite direction of normal fixed-income investments and whose interest rate can fall to zero.

Investment Advisor. A company that provides professional advice managing portfolios, investment recommendations, and/or research in exchange for a management fee.

Investment Adviser Act of 1940. Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Grade. Bonds considered suitable for preservation of invested capital, including bonds rated a minimum of Baa3 by Moody's, BBB- by Standard & Poor's, or BBB- by Fitch. Although "BBB" rated bonds are considered investment grade, most public agencies cannot invest in securities rated below "A."

Liquidity. Relative ease of converting an asset into cash without significant loss of value. Also, a relative measure of cash and near-cash items in a portfolio of assets. Additionally, it is a term describing the marketability of a money market security correlating to the narrowness of the spread between the bid and ask prices.

Local Government Investment Pool (LGIP). An investment by local governments in which their money is pooled as a method for managing local funds, (e.g., Florida State Board of Administration's Florida Prime Fund).

Long-Term Core Investment Program. Funds that are not needed within a one-year period.

Market Value. The fair market value of a security or commodity. The price at which a willing buyer and seller would pay for a security.

Mark-to-market. Adjusting the value of an asset to its market value, reflecting in the process unrealized gains or losses.

Master Repurchase Agreement. A widely accepted standard agreement form published by the Securities Industry and Financial Markets Association (SIFMA) that is used to govern and document Repurchase Agreements and protect the interest of parties in a repo transaction.

Maturity Date. Date on which principal payment of a financial obligation is to be paid.

Medium Term Notes (MTN's). Used frequently to refer to corporate notes of medium maturity (5-years and under). Technically, any debt security issued by a corporate or depository institution with a maturity from 1 to 10 years and issued under an MTN shelf registration. Usually issued in smaller issues with varying coupons and maturities, and underwritten by a variety of broker/dealers (as opposed to large corporate deals issued and underwritten all at once in large size and with a fixed coupon and maturity).

Money Market. The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

Money Market Mutual Fund (MMF). A type of mutual fund that invests solely in money market instruments, such as: U.S. Treasury bills, commercial paper, bankers' acceptances, and repurchase agreements. Money market mutual funds are registered with the SEC under the Investment Company Act of 1940 and are subject to "rule 2a-7" which significantly limits average maturity and credit quality of holdings. MMF's are managed to maintain a stable net asset value (NAV) of $1.00. Many MMFs carry ratings by a NRSRO.

Moody's Investors Service. One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

Mortgage Backed Securities (MBS). Mortgage-backed securities represent an ownership interest in a pool of mortgage loans made by financial institutions, such as savings and loans, commercial banks, or mortgage companies, to finance the borrower's purchase of a home or other real estate. The majority of MBS are issued and/or guaranteed by GNMA, FNMA, and FHLMC. There are a variety of MBS structures with varying levels of risk and complexity. All MBS have reinvestment risk as actual principal and interest payments are dependent on the payment of the underlying mortgages which can be prepaid by mortgage holders to refinance and lower rates or simply because the underlying property was sold.

Mortgage Pass-Through Securities. A pool of residential mortgage loans with the monthly interest and principal distributed to investors on a pro-rata basis. The largest issuer is GNMA.

Municipal Note/Bond. A debt instrument issued by a state or local government unit or public agency.The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

Mutual Fund. Portfolio of securities professionally managed by a registered investment company that issues shares to investors. Many different types of mutual funds exist (e.g., bond, equity, and money market funds); all except money market funds operate on a variable net asset value (NAV).

Negotiable Certificate of Deposit (Negotiable CD). Large denomination CDs ($100,000 and larger) that are issued in bearer form and can be traded in the secondary market.

Net Asset Value. The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets including securities, cash, and any accrued earnings, then subtracting the total assets from the fund's liabilities, and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

[(Total assets) - (Liabilities)]/(Number of shares outstanding)

NRSRO. A "Nationally Recognized Statistical Rating Organization" (NRSRO) is a designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating. Includes Moody's, S&P, Fitch, and Duff & Phelps.

Offered Price. See also "Ask Price."

Open Market Operations. A Federal Reserve monetary policy tactic entailing the purchase or sale of government securities in the open market by the Federal Reserve System from and to primary dealers in order to influence the money supply, credit conditions, and interest rates.

Par Value. The face value, stated value, or maturity value of a security.

Physical Delivery. Delivery of readily available underlying assets at contract maturity.

Portfolio. Collection of securities and investments held by an investor.

Premium. The amount by which a bond or other financial instrument sells above its face value. See also "Discount."

Primary Dealer. A designation given to certain government securities dealer by the Federal Reserve Bank of New York. Primary dealers can buy and sell government securities directly with the Fed. Primary dealers also submit daily reports of market activity and security positions held to the Fed and are subject to its informal oversight. Primary dealers are the largest buyers and sellers by volume in the U.S. Treasury securities market.

Prime Paper. Commercial paper of high quality. Highest rated paper is A-1+/A-1 by S&P and P-1 by Moody's.

Principal. Face value of a financial instrument on which interest accrues. May be less than par value if some principal has been repaid or retired. For a transaction, principal is par value times price and includes any premium or discount.

Prudent Expert Rule. Standard that requires that a fiduciary manage a portfolio with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. This statement differs from the "prudent person" rule in that familiarity with such matters suggests a higher standard than simple prudence.

Prudent Investor Standard. Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee 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 agency, 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 agency. More stringent than the "prudent person" standard as it implies a level of knowledge commensurate with the responsibility at hand.

Qualified Public Depository - Per Subsection 280.02(26), F.S., "qualified public depository" means any bank, savings bank, or savings association that:

1. Is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States.

2. Has its principal place of business in this state or has a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in this state.

3. Has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss.1811 et seq.

4. Has procedures and practices for accurate identification, classification, reporting, and collateralization of public deposits.

5. Meets all requirements of Chapter 280, F.S.

6. Has been designated by the Chief Financial Officer as a qualified public depository.

Range Note. A type of structured note that accrues interest daily at a set coupon rate that is tied to an index. Most range notes have two coupon levels; a higher accrual rate for the period the index is within a designated range, the lower accrual rate for the period that the index falls outside the designated range. This lower rate may be zero and may result in zero earnings.

Rate of Return. Amount of income received from an investment, expressed as a percentage of the amount invested.

Realized Gains (Losses). The difference between the sale price of an investment and its book value. Gains/losses are "realized" when the security is actually sold, as compared to "unrealized" gains/losses which are based on current market value. See "Unrealized Gains (Losses)."

Reference Bills: FHLMC's short-term debt program created to supplement its existing discount note program by offering issues from one month through one year, auctioned on a weekly or on an alternating four-week basis (depending upon maturity) offered in sizeable volumes ($1 billion and up) on a cycle of regular, standardized issuance. Globally sponsored and distributed, Reference Bill issues are intended to encourage active trading and market-making and facilitate the development of a term repo market. The program was designed to offer predictable supply, pricing transparency, and liquidity, thereby providing alternatives to U.S. Treasury bills. FHLMC's Reference Bills are unsecured general corporate obligations. This program supplements the corporation's existing discount note program. Issues under the Reference program constitute the same credit standing as other FHLMC discount notes; they simply add organization and liquidity to the short-term Agency discount note market.

Reference Notes: FHLMC's intermediate-term debt program with issuances of 2, 3, 5, 10, and 30-year maturities. Initial issuances range from $2 - $6 billion with re-openings ranging $1 - $4 billion.

The notes are high-quality bullet structures securities that pay interest semiannually. Issues under the Reference program constitute the same credit standing as other FHLMC notes; they simply add organization and liquidity to the intermediate- and long-term Agency market.

Repurchase Agreement (Repo). A short-term investment vehicle where an investor agrees to buy securities from a counterparty and simultaneously agrees to resell the securities back to the counterparty at an agreed upon time and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement. In effect, it represents a collateralized loan to the investor, where the securities are the collateral. Can be DVP, where securities are delivered to the investor's custodial bank, or "tri-party" where the securities are delivered to a third party intermediary. Any type of security can be used as "collateral," but only some types provide the investor with special bankruptcy protection under the law. Repos should be undertaken only when an appropriate Securities Industry and Financial Markets Association (SIFMA) approved master repurchase agreement is in place.

Reverse Repurchase Agreement (Reverse Repo). A repo from the point of view of the original seller of securities. Used by dealers to finance their inventory of securities by essentially borrowing at short-term rates. Can also be used to leverage a portfolio and in this sense, can be considered risky if used improperly.

Safekeeping. Service offered for a fee, usually by financial institutions, for the holding of securities and other valuables. Safekeeping is a component of custody services.

Secondary Market. Markets for the purchase and sale of any previously issued financial instrument.

Securities Industry and Financial Markets Association (SIFMA). The bond market trade association representing the largest securities markets in the world. In addition to publishing a Master Repurchase Agreement, widely accepted as the industry standard document for Repurchase Agreements, the SIFMA also recommends bond market closures and early closes due to holidays.

Securities Lending. An arrangement between and investor and a custody bank that allows the custody bank to "loan" the investors investment holdings, reinvest the proceeds in permitted investments, and shares any profits with the investor. Should be governed by a securities lending agreement. Can increase the risk of a portfolio in that the investor takes on the default risk on the reinvestment at the discretion of the custodian.

Sinking Fund. A separate accumulation of cash or investments (including earnings on investments) in a fund in accordance with the terms of a trust agreement or indenture, funded by periodic deposits by the issuer (or other entity responsible for debt service), for the purpose of assuring timely availability of moneys for payment of debt service. Usually used in connection with term bonds.

Spread. The difference between the price of a security and similar maturity U.S. Treasury investments, expressed in percentage terms or basis points. A spread can also be the absolute difference in yield between two securities. The securities can be in different markets or within the same securities market between different credits, sectors, or other relevant factors.

Standard & Poor's. One of several NRSROs that provide credit ratings on corporate and municipal debt issues.

STRIPS (Separate Trading of Registered Interest and Principal of Securities). Acronym applied to U.S. Treasury securities that have had their coupons and principal repayments separated into individual zero-coupon Treasury securities. The same technique and "strips" description can be applied to non-Treasury securities (e.g., FNMA strips).

Structured Notes. Notes that have imbedded into their structure options such as step-up coupons or derivative-based returns.

Supranational. Supranational organizations are international financial institutions that are generally established by agreements among nations, with member nations contributing capital and participating in management. These agreements provide for limited immunity from the laws of member countries. Bonds issued by these institutions are part of the broader class of Supranational, Sovereign, and Non-U.S. Agency (SSA) sector bonds. Supranational bonds finance economic and infrastructure development and support environmental protection, poverty reduction, and renewable energy around the globe. For example, the World Bank, International Finance Corporation (IFC), and African Development Bank (AfDB) have "green bond" programs specifically designed for energy resource conservation and management. Supranational bonds, which are issued by multi-national organizations that transcend national boundaries. Examples include the World Bank, African Development Bank, and European Investment Bank.

Swap. Trading one asset for another.

TAP Notes: Federal Agency notes issued under the FHLB TAP program. Launched in 6/99 as a refinement to the FHLB bullet bond auction process. In a break from the FHLB's traditional practice of bringing numerous small issues to market with similar maturities, the TAP Issue Program uses the four most common maturities and reopens them up regularly through a competitive auction. These maturities (2, 3, 5, and 10 year) will remain open for the calendar quarter, after which they will be closed and a new series of TAP issues will be opened to replace them. This reduces the number of separate bullet bonds issued, but generates enhanced awareness and liquidity in the marketplace through increased issue size and secondary market volume.

Tennessee Valley Authority (TVA). One of the large Federal Agencies. A wholly owned corporation of the United States government that was established in 1933 to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and the national defense. Power operations are separated from non-power operations. TVA securities represent obligations of TVA, payable solely from TVA's net power proceeds, and are neither obligations of nor guaranteed by the United States. TVA is currently authorized to issue debt up to $30 billion. Under this authorization, TVA may also obtain advances from the U.S. Treasury of up to $150 million. Frequent issuer of discount notes, agency notes, and callable agency securities.

Total Return. Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

Treasuries. Collective term used to describe debt instruments backed by the U.S. government and issued through the U.S. Department of the Treasury. Includes Treasury bills, Treasury notes, and Treasury bonds. Also a benchmark term used as a basis by which the yields of non-Treasury securities are compared (e.g., "trading at 50 basis points over Treasuries").

Treasury Bills (T-Bills). Short-term direct obligations of the United States government issued with an original term of one year or less. Treasury bills are sold at a discount from face value and do not pay interest before maturity. The difference between the purchase price of the bill and the maturity value is the interest earned on the bill. Currently, the U.S. Treasury issues 4-week, 13-week, and 26-week T-Bills.

Treasury Bonds. Long-term interest-bearing debt securities backed by the U.S. government and issued with maturities of ten years and longer by the U.S. Department of the Treasury.

Treasury Notes. Intermediate interest-bearing debt securities backed by the U.S. government and issued with maturities ranging from one to ten years by the U.S. Department of the Treasury. The Treasury currently issues 2-year, 3-year, 5-year, and 10-year Treasury Notes.

Trustee. A bank designated by an issuer of securities as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the bond documents and to represent bondholders in enforcing their contract with the issuer.

Uniform Net Capital Rule. SEC Rule 15c3-1 that outlines the minimum net capital ratio (ratio of indebtedness to net liquid capital) of member firms and non-member broker/dealers.

Unrealized Gains (Losses). The difference between the market value of an investment and its book value. Gains/losses are “realized” when the security is actually sold, as compared to “unrealized” gains/losses which are based on current market value. See also “Realized Gains (Losses).”

Variable-Rate Security. A bond that bears interest at a rate that varies over time based on a specified schedule of adjustment (e.g., daily, weekly, monthly, semi-annually, or annually). See also “Floating Rate Note.”

Weighted Average Maturity (or just “Average Maturity”). The average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing the sum by the total principal value of the portfolio. A simple measure of risk of a fixed-income portfolio.

Weighted Average Maturity to Call. The average maturity of all securities and investments of a portfolio, adjusted to substitute the first call date per security for maturity date for those securities with call provisions.

Yield Curve. A graphic depiction of yields on like securities in relation to remaining maturities spread over a time line. The traditional yield curve depicts yields on U.S. Treasuries, although yield curves exist for Federal Agencies and various credit quality corporates as well. Yield curves can be positively sloped (normal) where longer-term investments have higher yields, or “inverted” (uncommon) where longer-term investments have lower yields than shorter ones.

Yield to Call (YTC). Same as “Yield to Maturity,” except the return is measured to the first call date rather than the maturity date. Yield to call can be significantly higher or lower than a security’s yield to maturity.

Yield to Maturity (YTM). Calculated return on an investment, assuming all cash-flows from the security are reinvested at the same original yield. Can be higher or lower than the coupon rate depending on market rates and whether the security was purchased at a premium or discount. There are different conventions for calculating YTM for various types of securities.

Yield. There are numerous methods of yield determination. In this glossary, see also "Current Yield,” "Yield Curve," "Yield to Call," and "Yield to Maturity."

Investment Pool/Fund Questionnaire

1. A description of eligible investment securities, and a written statement of investment policy and objectives.

2. A description of interest calculations and how it is distributed, and how gains and losses are treated.

3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.

5. A schedule for receiving statements and portfolio listings.

6. Are reserves, retained earnings, etc. utilized by the pool/fund?

7. A fee schedule, and when and how is it assessed.

8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Inventories

The Village keeps inventories for gas & diesel fuel (Public Works Department), medical supplies (Public Safety Department), golf merchandise (Country Club Golf Shop), and liquor, food & non-alcoholic beverages (Country Club Restaurant).

These inventories are maintained by each respective department and reconciled by the finance department to properly allocate the expense on a monthly basis.

Payroll and Personnel Administration

For most local governments, personnel service costs (payroll and related fringe benefits) constitute the single largest category of expenditures. Proper control over and accounting for personnel service costs is therefore vital to financial control. Effective payroll administration begins well before the preparation of payroll checks.

The payroll procedures of the Village are designed to permit the accurate and timely transmission of the payroll checks.

Personnel Administration

The Human Resources Director acts as Personnel Manager for the Village of North Palm Beach.

The Village Personnel Policies are governed by:

1. Personnel Rules and Regulations
2. Comprehensive Pay and Classification Plan adopted annually in the budget
3. Various Union Contracts

The Human Resources Director is responsible to oversee the new hires, terminations, pay scales and other personnel related matters.

Personnel Action Form (PAF) generally is used to execute personnel related changes in the payroll system.

New Employees

The Human Resources Department is responsible for processing new employees.

Department Heads are required to work with the Human Resources Director to complete the following forms for all new employees:

1. Employment Application and Background Releases
2. Department Hiring Recommendation Memo
3. Conditional Offer Letter from the Manager
4. Personnel Action Form
5. Background Check Authorizations
6. Oath
7. W-4
8. I-9 and copy(ies) of supporting document(s)
9. Drug-Free Workplace Acknowledgement and pre-employment testing Instructions
10. Emergency Contact Form
11. Identification Badge Questionnaire and Picture
12. F.S.S. 119.07 Exemption Form
13. Policy Acknowledgements (Safety, FMLA, and Vehicle as applicable)
14. Medical Insurance Enrollment Form or Opt-Out Form (full-time employees only)
15. Dental Insurance Enrollment Form or Waiver (full-time employees only)
16. Life Insurance Enrollment / Beneficiary Designation Form (full-time employees only)
17. Long-term Disability Enrollment Form (full-time employees only)
18. Flexible Spending Account Enrollment Form (optional / full-time employees only)

19. Optional Insurance product enrollment forms if elected (e.g., EyeMed vision insurance, AFLAC, etc.) (full-time employees only, except AFLAC)
20. Pension Election Form(s) (full-time employees only)
21. Deferred Compensation (457) Enrollment Form (optional / full-time employees only)
22. Direct Deposit Form (optional)

The Human Resources Director reviews the paperwork of the new employees and sends it to Finance Department for completion in automated payroll system. Following activation in payroll, employee paperwork is scanned by Finance and returned to Human Resources for maintenance as part of the employee's personnel file.

Terminations

The Human Resources Department is responsible for processing terminations.

Department Heads are required to work with the Human Resources Director to complete the following forms for all terminations:

1. Personnel Action Form
2. Exit Checklist (for return of all Village property)
3. Exit Interview
4. Computation of payout of accrued leave balances in accordance with applicable policies and/or collective bargaining agreements
5. Coordination of continuing benefits as applicable (COBRA, retiree insurance, and/or portability of life insurance)

The Human Resources Director reviews the paperwork of terminated employees and sends it to Finance Department for completion in automated payroll system. Following final payouts through payroll, employee paperwork is scanned by Finance and returned to Human Resources for inclusion in the employee's personnel file.

Payroll

The Village pays wages on a bi-weekly basis. The Finance Department electronically submits an earnings worksheet to each Department which lists each employee and the categories of payment, i.e., regular pay, overtime pay, vacation, etc. The following procedure is used to process the payroll paperwork:

1. The Finance Department sends out a blank worksheet to every Department on Friday before the end of the pay period on Sunday.
2. The Departments complete the worksheets on the first Monday of the new pay period. The Department Head allocates the numbers of hours worked among these categories. Any category other than regular pay must be supported by an approved personnel action form.
3. The Department will print a hard copy of the worksheet and attach all supporting documents. The Departments will submit the payroll work sheets to the Finance Department no later than the close of business on Monday.

Departments must also submit completed time cards/sheets for each employee that has been signed by the employee verifying their time as accurate. The Finance Department will hold the checks of all employees for whom a signed time card/sheet is not received for the employee to pick-up in the Finance Department and sign for their time.

General Ledger and Financial Reporting

The Village utilizes a double entry system that includes the general ledger, books of original entry and suitable subsidiary records. The general ledger information is stored in a general ledger system. The books of original entry are posted and the general ledger and subsidiary ledgers are kept current and balanced to the control accounts monthly.

Physical safeguards are maintained over the accounting records. A back-up copy, on computer disk/tape, of the accounting system is updated daily and kept in a safe place. Access to accounting records is restricted to employees with designated responsibility for the records.

Chart of Accounts

The Village incorporated the Uniform Accounting System Chart of Accounts developed by the State of Florida Department of Banking and Finance as an integral part of its accounting system. The general ledger account classification structure, as defined by the Village, consists of 10 digits.

Funds

While each year's budget will determine which funds are used, in general, the Village may utilize the following funds:

1. General Fund
2. Enterprise Funds
3. Trust and Agency Funds
4. General Fixed Assets
5. General Long-term Debt
6. Capital Projects Fund
7. Special Revenue Funds

Department Types

Governmental Funds

Village Council
Village Manager
Village Clerk
Finance
Legal
General Services Expenditure
Law Enforcement
Police Forfeiture Trust Expenditure
Fire Department
Pool
Tennis
Building Department
Administration – Public Works
Facilities Maintenance
Sanitation
Streets & Grounds Maintenance
Vehicle Maintenance
Library
Recreation
Special Events
Debt Service
Reserves
Community Planning
Code Enforcement

Enterprise Funds

Golf Course
Golf Shop & Driving Range
Restaurant
Reserves
Country Club Administration
Clubhouse Grounds
Debt Service

Account Types

Assets and Other Debits

This heading covers not only assets, but also those items that are not assets at the date of the balance sheet, but are expected to become assets at some future time. This heading also includes accounts, which normally have debit balances even though they are not assets.

Liabilities and Other Credits

This heading covers not only liabilities in existence at the date of the balance sheet, but items which may become liabilities at some future time, and other accounts which normally carry credit balances.

Revenues

Revenues may be operationally defined in a governmental fund accounting context as "all increases in fund net assets except those arising from interfund reimbursements, interfund operating and residual equity transfers, or long-term debt issues".

Expenditures

The term "expenditures", whether used in connection with the accrual or accrual basis of accounting, denotes the cost of goods delivered or services rendered (whether paid or unpaid) including expenses, capital outlays, and the provisions for debt retirement where such debt is not reported as a liability of the fund from which it was retired. Each expenditure should be analyzed and classified individually by transaction code, and object regardless of the organizational unit incurring it. Cost allocation may be necessary where material amounts of expenditures for a single organization unit cross function-activity lines.

Journal Entries

Journal entries are used to record all financial transactions in the general ledger. There are two types of journal entries. Journal entry sources are used to identify where the journal entry originated. The sources are:

- Manual Journal Entry
- Payroll System
- Accounts Payable
- Cash Receipts

Computer Generated Journal Entries

Upon completion of their work, other accounting personnel (i.e., Accounts Payable, Payroll, and Accounts Receivable) update their journal entries automatically on the computer system. Various checks and balances are completed along the way to insure accuracy.

Manual Journal Entries

Journal entry forms are prepared to document all manually prepared journal entries and are the source document to record information in the general ledger.

Various accounting personnel are responsible for preparing this type of journal entry. The Finance Director approves each manual journal entry before it is entered into the accounting system. The document contains the following data:

- Transaction date
- Journal entry number
- Account number (s)
- Account title
- Transaction debit or credit amount (s)
- Transaction description

Supporting documentation, where applicable, for the transaction being recorded is attached to the journal entry form. The journal entry forms and attached supporting documentation are filed by the month in which they occurred.

Daily, the computer generated journal entries and the manual journal entries are updated to the general ledger in accordance with the automated accounting based software.

Financial Reporting

Financial statements and schedules are prepared from the accounts and related records. Monthly financial reports and reports of operating results are prepared to facilitate management control of financial operations and to allow public and legislative oversight of the Village's operations.

Analytical Review

Monthly all general ledger accounts are reviewed. Each staff member is responsible for those accounts under their control. If applicable, commutative results from the general ledger accounts are collected in various spreadsheets. The results from the spreadsheets are then reviewed, balanced and/or matched to independent information. The Finance Manager and Finance Director are responsible for overseeing the reviews.

Annual General Purpose Financial Statements

The Village requires that an annual audit of its accounts and records be completed after the end of its respective fiscal year by an independent certified public accountant retained by it and paid from its public funds.

The audited general purpose financial statements contain the following sections:

- Report of Independent Certified Public Accountants
- Combined Balance Sheet - All Fund Types and Account Groups
- Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types
- Statement of Revenues and Expenditures - Budget and Actual - Special Revenue Fund
- Compliance Report based on an audit of the general purpose financial statements performed in accordance with government auditing standards
- Report on the internal control structure in accordance with government auditing standards
- Report on comments to management
- GASB Reporting Requirements

Travel

Purpose

The purpose of the Travel Regulations is to provide a policy for guidance of employees and officials who are required to travel on official business of the Village, to attend schools, conferences, seminars, conventions, or other designated purposes.

Objective

The primary objective is to provide a procedure to be used when making claims for reimbursement of travel and supplementary expenses by travelers and payment of these allowances by the Finance Department.

This procedure is applicable to all Village officials, employees, and authorized persons when making claims for travel expense allowances; all department/division supervisors, administrators, the Village Manager when authorizing and approving travel, and the Finance Department when paying travel expenses.

Authority to Incur Travel Expense

All travel must be sanctioned by budgetary appropriation. Additional authorization for Department Head travel must be obtained from the Village Manager (no such authorization is necessary for travel by members of the Village Council). The Village Manager may promulgate such rules and regulations, and prescribe such forms as shall be necessary to effectuate the purposes of this manual.

a. All regular overnight out-of-town travel by employees must be approved in writing in advance by the Village Manager after recommendation of the Department Director. All local and/or current-day travel must be approved in writing by the respective Department Director.

b. The mode of travel will also be approved in the same manner as the travel.

c. Local mileage will be authorized by Department budgetary availability and, in addition, approved in advance by the Department Director. Approval will be attached in reimbursement/payment documentation provided to the Finance Director.

Authority to Incur Supplementary Expenses

Authorization to incur supplementary expenses must be by budgetary action or special authority granted by the Village Manager. The following are the only expenses authorized to be claimed as travel expenses:

a. Transportation Allowance:

   1) Fare – Commercial coach or tourist fares, utilizing the most direct route available to the carrier used.

   2) Mileage – The mileage allowance for a private vehicle shall not exceed the latest allowable IRS per mile rate for mileage traveled either during regular travel or local trips in the immediate vicinity of the Village.

b. Lodging:

   Reimbursement for lodging shall be at the current single occupancy rate and fully supported by said bills. Employee should seek the commercial rate whenever possible.

c. Per Diem Subsistence Allowance:

For the purposes of reimbursement rates and methods of calculation, per diem and subsistence allowances are divided into the following groups and rates:

1) All travelers shall be compensated for subsistence when traveling to a convention or conference or when traveling within or outside the state in order to conduct bona fide Village business, when such convention, conference or travel serves a direct and lawful public purpose. The subsistence allowance shall consist of either of the following for each day of travel, at the option of the traveler:

   i. Fifty dollars ($50.00) per diem; or

   ii. If actual expenses exceed fifty dollars ($50.00), the amounts permitted in paragraph (2) for meals, plus actual expenses for lodging at a single occupancy rate to be substantiated by paid invoices.

2) All travelers shall be allowed the following amounts for subsistence while on official business:
   Breakfast…….$12.00
   Lunch……..$18.00
   Dinner…….....$20.00

3) No one, whether traveling out of state or in state, shall be reimbursed for any meal or lodging included in a convention or conference registration fee paid by the Village.

d. All allowance rates for succeeding years shall be established concurrently with passage of the annual budget appropriation ordinance.

e. Other Expenses:

Tips and gratuities are not reimbursable to Village employees. The following incidental travel expenses will be reimbursed. Receipts should accompany requests for payment, when available.

1. Taxi or limousine fares
2. Ferry fares, and bridge, road and tunnel tolls
3. Storage or parking fees
4. Communication expenses (business only)
5. Conference or convention registration fees if attendance at such conference or convention serves a direct public purpose with relation to the person attending such meetings.

Mode of Travel

Travel by Common Carrier

All travel shall be upon established direct routes, and shall be at coach or tourist fare rates. If a traveler elects to take an indirect route for his/her convenience, costs in excess of the rate for a direct route passage shall be borne by said traveler and he/she shall be reimbursed only for such direct route rate. The Village Manager shall determine the most cost effective method of travel for each trip, and in making his determinations, shall consider the following conditions:

1. The nature of business.
2. The most efficient and economical means of travel (considering the time, cost of transportation).
3. The number of persons making the trip and the amount of equipment or material to be transported.

Travel by Private Vehicle

a. The use of a privately owned vehicle for official travel in lieu of public vehicle or common carrier may be authorized by the Village Manager, if a publicly owned vehicle is not available. If traveling by privately owned vehicle, the traveler shall receive reimbursement of a mileage allowance authorization by the Village policy.

b. All mileage shall be computed from point of origin to point of destination and, when possible, shall be computed on the basis of the current map of the State Road Department. Vicinity mileage necessary for conduct of office business is allowable but must be shown as a separate item on expense vouchers.

c. No traveler shall be allowed mileage or transportation expense if he/she is gratuitously transported by another person, or when transported by another traveler who is entitled to mileage or transportation expense from the Village.

Advance Travel Allowance

Advance payment of travel allowance is permitted provided that an advance is requested and approved by the Village Manager prior to disbursement. Advance travel payments are subject to the following rules:

a. The Village shall advance to employee, prior to travel, per diem for meal allowance, cost of hotel, tuition and registration fees which have not been prepaid by the Village. Employees are encouraged to request the checks made out directly to hotels and organizations to avoid paying sales and other taxes. Sales tax paid by the employee for hotel is not reimbursable.

b. Separate requests must be submitted for each person making the trip. Payment will be made with separate checks issued to each person.

c. Requests will be supported by a copy of the applicable meeting brochure and will be submitted soon enough to allow sufficient time for processing and preparing checks.

d. Check Issue Authorization form must be authorized by the Department Head and approved by the Village Manager. This form is then submitted to the Finance Department for check issuance.

e. Upon return from a trip, all receipts and supporting documentation must be submitted with a completed Report of Travel Expense form. If additional monies are owed, a check request form should be attached. Monies not spent should be returned to the Finance Department with the Report of Travel Expenses.

Travel Expense Procedure

Travel Expense Reimbursement

Travel expense will be reimbursed at the rates prescribed and authorized by the Village policies.

A Request for all out-of-town overnight travel must be submitted in writing to the Village Manager reflecting recommendation of the Department Director. A Travel Expense reimbursement form for all

approved travel costs, including receipts and Check Issue Authorization form must be submitted by traveling employees to their Department Director for review and written approval. This approved reimbursement package will be forwarded to the Village Manager for his review and approval before submission to the Finance Department.

Payment for Travel

After the Finance Department's review and approval of mathematical accuracy and a detailed review of required receipt documentation for the approved travel reimbursement, checks will be issued by the Finance Department to the individual requesting payment.

Definitions

Authorized Travel That travel approved by Village Council through an appropriation ordinance and approved in advance by the Village Manager; or travel approved by Village Council extemporaneously.

Class A Travel Continuous travel of twenty-four hours or more away from the Village which involves overnight absence.

Class B Travel Travel for a short or day trip not involving overnight absence.

Common Carrier Train, bus, commercial airlines operating scheduled flights, or rental cars of an established rental firm.

Other Expenses Other incidental expenses for which reimbursement has been authorized, including:

a. Taxi fare, ferry fares and tolls
b. Auto storage and parking fees
c. Communication expenses
d. Miscellaneous expenses

Supplementary Expenses Other expenses authorized by Council or budgetary action which are not considered part of travel; e.g., spouse accompanying traveler with special permission, entertaining during and as a course of travel, etc.

Traveler Any person authorized by law to travel a Village expense while traveling of official business.

Travel Day A period of twenty-four hours consisting of four quarters of six hours each.

Travel Expense The usual ordinary and incidental expenditure necessarily incurred by a traveler.

Travel Period A period of time between the time of departure and time of return.

Village The Village of North Palm Beach, Florida.

Village Official An individual who in the performance of his official duties is vested by law with powers of government and who is elected by the people, or appointed by the Village Council and has jurisdiction extending throughout the municipality, or any person lawfully serving as either of the foregoing classes of individuals as designee or successor.

Fund Balance Policy

Purpose

The following policy has been adopted by the Village of North Palm Beach in order to address the implications of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Government Fund Definitions*. This policy and the procedures promulgated under it supersede all previous regulations regarding the Village's fund balance and reserve policies.

Fund Type Definitions

The following definitions will be used in reporting activity in governmental funds across the Village. The Village may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The term *"proceeds of specific revenue sources"* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes. Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other fund, for example) also may be reported in the fund if those resources are restricted, committed or assigned to the specified purpose of the fund.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Village's programs – that is, for the benefit of the Village or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the Village is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Fund Balance Reporting in Governmental Funds

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact

Restricted fund balance includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either:

(a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
(b) Imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment or resources (from external resource providers) and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation. *Legal enforceability* means the government can be compelled by an external party – such as citizens, public interest groups, or the judiciary – to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Village's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts. Committed fund balance should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Amounts in the committed fund balance classification may be redeployed for other purposes pursuant to an ordinance. Constraints imposed on the use of committed amounts are imposed by the Village, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Village that commit amounts to specific purposes is not considered to be legally enforceable. An ordinance that commits fund balance to a specific purpose should be adopted prior to the end of the reporting period, but the amount, if any, which will be subject to the constraint, may be determined in the subsequent period.

Assigned fund balance includes amounts intended to be used by the Village for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Village Council or the Village Manager to which the Village Council has delegated authority to assign amounts to be used for specific purposes. The authority for making an assignment is not required to be the Village's highest level of decision-making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

In governmental funds other than the general fund, assigned fund balance includes all remaining amounts (except for negative balances) that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned fund balance includes all amounts that are

intended to be used for specific purposes in accordance with the Village's expressed intent, but are neither restricted nor committed. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Village has assigned those amounts to the purpose of the respective funds. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Village itself. An assignment for an amount to a specific purpose should not be reported if the assignment would result in a deficit in unassigned fund balance.

An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

Unassigned fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Operational Guidelines

The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting - Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use - When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Village to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, it shall be the policy of the Village that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Implementation and Review

Upon adoption of this policy the Village authorizes the Village Manager to establish and review any standards and procedures which may be necessary for its implementation. The Village Manager shall review this policy at least annually and make any recommendations for changes to the Village Council.