



FLORIDA

INVESTMENT POLICY

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TABLE OF CONTENTS

	<u>Page</u>
SCOPE.....	1
INVESTMENT OBJECTIVES	
A. Safety of Capital	1
B. Liquidity.....	1
C. Yield.....	2
D. Interest Rate Risk.....	2
STANDARDS OF CARE	
A. Prudence and Ethical Standards.....	2
B. Investment Authority.....	2
C. Ethics and Conflicts of Interest.....	2
SAFEKEEPING AND CUSTODY	
A. Authorized Investment Institutions and Broker/Dealers.....	3
B. Internal Controls.....	4
C. Safekeeping of Monies and Securities.....	5
SUITABLE AND AUTHORIZED INVESTMENTS	6
BID REQUIREMENTS.....	8
REPORTING.....	8
INVESTMENT PARAMETERS	
A. Liquidity Requirements.....	8
B. Portfolio Composition/ Risk and Diversification.....	9
C. Performance Standard.....	9
D. Maturity Guidelines.....	9
SALE OF SECURITIES	
A. Improve Yield, Maturity, Credit Rating.....	10
B. Original Purpose or More Optimal Investment.....	11
C. Credit Rating Fluctuation.....	11
D. Portfolio Composition Guidelines.....	11
E. Portfolio Rebalancing.....	11
GLOSSARY OF TERMS.....	13

POLK COUNTY INVESTMENT POLICY

I. SCOPE

This investment policy applies to all financial assets of Polk County, which are under the direct control of the Clerk of the Circuit Court as the County Comptroller for the Board of County Commissioners of Polk County, hereinafter referred to as the County. This Policy does not include any financial assets under the direct control of any of the Constitutional Officers of Polk County. At such time, as the funds under their direct control pass to Polk County, then this policy will be applicable. The Clerk has discretion to manage the investment portfolio and to vary limits on securities as defined in this policy but within the limits of Florida Statutes.

The Policy was adopted using Florida Statutes Section 218.415 as a guideline. Bond proceeds may be further limited or expanded by their respective bond resolutions or covenants and shall not be considered to be in conflict with the Investment Policy.

II. INVESTMENT OBJECTIVES

The following investment objectives will be applied in the management of the county's funds. By using an active portfolio management philosophy, rather than a "buy and hold" philosophy, portfolio yield will be enhanced without any appreciable increase in risk.

- A. SAFETY OF CAPITAL** - Safety of capital is regarded as the highest priority in the handling of investments for the County. All other investment objectives are secondary to the safety of capital. Each investment transaction shall seek to first insure that capital losses are avoided, whether they be from securities defaults or erosion of market value.
- B. LIQUIDITY** - The County's investment strategy will provide sufficient liquidity such that cash flow requirements are met through the utilization of marketable securities with structured maturities.
- C. YIELD** - In investing public funds, the Clerk will strive to maximize the return on the portfolio but will avoid assuming unreasonable risk.
- D. INTEREST RATE RISK** - It is the policy of the County to manage Interest Rate Risk while pursuing opportunities that are consistent with long term yield optimization. Portfolio decisions regarding Interest Rate Risk will be balanced with the consistent priorities of safety of capital and liquidity followed by probable portfolio yield and forecasted market conditions.

III. STANDARDS OF CARE

- A. PRUDENCE AND ETHICAL STANDARDS** - The “Prudent Person” standard shall be used in the management of the overall investment portfolio. The prudent person standard is herewith understood to mean the following: Investments shall 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 investment, considering the probable safety of their capital as well as the probable income to be derived.

Authorized persons in accordance to section IV. B., performing the investment functions, acting as a “Prudent Person” in accordance with these written policies and procedures, exercising due diligence and investing in investments authorized by law, shall be relieved of personal responsibility, for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion, as described in the internal control section of this policy, and appropriate action is taken to mitigate adverse developments.

- B. INVESTMENT AUTHORITY** - Responsibility for the administration of the investment program is vested in the Clerk of the Circuit Court (Clerk), as provided in Section 28.33, F.S. The Clerk shall exercise this authority and regulate the administration of the investment program through the Clerk’s Office, including the utilization of an Investment Manager and other internal positions as the Clerk deems appropriate. If at any time the Investment Manager is unavailable, a person from the list in the Internal Controls (Section IV.B.) shall be designated to execute the investment function as stated in the Internal Controls section of the policy.
- C. ETHICS AND CONFLICTS OF INTEREST** - The Clerk and Clerk 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. The above mentioned shall disclose any material interests 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. Investment related officers and personnel shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity.

IV. SAFEKEEPING AND CUSTODY

A. AUTHORIZED INVESTMENT INSTITUTIONS AND BROKER/DEALERS -

Documented lists of the authorized financial institutions and dealers/broker will be developed and maintained by the Investment Manager and approved by the Clerk. Brokers/dealers will consist of banks, regional firms, and other recognized firms in the general securities business.

Evaluation criteria will include:

1. The institutional and broker qualification as they relate to both general and specific product knowledge;
2. The technical support capabilities as well as the operations efficiency of the organization;
3. The ability to provide value added services;
4. Pricing competitiveness based on the ability of the dealer to support both the “bid” and “ask” side of various securities market instruments;
5. The financial strengths and security of the company; and
6. Have a minimum capital of \$10 million.

Before engaging in investment transactions with a financial institution or broker/dealer, the Investment Manager will have received from said broker/dealer a signed Investment Certification Form (Attachment A) attesting that the individual is responsible for the County’s account, has reviewed the County’s Investment Policy and that they agree to undertake reasonable efforts to preclude imprudent transactions involving the County’s funds.

Time, practicality, and general business constraints limit the number of quality investment relationships which can be managed on a regular basis. In most cases, normal investment activity will be limited to a small group of relationships. In all cases, investment relationships will consist of a minimum of 4 institutions.

Review of FINRA’s (Financial Industry Regulation Authority) Central Registration Depository (CRD®) for information on approved financial institutions and/or dealers/brokers will be completed on an annual basis. Financial institutions and/or dealers/brokers may be removed at any time for violations or if sanctions are imposed by a regulatory agency or government.

If at any time the Clerk is appropriately notified of any threat to the integrity of the investment portfolio, proper security measures may be suggested and implemented, and the Clerk shall have the option to further restrict investment in selected instruments, to conform to the then-present market conditions.

Repurchase Agreements will be conducted through, and negotiated only with Qualified Public Depository financial institutions and primary securities brokers/dealers. A written Master Repurchase Agreement will be negotiated with any institution with which the County, through the Clerk, enters into a specific repurchase agreement.

B. INTERNAL CONTROLS -The Clerk shall exercise and monitor a set of internal controls to be conducted through the Investment Manager, which said controls are designed to protect the County's funds and ensure proper accounting and reporting of the securities transactions. Such internal controls shall consist of the following:

1. The Clerk is authorized to accept, on behalf of and in the name of The Polk County BOCC, bank trust receipts and/or confirmations as evidence of actual delivery of the obligation or securities in return for investment of funds.

Trust receipts or confirmations shall fully describe the various obligations or securities held. The receipt or confirmation shall state that the investment is held in the name of The Polk County Board of County Commissioners.

2. Written documentation and/or confirmation of telephone transactions and wire transfers will be maintained.
3. There will be adequate separation of duties with clear delegation of authority among investment personnel.
4. Investment review and performance reporting, interim and annual, shall be performed by the Investment Manager and reviewed by the Clerk.
5. The Investment Manager will promptly notify the Clerk or Comptroller Division Director of any threat to the safety of the Portfolio and proper security measures will be suggested and implemented to conform to market conditions.

6. There will be no physical delivery of securities, except Certificates of Deposit which will be maintained in a safe in the Department of Finance and Accounting.
7. There will be prohibition of collusion.
8. Custodial/Safekeeping shall be utilized. Monthly custodial/safekeeping account statements shall be maintained.
9. Transaction confirmations will be received from the financial institution or securities dealer awarded the investment and maintained as investment documentation.
10. Periodic training and educational opportunities will be provided and made available concerning investments and related subjects for appropriate personnel, in accordance with F.S. 218.415.
11. Investment activity will be performed by the Investment Manager and subsequently approved by the Clerk. In the absence of the Investment Manager, Comptroller Division Director, the Chief Accountant responsible for overseeing investment record keeping, or other designee will perform the investment activity and obtain approval of the Clerk.
12. Additional controls will be established in written policies and procedures by the Clerk, as needed.
13. The internal controls for investments will be reviewed by the County's independent auditors as part of the County's annual financial audit.
14. All securities purchased or sold will be transferred only under the "Delivery Versus Payment" method to ensure that funds or securities are not released until all criteria relating to the specific transaction are met.

- C. SAFEKEEPING OF MONIES AND SECURITIES** - Collateral for public deposits is controlled by the State of Florida through Chapter 280 of the Florida Statutes. The County shall not be under any obligation to secure additional collateral beyond the provision set forth in Chapter 280, except in the case of Repurchase Agreements. Collateral requirements for Repurchase Agreements will be contained in the Master Repurchase Agreement, executed between the County and the broker/dealer or bank.

All investment securities purchased, except Certificates of Deposits, shall be held

in safekeeping at an institution designated by the Clerk and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by those designated in the internal control section of this policy. The institution shall issue a safekeeping receipt to the Clerk's Office listing the specific instrument, par value, rate, maturity and any other pertinent information. In addition, the safekeeping institution shall monthly send a report listing all securities held in the County's safekeeping account which shall be verified by the Clerk's office.

V. SUITABLE AND AUTHORIZED INVESTMENTS

The county shall limit investments to:

- A. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, and which carry the full faith and credit of, the United States Government and its agencies. Investments in this category would include but not be limited to the following: United States Treasury Bills, Notes, Strips and Bonds, and securities issued by the Government National Mortgage Association (Ginnie Mae), Federal Financing Bank (FFB) and Federal Housing Administration (FHA).
- B. Fully collateralized United States Agency obligations otherwise known as Government Sponsored Enterprises (GSEs) which carry an implied guarantee and the implied full faith and credit of the United States Government. Investments in this category would include but not be limited to the following: obligations of the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Tennessee Valley Authority (TVA), Financial Assistance Corporation and Federal Agriculture Mortgage Corporation (Farmer Mac) and the Federal National Mortgage Association (FNMA).
- C. Permitted investments in the above listed agencies and instrumentalities shall include bonds, debentures, notes or other evidence of indebtedness issued including mortgage pass-throughs, collateralized mortgage obligations, adjustable rate securities (such as step-ups and floating rate notes) and adjustable rate mortgages (ARMs).
- D. Banker's Acceptances which are issued by a domestic bank which has the top ten rating of at least "Prime-1" and "A" by Moody's Investors Service and "A-1" and "A" by Standard & Poor's Corporation.
- E. Commercial Paper rated, at the time of purchase of at least, "Prime-2" by

Moody's and "A-2" by Standard & Poor's.

- F. Interest bearing savings accounts, money market accounts, certificates of deposit, money market certificates or time deposits constituting direct obligations of any bank or savings and loan association certified as a Qualified Public Depository by the State of Florida or Federal Deposit Insurance Corporation.
- G. Repurchase Agreements collateralized by securities otherwise authorized in paragraphs A. to E.
- H. State of Florida Local Government Surplus Funds Trust Fund (also known as FL Prime or SBA) or any stable value net asset value (NAV) Intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
- I. Florida Local Government Investment Trust (FL Trust or FLGIT).
- J. Bonds, notes or instruments backed by the full faith and credit of the government of Israel.
- K. Municipal Debt General Obligation (GO) Securities and Essential Service Revenue Securities (i.e. water, sewer, gas and power systems) issued by a municipality within the United States, provided that such instrument is rated "A- or equivalent" or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO) at time of purchase.
- L. Corporate Debt Securities issued by any corporation within the United States, provided that such instrument is rated "BBB- or equivalent" or better by at least two Nationally Recognized Statistical Rating Organizations (NRSRO's) at time of purchase. Investment in convertible securities is prohibited.
- M. Securities and Exchange Commission (SEC) registered Money Market Funds with the highest credit rating (AAAm or equivalent) by either major Nationally Recognized Statistical Rating Organization (NRSRO) and a weighted average maturity (WAM) of assets in the fund shall be sixty (60) days or less.
- N. Asset Backed Securities (ABS) limited to traditional consumer receivables, such as, auto, equipment or credit card receivables provided that such instrument is rated A-1/P-1 or equivalent if the final maturity is 13 months or less and AAA or equivalent for longer maturities by at least two Nationally Recognized Statistical Rating Organizations (NRSRO's) at time of purchase.

- O. Supranational Securities U.S. dollar denominated debt obligations of a multilateral organization of governments rated AAA or equivalent by at least two Nationally Recognized Statistical Rating Organizations (NRSRO's) at time of purchase.

BID REQUIREMENT

Although in most situations the competitive bid process shall be utilized, there is no obligation to secure competitive bids from all financial institutions and securities dealers on the approved list. Rather a decision may be made by the Investment Manager and/or the Comptroller Division Director as to the institutions that have been the most competitive over the preceding investment bids or by a fair rotation, without exceeding maximum issuer limitations. When purchasing or selling securities, the Investment Manager, or those designated staff, will obtain competitive bids or offerings from at least three dealers, except in situations where:

- A. The security involved is a "new original issue" and can be purchased at par prior to issue date, or "at the window" at date of sale;
- B. The security involved is available through direct issue or private placement;
- C. The security involved is of special interest to the entity and dealer competition could have an adverse impact with respect to the price and availability to the entity.

REPORTING

The Treasury Manager shall generate monthly reports for management purposes. In addition, the Treasury Manager shall submit an annual report, which presents the County's portfolio by type of investment, book value, income earned, and market value as of the report date.

INVESTMENT PARAMETERS

From time to time economic and/or market aberrations may create situations where markets become abnormal and portfolio composition and/or maturity guidelines may become temporarily exceeded. Deviations from the general guidelines in this policy may be granted by the Clerk.

- A. **LIQUIDITY REQUIREMENTS** -To meet the day-to-day operating needs of the County and to provide the ready cash to meet unforeseen temporary cash requirements, a liquidity base of approximately at least two months of anticipated disbursements, excluding bond construction payments made from escrow or trust accounts, will be kept in relatively short-term investments. These

would include State of Florida Local Government Surplus Funds Trust Fund, Discount Notes, Commercial Paper, Certificates of Deposit, Treasury Bills, Money Market Funds or Repurchase Agreements.

B. PORTFOLIO COMPOSITION/RISK AND DIVERSIFICATION

Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer or bank through which these instruments are bought and sold. The percentage allocation requirements for investment types, issuers and maturities are calculated based on the PAR Value of each investment. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as necessary, by the Clerk of Circuit Court, Comptroller Division Director and Investment Manager. These guidelines may be temporarily amended by the Clerk for specific circumstances and will be reported to the County Manager and the Chairman of the County within five (5) business days and to be reviewed with the Board of County Commissioners at their next scheduled Finance Committee Meeting:

Local Government Investment Pools (Stable NAV)	100%
United States Treasury Bills/Notes/Bonds/Strips	50%
United States Federal Agencies	
Full Faith & Credit (FFC)	25%
Federal Instrumentalities/	
Government Sponsored Enterprises (GSEs)	50%
Collateralized Mortgage Obligations	25%
Mortgage Backed Securities (MBS) Pass Through(s)	25%
Repurchase Agreements	35%
Certificates of Deposit	50%
Florida Local Government Investment Trust (Short-Term Bond Fund)	20%
Banker’s Acceptances	20%
Commercial Paper	35%
Israel Bonds	5%
SEC Registered Money Market Funds	50%
Municipal Bonds General Obligation (GO) &	
Essential Service Revenue	25%
Corporate Bonds	35%
Asset Backed Securities (ABS)	35%
Supranationals	25%

C. PERFORMANCE STANDARD - The County seeks to optimize return on investments within the constraints of safety and liquidity. The investment

portfolio shall be designed with the annual objective of comparing a two year average of the Two Year Constant Maturity Treasury (CMT) yield and the total return of the 1-3 Year U.S. Treasury Index on a regular basis.

- D. MATURITY GUIDELINES** - The County's portfolio should be structured when practicable so that securities mature to meet the County's cash needs, thereby avoiding the need to sell securities prior to maturity.

Generally, no more than 10% of the portfolio will be invested in amortizing securities that have a Weighted Average Life (WAL) exceeding five and one-half (5.5) years.

Generally, non-amortizing, non-adjustable rate securities purchased with maturities exceeding five (5) years should not be more than 25% of the total portfolio and maturities exceeding ten (10) years should not exceed 10% of the total portfolio. Fixed rate securities have the potential for greater interest rate sensitivity. However, in periods when interest rates are forecasted to decrease and/or remain relatively low for extended periods of time, fixed rate securities with longer maturities can be very advantageous for higher portfolio income and greater price appreciation.

Generally, Commercial Paper securities purchased with a rating of "A-2" or "Prime-2" should have maturities not exceeding 90 days and corporates with BBB ratings should have maturities not exceeding 2 years. In times when interest rates are forecasted to increase, shorter maturities and lower rated commercial paper and/or corporate bonds can be very advantageous against rising rates with less price volatility while offering higher relative income to higher rated securities.

Generally, non-amortizing, adjustable rate securities purchased with maturities exceeding five (5) years should not be more than 25% of the total portfolio. These securities purchased with maturities greater than ten (10) years should not be more than 10% of the total portfolio. This security type, depending on the structure, has the potential for less interest rate sensitivity in a rising interest rate environment.

SALE OF SECURITIES

- A. From time to time, securities may be traded for other similar securities or sold to improve yield, maturity or credit risk. For these types of transactions, a temporary loss may be incurred for accounting purposes, provided the loss is more than offset by the higher yield. The following are examples of

circumstances considered appropriate for a swap/sale:

1. The yield can be increased.

Market aberrations are often caused by supply and demand conditions for particular securities. For example, if a short supply exists for a particular maturity range, then it may be advantageous to swap/sell out of the security in a short supply and into another similar security in a different maturity range.

2. The maturity length can be reduced.

Market aberrations occasionally create a situation where longer maturity securities are yielding the same or less than securities with a shorter maturity. Portfolio quality can be improved by switching from the longer maturity security to the shorter maturity with little or no interest penalty.

3. The quality of the investment can be improved.

Market aberrations occasionally create a situation where certain higher risk securities yield the same or less than an equivalent lower risk security. Portfolio quality can be improved by switching from the higher risk security to a lower risk security without an interest rate penalty.

- B. When invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, such investments may be sold, with prior approval from the Clerk or Comptroller Division Director, at the then-prevailing market price.
- C. Credit ratings may fluctuate on municipal or corporate security holdings. Should the credit rating on a security held in the portfolio fall below minimum purchase requirements, the Comptroller Division Director will be notified immediately. A thorough review of the security will be conducted to determine if sale of the security is warranted. If market conditions allow or practicable, a sale will be conducted upon joint decision of the Investment Manager or other designee, Comptroller Division Director and/or Clerk. If market conditions do not allow and/or are not practicable, sole authority to sell a security may be delegated to the Investment Manager or other designee.
 1. Should the credit rating on a security held in the portfolio fall below minimum purchase requirements as a result of a rating agency's general recalibration of how they rate issuers and not due to any material

changes in the underlying fundamentals of the issuer and not as the result of a change in the rating agency's opinion of the credit quality of the affected issuer, a sale of the security will not be required.

- D. When portfolio composition guidelines have been exceeded it may become necessary to sell an investment or a portion of an investment to maintain compliance with portfolio composition guidelines. A thorough review of the security will be conducted to evaluate the security's fundamental value and if loss would occur due to sale. Consideration will be given to future portfolio purchases, maturities and the amount of excess above the stated portfolio composition guidelines. Sale of a security or a portion of a security at a loss to meet compliance guidelines will be conducted as a last resort and only upon joint decision of the Investment Manager or other designee, Comptroller Division Director and/or Clerk.

- E. Portfolio rebalancing is meant to add economic value to a portfolio under circumstances prevailing during the rebalancing process. This may necessitate the sale of securities at a loss in order to reduce portfolio risk (without a material reduction in portfolio return) or to achieve a greater overall return (without assuming material amounts of additional risk) that could have been obtained if the original position(s) had been held. Portfolio rebalancing should be completed in such a manner as to minimize the amount of realized loss. The effects of investment purchases, maturities and sales should be considered when determining a rebalancing strategy. In recognition that specific investments and markets are dynamic and that relative values can change over time, it is the policy to review and pursue those opportunities that are consistent with long term optimization. It is the policy of the County to manage the investments within the constraints outlined in these policies by regularly re-assessing their analysis and projected performance and by making timely re-allocations.

VI. GLOSSARY OF TERMS

ADJUSTABLE RATE MORTGAGE (ARM): A home loan with an initial fixed-interest period (typically 3, 5, 7, or 10 years) followed by periodic, market-indexed rate adjustments. It offers lower payments compared to fixed-rate loans, making it ideal for buyers planning to sell or refinance before the rate adjusts.

AMORTIZED COST: A financial accounting method that spreads the expense of an asset or liability over its useful life, rather than recognizing it all at once.

AMORTIZING SECURITIES: Fixed income securities such as ABS, ARMs, CMOs, CMBS, and/or MBS that pay down both principal and interest over their life rather than a lump sum at maturity. They are more likely to provide consistent, predictable cash flows over time.

ASK: The price at which securities are offered for sale.

ASSET BACKED SECURITY (ABS): A financial security collateralized by income generating assets such as loans, leases, or receivables against assets other than real estate and mortgage backed securities. Created through securitization, offering investors higher yields and diversification compared to corporate bonds, and often featuring enhanced protections through bankruptcy remoteness in case the sponsor goes bankrupt, cash reserve accounts, over-collateralization, excess spread through greater interest generated by underlying loans than paid to investors, and subordination of tranches that provide lower tranches absorb losses first.

BANKERS' ACCEPTANCE: A short-term debt instrument issued by a company that is guaranteed by a commercial bank. Banker's Acceptances are issued as part of a commercial transaction. These instruments are similar to T-Bills, are frequently used in money market funds, and are traded at a discount from face value on the secondary market, which can be an advantage because the banker's acceptance does not need to be held until it matures.

BID: The indicated price at which a buyer is willing to purchase a security.

BOND: A fixed income financial instrument representing a loan made by an investor to a borrower (typically corporate or governmental). In most instances, it acts as a legal contract where the issuer agrees to pay regular interest payments and return the principal amount at maturity.

BOOK VALUE: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATES OF DEPOSIT (CD): A time deposit with a specific maturity and interest rate evidenced by a certificate.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

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

COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs): Mortgage-backed securities that pool mortgages into tranches based on risk, maturity, and interest rate, providing tailored cash flows for investors. These tranches allow for custom risk management and greater cash flow predictability compared to the pass-through structure of a mortgage-backed security.

COMMERCIAL PAPER: An unsecured, short-term debt instrument issued by a corporation typically for the financing of accounts receivable, inventories, and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates.

COMMERCIAL MORTGAGE-BACKED SECURITIES (CMBS): A type of mortgage-backed security that is secured by mortgages on commercial properties, instead of residential real estate. The underlying loans that get securitized into CMBS include loans for properties such as apartment complexes, buildings, factories, hotels, office buildings, healthcare facilities, shopping malls, and capital equipment. Issuers can include government agencies, commercial banks, insurance companies, and brokerage firms.

CONSTANT MATURITY TREASURY (CMT): Daily, interpolated, theoretical yields for U.S. Treasury securities with standardized maturities (i.e., 1, 2, 5, 10 years) derived from the Treasury yield curve.

CORPORATE BOND: A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of principal and/or interest on a security.

CUSTODY: A service to customers rendered by banks for a fee whereby financial assets (cash, stocks, bonds, & alternatives) are held on behalf of clients and separated from the bank's own balance sheet for protection. Thus, shielded from creditors should the custodian bank become insolvent. Custodians are responsible for safe storage, transaction settlement, income collection, and corporate actions.

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

DEBENTURE: A debt instrument issued to raise capital backed only by the issuer's general creditworthiness rather than specific collateral or assets.

DELIVERY VERSUS PAYMENT (DVP): A securities industry settlement procedure in which the buyer's payment for securities is due at the time of delivery. DVP is a settlement system that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security.

DISCOUNT NOTES: A money market security, such as a Treasury Bill or commercial paper, that is issued at a discount but that matures at face value. The only income received by the investor is the difference between the price paid and the proceeds received at maturity or the sale of the security.

DIVERSIFICATION: A risk management technique that mixes a wide variety of investments within a portfolio to smooth out unsystematic risk events to allow the positive performance of some investments to neutralize the negative performance of others. The rationale behind this technique contends that a portfolio of different kinds of investments will, on average, yield higher returns, and pose lower risk than any individual investment found within the portfolio.

ESSENTIAL SERVICE: Industries, utilities, and/or functions that are necessary to maintain health, safety, and welfare of the public and the basic functioning of society. These services are considered indispensable, and their disruption would cause severe, widespread, and immediate threats to life or community safety.

FEDERAL AGENCY: A government agency or corporation that acts independently in carrying out work for the public good. Agencies may exist and operate at the federal, state, or municipal levels. The legal groundwork for agencies is based on the Necessary and Proper Clause of the U.S. Constitution (Article 1, Section 8), which precludes federal and state governments from taxing either's governmental operation. Agency also provides for the backing of governmental agency obligations based on the full faith and credit of the federal government.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FMCA / FARMER MAC): Government sponsored enterprise whose mission is to increase the accessibility of financing to provide vital liquidity for American agriculture and rural infrastructure.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency established in 1933 that insures bank deposits, currently up to \$250,000 per depositor, per insured bank, for each account ownership category.

FEDERAL FARM CREDIT BANK (FFCB): A funding corporation issues debt securities as fiscal agent for the Farm Credit System, which is a nationwide network of borrower-owned lending institutions and service organizations specializing in agricultural and rural America. The mission of this government sponsored enterprise is to ensure the availability of sound, dependable funding for agricultural producers, cooperatives, and certain farm related businesses.

FEDERAL FINANCING BANK (FFB): In 1973, congress created the FFB as a government corporation and an instrumentality of the United States under the general supervision and direction of the Secretary of the Treasury. It provides financing to help Federal agencies manage their borrowing and lending programs, and to ensure that all Federal Government borrowing from the public is conducted through the Treasury and not through program agencies. It has the authority to purchase any obligation issued, sold, or guaranteed by a Federal agency.

FEDERAL HOME LOAN BANK (FHLB): Government sponsored wholesale banks (currently twelve [12] regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district bank.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC / FREDDIE MAC): Government sponsored enterprise that provides liquidity to the mortgage markets, much like FHLB and FNMA.

FEDERAL HOUSING ADMINISTRATION (FHA): A federally sponsored agency that insures lenders against loss on residential mortgages. Founded in 1934, it was the forerunner of a group of government agencies responsible for the growing secondary market for mortgages.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA / FANNIE MAE): Chartered by congress in 1938, it neither originates mortgage loans nor lend money directly to borrowers. As a leading source of financing for mortgages in the U.S. Fannie Mae purchases mortgages from lenders and helps facilitate the flow of capital into the housing market by issuing and guaranteeing mortgage-related securities. FNMA and FHLMC were placed into conservatorship upon the consent of each board of directors on September 6, 2008.

FINANCIAL ASSISTANCE CORPORATION: Provides funding, loans, and grants for affordable housing, community development, and specialized services.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA): A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

FLOATING RATE NOTE (FRN): A debt instrument with variable coupons that reset periodically based on a benchmark plus a fixed spread.

FLORIDA LOCAL GOVERNMENT INVESTMENT TRUST (FLGIT | FL TRUST): A Local Government Investment Pool (LGIP) developed through the joint efforts of the Florida Association of Court Clerks and Comptrollers (FACC) and the Florida Association of Counties (FAC). Organized on December 12, 1991, The Florida Trust is designed to complement existing investment programs by providing investment vehicles for funds that can be invested in short to intermediate-term securities and have returns generally greater than the national average for money market instruments. The Florida Trust offers two open-ended, professionally managed funds available only to public entities in Florida.

FLORIDA LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME [SBA]): An SEC 2a-7 like pool that aggregates funds from political subdivisions that are placed in the custody of the State Board of Administration for investment and reinvestment. The pool uses amortized cost reported at a stable Net Asset Value (NAV), typically \$1.00 per share.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA/GINNIE MAE): Created and established in 1968 as a spinoff from FNMA, GNMA's are insured or guaranteed by the FHA. The main focus of Ginnie Mae is to ensure sustainable, affordable, and liquid financing for federal housing programs for U.S. Government insured mortgages, including those issued by the Veterans Administration (VA), the Rural Housing Administration (RHA), and HUD's Public and Indian Housing (PIH) by linking mortgage lenders with global capital markets.

GOVERNMENT SPONSORED ENTERPRISES (GSEs): A member of a group of financial services corporations created by the congress. Their function is to enhance the flow of credit to targeted sectors of the economy and to make those segments of the capital market more efficient and transparent. A GSE benefits from an implicit federal guarantee to enhance its ability to borrow money.

INTERNAL CONTROLS: An internal control structure designed to ensure 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.

ISRAEL BONDS: Debt securities issued by the State of Israel to raise capital for national economic development, infrastructure projects, and, at times, to support the state during crises. They function as loans to the Israeli government.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be executed at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): An investment fund that operates similar to a money market mutual fund for the exclusive benefit of public entities. LGIPs are not registered with the Securities and Exchange Commission (SEC) and are exempt from SEC regulatory requirements because they fall under a governmental exclusion clause. Most LGIPs emulate SEC rule 2a-7 with the objectives of safety and liquidity. Thus, maintaining a stable Net Asset Value (NAV). There are some that additionally emphasize return as an investment objective and whose NAVs may fluctuate due to market risk. Changes in interest rates have greater influence on Floating NAV funds and may be appropriate for longer-term investment horizons.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and trade.

MONEY MARKET MUTUAL FUND: A fund that invests solely in money market instruments (short-term debt instruments, such as Treasury Bills, commercial paper, bankers' acceptances, repos, and federal funds).

MORTGAGE-BACKED SECURITY (MBS): A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay principal and interest on the bonds.

MUNICIPAL BONDS (MUNIS): Debt instruments issued by state and local governments to finance capital expenditures, including construction of essential service infrastructure, schools, and highways, etc.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that issues ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. Examples include Standard & Poor's (S&P), Moody's, and Fitch among others.

PAR VALUE: Face value or principal value of a bond, typically at \$1,000 per bond that the issuer promises to repay the bondholder at maturity. It serves as the basis for calculating interest (coupon) payments.

PORTFOLIO: Collection of securities held by an investor.

QUALIFIED PUBLIC DEPOSITORY (QPD): A bank or savings association that has a branch authorized to receive deposits in Florida, has FDIC deposit insurance, meets the requirements of Chapter 280, F.S., has been designated by the Florida Department of Treasury as a QPD, and pledges assets administered by the Bureau of Collateral Management to guarantee public deposits.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement and the terms of the agreement are structured to compensate him for this. Dealers use REPO extensively to finance their positions. Exception: When the Fed is said to be doing Repo, it is lending money, that is, increasing bank reserves.

SECURITIES AND EXCHANGE COMMISSION (SEC): An independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets, and facilitating capital formation. It was created by congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent, and manipulative practices in the markets, and monitors corporate takeover actions in the United States.

SUPRANATIONAL BOND: A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Supranational debt refers to bonds issued by international organizations, often multinational or quasi-government organizations, with the purpose of promoting economic development for their member countries. Examples include World Bank and Asian Development Bank.

TENNESSEE VALLEY AUTHORITY (TVA): A federally owned corporation not authorized to issue stock. Additionally, the TVA does not receive any federal funding. Instead, it finances its operations through the sale of TVA bonds and through the sale of energy.

TREASURY BILLS: Zero-coupon bonds that mature in one year or less. They are bought at a discount of the par value and instead of paying a coupon interest, are eventually redeemed at the par value to create a positive yield to maturity.

TREASURY BONDS: Long-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten (10) years.

TREASURY NOTES: Medium-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of at least two (2) years and no more than ten (10) years.

TREASURY STRIPS (SEPARATE TRADING OF REGISTERED INTEREST AND PRINCIPAL OF SECURITIES): Fixed income securities created by separating the individual interest and principal components of U.S. Treasury bonds and notes. These are zero-coupon instruments.

WEIGHTED AVERAGE MATURITY (WAM): A dollar-weighted average time until the securities in a fixed income portfolio mature. It is used to evaluate the maturity profile of debt portfolios and their potential sensitivity to interest rate changes.

WEIGHTED AVERAGE LIFE (WAL): The average time (usually in years) it takes for every dollar of unpaid principal on an amortizing bond to be repaid. It represents repayment behavior expectations. Specifically, the amount and timing of expected future principal cash flows. It is used to evaluate the principal cash flow profile of debt portfolios and their potential sensitivity to interest rate changes.

YIELD: The earnings generated and realized on an investment over a particular period of time. It is expressed as a percentage based on the invested amount, current market value, or face value of the security.

YIELD TO MATURITY: The total annualized internal rate of return anticipated on a bond if held until maturity, accounting for purchased price, face value, coupon rate, and time to maturity assuming all payments are made on time and reinvested at the same rate.

ZERO-COUPON BOND: Bonds bought at a discount to their face value, providing a lump-sum payment at maturity without making periodic interest payments.