



ACCOUNTING POLICIES AND PROCEDURES

Adopted June 21, 2018

**Revised December 13, 2018, June 20, 2019, September 19, 2019,
October 17, 2019, December 10, 2020, June 17, 2021,
and September 21, 2023**

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I. Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at the Hampton Roads Transportation Accountability Commission (HRTAC) and to ensure that the financial statements conform to generally accepted accounting principles (GAAP); assets are safeguarded; and all finances are managed with accuracy, efficiency, and transparency.

Any HRTAC staff with a role in the management of fiscal and accounting operations is expected to comply with the policies and procedures in this manual.

These policies herein will be reviewed annually and revised as needed by HRTAC staff and approved by the Executive Director and Finance Committee of the Commission.

Adoption, Revisions, and Incorporations

Description	Activity	Date
Interim Policies for Management of Cash, Bank Accounts, and Credit and Debit Cards	Adoption, Revised Revised Incorporation	October 15, 2015 September 19, 2019 October 17, 2019
Procurement of Goods and Services, Including Procedures for Certain Small Purchases	Adoption, Revised, Incorporation	October 15, 2015 June 17, 2021
Statement of Investment Policy	Adoption, Revised Revised Revised Revised Incorporation	June 16, 2016 December 13, 2018 June 20, 2019 December 10, 2020 September 21, 2023
Hampton Roads Transportation Fund Revenue Bonds Post-Issuance Bond Compliance Policy	Adoption, Incorporation	April 19, 2018
Federal Programs Procedures	Adoption, Incorporation	June 17, 2021
Verification of Deposits	Adoption, Incorporation	September 21, 2023

II. Division of Responsibilities

The following is a list of personnel who have fiscal and accounting responsibilities:

Commission

1. Reviews and approves annual budget.
2. Reviews annual and periodic financial statements and information.
3. Reviews Executive Director's performance annually and establishes salary.
4. Chair and Co-Chair to be authorized signers on the bank accounts.
5. Reviews and approves all contracts over \$25,000.
6. Reviews and approves all non-budgeted expenditures.

Finance Committee Chair

1. Reviews and approves wire transfers.

Executive Director

1. Reviews and approves all financial reports.
2. Develops for approval and executes an approved annual budget.
3. Reviews and approves all issued checks and/or check signing procedures.
4. Reviews and approves all contracts.
5. Approves all bank transfers and wires prior to Finance Committee Chair approval.
6. Is on-site signatory for all bank accounts.
7. Electronically approves wire and ACH transfers online in absence of Chief Financial Officer
8. Reviews completed monthly bank reconciliations, journal entries and check register.

Chief Financial Officer (CFO)

1. Approves all bank transfers.
2. Approves all wire and ACH transfers, including electronically online transfers.
3. Reviews all financial reports.
4. Is on-site signatory for all bank accounts.
5. Reviews completed monthly bank reconciliations, journal entries and check register.

Accounting Manager

1. Overall responsibility for data entry into accounting system and integrity of accounting system data.
2. Processes invoices and prepares checks for signature.
3. Makes bank deposits.
4. Processes payroll.
5. Processes all wire transfers.
6. Maintains general ledger.
7. Prepares monthly and year-end financial reports.
8. Reconciles all bank accounts.
9. Mails vendor checks.
10. Manages Accounts Receivable.
11. Assists Executive Director with the development of annual and program budgets.

III. Chart of Accounts and General Ledger

HRTAC has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (program vs. fundraising vs. administration). The general ledger is automated and maintained using accounting software, and should be reviewed periodically by HRTAC staff for any unusual transactions.

IV. Cash Receipts

Cash receipts generally arise from Sales and Use Tax and Fuels Tax (Note: bond generated reimbursement revenues are covered in the bond revenue section.)

The principal steps in the cash receipts monthly process are:

1. The HRTAC Staff receives an email from an authorized Virginia Department of Transportation (VDOT) official indicating HRTAC member localities' tax contributions.
2. Simultaneously, VDOT submits a request to Treasury to have the funds transferred to HRTAC.
3. The HRTAC Accounting Manager will receive an email from Virginia Department of Accounts confirming a wire transfer.
4. The HRTAC Accounting Manager reviews the obligation to debt service and follows the steps of the Waterfall detailed in HRTAC's HRTF Series 2018A Master Indenture. (See Section XIII.)
5. The HRTAC Accounting Manager then notifies the HRTAC financial advisor and Executive Director of the remaining balance and any outstanding payments to others and requests to be advised on the best strategy for the deposit of funds into HRTAC's laddered portfolio.
6. The recommendation of the Executive Director is transmitted by the HRTAC Accounting Manager via email to the Chair of the Finance Committee for approval.
7. Upon receipt of approval by the Finance Committee Chair, the funds are deposited into the respective account.

V. Bank Account Transfers

Bank accounts and relationships with investment institutions must be authorized and established pursuant to resolutions adopted from time to time by the Commission.

Fluid cash checking account balances are monitored to assure adequate funds are available to cover the expenses of the Commission. The HRTAC Accounting Manager receives approval of total transfer amount from the Finance Committee chair and recommends to the Executive Director when a transfer should be made. Once all approvals have been obtained a wire transfer sheet is generated and approved by the Executive Director and the CFO. The HRTAC Accounting Manager initiates the electronic bank transfer and it must be approved on line by the CFO or the Executive

Director in the absence of the CFO. A copy of the approvals and wire transfer is retained in the accounting department.

Electronic funds transfers, using the Automated Clearing House (“ACH”) network, such as direct debit payments, may be made from the Commission’s bank accounts, subject to the following:

1. ACH transfers/direct debit payments shall be used solely for the following:
 - Employee payroll
 - Treasury payments of payroll-related taxes
 - Employee expense reimbursements which have been duly approved
 - Recurring monthly payment obligations of the Commission, such as rent and utilities, that are contemplated by the Commission’s operating budget.
2. For the avoidance of doubt, an ACH transfer/direct debit shall not under any circumstance be used to pay any personal charge of any employee.
3. All ACH transfers/direct debit payments must be implemented/effected by the CFO or his or her designee, provided that such person is acting in accordance with written instructions (which may be given electronically) from the Chair (or Vice Chair) of the Finance Committee and the Executive Director.
4. All ACH transfers/direct debit payments will be tracked through the monthly bank statements and reconciled to the accounting system transactions.

VI. Cash Disbursements and Expense Allocations

1. All cash, checks and other payments received by the Commission shall be recorded in the Commission’s books and records and deposited into a Commission bank account, which deposit in the case of cash or checks should be made within 24 business hours of receipt.
2. No cash withdrawals are permitted from any Commission bank account.
3. No Commission check may be made payable to “cash” or “bearer.”
4. Commission checks must be kept in a secure location and executed in accordance with the Commission’s Bylaws and applicable resolutions, which presently require dual signatures. When made, checks shall be copied and recorded in the Commission’s books and records, including its check ledger.

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions

5. Meeting expenses
6. Employee reimbursements

Checks are processed monthly and invoices submitted to the HRTAC Accounting Manager by the first of the third week of the month will be processed and paid by Friday of the same week. The HRTAC Accounting Manager will assign the general ledger account code.

Requests for cash disbursements are submitted to Accounting in two ways:

1. Original invoice
2. Employee expense report or reimbursement request

Every employee reimbursement or purchase request must be documented on the approved form with receipts, and business nature before reimbursement approval. Specific documentation for each category is:

Lodging - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.

Meals and Entertainment - a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

All requests for payment will be reviewed by the designated staff for:

1. Expenditure and amount and appropriate allocation information. Once verified, payment will be processed and will be submitted to the Executive Director for approval and signature. All checks require a second signature from an authorized Commission member or staff member.
2. All documentation will be appropriately filed.

VII. Procurement of Goods and Services, Including Procedures for Certain Small Purchases (Adopted October 15, 2015, Amended June 17, 2021)

General

The Virginia Public Procurement Act (“VPPA”) covers contracts made by the Hampton Roads Transportation Accountability Commission (the “Commission” or “HRTAC”) with nongovernmental contractors for the purchase or lease of goods, or for the purchase of services, insurance, or construction (as those terms are defined in the VPPA). The VPPA seeks, among other things, to enable public bodies in the Commonwealth to obtain high quality goods and services at reasonable costs. This Policy, including its small purchases procedures, is adopted to provide the Commission’s members, officers and employees with direction regarding the VPPA and its implementation.

Under the VPPA, covered contracts must be awarded after competitive sealed bidding, or competitive negotiation, as provided in the VPPA, unless otherwise authorized by law.

Exemptions

Without limiting the exemptions under the VPPA that may be applicable from time to time, neither the competitive sealed bidding nor competitive negotiation procedures apply to: Contracts negotiated and awarded to a source that is determined in writing to be the sole source available for that which is to be procured: in order to use this exemption under Section 2.2-4303(E) of the VPPA, all requirements of the exemption, including the written determination and public notice requirements, must be observed; the written determination may be made by the Commission’s Executive Director if funds for the applicable contract are available under the Commission’s then-applicable operating budget, but copies of such determinations must be given to the Finance Committee within five (5) business days after being made.

Contracts awarded in case of emergency: however, such procurement shall be made with such competition as is practicable under the circumstances. In order to use this exemption under Section 2.2-4303(F) of the VPPA, all requirements of the exemption, including the written determination and public notice requirements must be observed; the written determination may be made by the Commission’s Executive Director if funds for the applicable contract are available under the Commission’s then-applicable operating budget, but copies of such determinations must be given to the Finance Committee within five (5) business days after being made.

Purchases made from another public body’s contract, even if the Commission did not participate in the request for proposal or invitation to bid, if the request for proposal or invitation to bid specified that the procurement was a cooperative procurement being conducted on behalf of other public bodies; however, this exemption under Section 2.2-4304 of the VPPA is subject to the limitations set forth therein.

Single or term contracts for goods and services that fit within the dollar limitations and other parameters set forth in Section 2.2-4303(G) of the VPPA if they are entered into pursuant to small purchases procedures that have been adopted by the Commission in writing; the Commission’s small purchases procedures are set forth in the chart below; these procedures may not be used for single or term contracts for transportation-related construction.

<u>Estimated Cost of Small Purchase</u>	<u>Procedure with Small Purchase</u>
When the aggregate or the sum of all phases is expected to be <u>less than</u> \$500	Purchase may be made upon receipt of one (1) or more written or telephone quotes. As applicable, complete either (a) a Purchase Approval Form (attached hereto as <u>Exhibit A</u>) or (b) a Credit Card Form (attached hereto as <u>Exhibit B</u>), and submit such form to the Executive Director for approval. Once approval is granted, instruct vendor to invoice HRTAC for payment or charge to HRTAC credit card, as applicable.
When the aggregate or the sum of all phases is expected to be <u>between</u> \$500 and \$1,499	Requires at least three (3) attempted telephone, catalog, eVA Quick Quote, or electronic/written quotes to be obtained. Efforts should be made to obtain one or more of those quotes from vendors listed in the Department of Small Business and Supplier Diversity database as being SWaM (Small, Women-owned and Minority-owned Business) certified or DBE (Disadvantaged Business Enterprise) certified. Complete a Purchase Approval Form, attach quotes and submit to the Executive Director for approval. The form will then be submitted to the Chief Financial Officer (“CFO”) and Executive Director for budgetary and final approvals respectively. After CFO and Executive Director approvals have been obtained, order and have vendor invoice directly.
When the aggregate or the sum of all phases is expected to be <u>between</u> \$1,500 and \$4,999	Requires at least three (3) attempted written (which may be electronic) quotes, including eVA Quick Quotes, to be obtained. Efforts should be made to obtain one or more of those quotes from vendors listed in the Department of Small Business and Supplier Diversity database as being SWaM certified or DBE certified. Complete a Purchase Approval Form, attach quotes and forward to the Executive Director for approval. It will then be submitted to the CFO and Executive Director for budgetary and final approvals respectively. After CFO and Executive Director approvals have been obtained, order and have vendor invoice directly.

<p>When the aggregate or the sum of all phases is expected to be <u>between</u> \$5,000 and \$25,000</p>	<p>Requires at least four (4) attempted written (which may be electronic) quotes, including eVA Quick Quotes, to be obtained. Efforts should be made to obtain one or more of those quotes from vendors listed in the Department of Small Business and Supplier Diversity database as being SWaM certified or DBE certified.</p> <p>Complete a Purchase Approval Form and a Requisition Form (attached hereto as <u>Exhibit C</u>), attach quotes, and forward to the Executive Director for approval. It will then be submitted [to the Computer Network Manager (if applicable) and on] to the CFO and Executive Director for budgetary and final approvals respectively. After the CFO and Executive Director have approved the Requisition, it and all attachments (quotes, Purchase Approval Form, etc.) will be submitted to the Procurement Officer who will create a Purchase Order (“PO”), submit the PO to the vendor, send a copy of the PO to appropriate employees involved, and establish the PO in the accounting system.</p>
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NOTE: Re-quotes may be required should none of the research produce prices, quality or quantities desired. Should re-quotes be required, approval by the Executive Director must be obtained before contacting vendors. ALL responding vendors must be contacted for the opportunity to re-quote.

Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms. (2CFR 200.321)

- a) The Commission must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.
- b) Affirmative steps must include:
 - Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
 - 1) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
 - 2) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
 - 3) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
 - 4) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
 - 5) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of this section.

Domestic preferences for procurements (2CFR 200.322)

- (a) To the greatest extent practicable under a federal award, the Commission will provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States. The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under Federal programs.
- (b) For purposes of this section:
 - 1) “Produced in the United States” means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
 - 2) “Manufactured products” means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

Procurement of recovered materials (2CFR 200.323)

The Commission is a political subdivision of a state and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

Contract cost and price (2CFR 200.324)

- (a) The Commission will perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the Commission will make independent estimates before receiving bids or proposals.
- (b) The Commission will negotiate profit as a separate element of the price for each contract in which there is no price competition and, in all cases, where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.
- (c) Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the Commission under Subpart E—Cost Principles of this part. The Commission may reference its own cost principles that comply with the Federal cost principles.
- (d) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

Federal awarding agency or pass-through entity review (2CFR 200.325)

(a) The Commission will make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements where the Federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the Commission desires to have the review accomplished after a solicitation has been developed, the Federal awarding agency or pass-through entity may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

(b) The Commission will make available upon request, for the Federal awarding agency or pass-through entity pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:

- 1) The Commission's procurement procedures or operation fails to comply with the procurement standards in this part;
- 2) The procurement is expected to exceed the Simplified Acquisition Threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation;
- 3) The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a "brand name" product;
- 4) The proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or
- 5) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.

(c) The Commission is exempt from the pre-procurement review in paragraph (b) of this section if the Federal awarding agency or pass-through entity determines that its procurement systems comply with the standards of this part.

- 1) The Commission may request that its procurement system be reviewed by the Federal awarding agency or pass-through entity to determine whether its system meets these standards for its syst to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third-party contracts are awarded on a regular basis;
- 2) The Commission may self-certify its procurement system. Such self-certification must not limit the Federal awarding agency's right to survey the system. Under a self-certification procedure, the Federal awarding agency may rely on written assurances from the Commission that it is complying with these standards. The Commission must cite specific policies, procedures, regulations, or standards as following these requirements and have its system available for review.

EXHIBIT A

Purchase Approval Form

HRTAC PURCHASE APPROVAL FORM

Date of Request: _____

Pursuant to the Small Purchases Procedures included in the HRTAC “Policy Relating to Procurement of Goods and Services, Including Procedures for Certain Small Purchases” (the “Purchasing Policy”) the undersigned purchaser (the “Purchaser”) hereby requests approval to make the following purchase(s):

Description of Item(s)	Proposed Use/ Reason	Expense Code*

* If applicable.

Below please provide a summary of quotes obtained for the above described item(s), and, if applicable, attach written quotes. ***Please see the Purchasing Policy for the required number and form of quotes.***

	Vendor/Supplier	Summary of Quoted Price (If applicable, please provide price per unit and total price.)	SWaM or DBE	Additional Comments
1				
2				
3				
4				

Based on the information above, Purchaser recommends the following vendor/supplier:

Once approval is granted by the Executive Director and, for purchases over \$500, the Chief Financial Officer, Purchaser may make the purchase described above and should instruct the vendor/supplier to invoice HRTAC. Purchaser is responsible for retaining documentation of the purchase and reconciling it to the applicable invoice.

Purchaser:

Print Name: _____

Date

Approved by Executive Director:

Print Name: _____

Date

Approved by Chief Financial Officer:
(Required for purchases over \$500)

Print Name: _____

Date

EXHIBIT B

Credit Card Form

HRTAC
Credit Card Form
(Relating to Purchases Made with Card)

Date of Request: _____

Vendor/Supplier: _____

Pursuant to the Small Purchases Procedures included in the HRTAC "Policy Relating to Procurement of Goods and Services, Including Procedures for Certain Small Purchases," the undersigned (the "User") hereby requests approval to use the HRTAC credit card / debit card (**check applicable box**) to make the following purchase(s):

Description of Item	Proposed Use/ Reason	Projected Amount	Expense Code**
		Total:* \$ _____	

*Total may not exceed \$500.00. ** If applicable.

Once approval is granted by the Executive Director (as indicated by his or her signature below), User may use the HRTAC credit card or debit card (as indicated above) to make the purchase(s) described above. User is responsible for retaining documentation of purchases and reconciling them to the monthly credit/debit card statement.

By signing below, User agrees to the following:

The use of Commission issued debit/credit cards (a "Purchase Card") is an important privilege that is intended to facilitate business by the Commission. Adherence to the Commission's Purchase Card Policy is vital in ensuring not only the continuation of this privilege, but also in ensuring that neither you nor the Commission is subjected to financial hardship or public criticism.

I, the undersigned User, have read and understand the Commission's Purchase Card Policy. I agree to abide by all provisions of the Purchase Card Policy, and understand that violations of the Policy could result in legal or disciplinary actions, including termination.

User:

Print Name: _____

_____ Date

Approved by Executive Director:

Print Name: _____

_____ Date

EXHIBIT C

Purchase Requisition Form

**HRTAC
Requisition Form
(For Use with Small Purchases Between \$5,000 and \$25,000)**

Date of Request: _____

Pursuant to the Small Purchases Procedures included in the HRTAC “Policy Relating to Procurement of Goods and Services, Including Procedures for Certain Small Purchases” the undersigned (the “Requestor”) hereby requests approval to make the following purchase(s):

VENDOR/SUPPLIER NAME			VENDOR/SUPPLIER EMAIL ADDRESS		REQUESTOR	
VENDOR/SUPPLIER ADDRESS			VENDOR/SUPPLIER FAX#		DEPARTMENT	PHONE EXT.
CITY	STATE	ZIP CODE	CONTACT PERSON		P.O.#	INVENTORY #
ELEMENTS	EXPENSE	DESCRIPTION		QTY	UNIT COST	TOTAL
					SHIPPING & HANDLING	
					<u>TOTAL ORDER</u>	

SHIPPING ADDRESS	SPECIAL INSTRUCTIONS

Note: Attach copies of the Purchase Approval Form and the quotes obtained.

Once approval is granted by the Executive Director and the Chief Financial Officer, Requestor may make the purchase described above and should instruct the vendor/supplier to invoice HRTAC. Requestor is responsible for retaining documentation of the purchase and reconciling it to the applicable invoice.

Requestor

Print Name: _____

Date

Approved by Executive Director:

Print Name: _____

Date

Approved by Chief Financial Officer:

Print Name: _____

Date

VIII. Credit/Debit Card Policy and Charges

1. This Policy applies to any and all debit cards and credit cards (each, a "Purchase Card") issued in respect of the Commission or its accounts and is adopted to provide the Commission's members, officers and employees direction regarding the authorized uses of such Purchase Cards and the steps that must be followed to issue and monitor them.
2. The Executive Director shall be authorized to obtain one credit card in the name of the Commission, which credit card shall have an aggregate monthly transaction limit of \$15,000, and a single purchase limit of \$2,000. The purpose of obtaining a credit card is to facilitate transactions effected on behalf of the Commission, not to utilize a line of credit.
3. The Executive Director is also authorized to obtain debit cards, provided that there shall not be more than three debit cards issued and outstanding from time to time and the maximum available funds under each such card shall be \$1,000.
4. Purchase Cards (credit and debit) shall be used by authorized Commission officers or employees solely to pay for small purchases made in accordance with the Commission's small purchases procedures. At no time may any Purchase Card be used for any type of personal charge. See below for illustrative "Authorized Uses" and "Unauthorized Uses."
5. Illustrative authorized uses of Purchase Card(s) include the following:
 - a) Travel costs:
 - Airfare
 - Lodging
 - Shuttle service
 - Rental vehicles
 - Gasoline for rental vehicles
 - Gasoline for personal vehicles when used and documented usage is for official Commission business.
 - b) Purchases:
 - Meals
 - Office supplies
 - Express mail service and freight service
6. Illustrative unauthorized uses of Purchase Card(s) include the following:
 - Personal meals
 - Personal telephone usage and movie rentals included in lodging bills associated with official business purposes
 - Cash advances

- Purchases by persons who are not officers, members or employees of the Commission
- Purchases prohibited by the Virginia Public Procurement Act or applicable Commission policies
- Purchases in which one or more users of a Purchase Card break a purchase of the same or related goods or services into multiple purchases to circumvent the usage limits or other limitations described herein or any other applicable Commission policy

7. All charges will be billed directly to the Commission, reconciled and paid, or disputed, monthly. Purchase logs must be maintained as each purchase is made. A new purchase log must be established at the beginning of each new billing cycle. The cardholder is responsible for retaining documentation of purchases and returns and reconciling them, with the aid of the purchasing log, to the monthly charge card statement. At the end of the billing cycle, the cardholder shall deliver the documentation to the CFO together with a written certification that the goods and services identified therein were purchased in accordance with this policy.
8. Prior to issuance and usage of a Purchase Card, each authorized person shall be required to read and sign the statement below regarding the use of a Purchase Card:

The use of Commission issued debit/credit cards (a "Purchase Card") is an important privilege that is intended to facilitate business by the Commission. Adherence to the Commission's Purchase Card Policy is vital in ensuring not only the continuation of this privilege, but also in ensuring that neither you nor the Commission is subjected to financial hardship or public criticism.

I, (Name of Certifying Person), have read and understand the Commission's Purchase Card Policy. I agree to abide by all provisions of the Purchase Card Policy and understand that violations of the Policy could result in legal or disciplinary actions, including termination.

Signature

Date

IX. Accruals

To ensure a timely close of the General Ledger, HRTAC may book accrual entries. Some accruals will be made as recurring entries.

X. Bank Account Reconciliations

1. All bank statements are opened, date stamped and forwarded to the Accounting Manager who prepares the reconciliation and reviews for any unusual activity.
2. A timely reconciliation including: as a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. Statements will be verified that voided checks are appropriately defaced, filed, and any checks that are outstanding over six months will be investigated.
4. The completed bank reconciliation is attached to the applicable bank statement, along with all documentation will be retained for filing purposes. Before filing, the reconciliation package is forwarded to the CFO for review and approval. Once approved, it is returned to the Accounting Manager for filing.
5. An internal circulation reconciliation report will be generated and reviewed by the Executive Director and CFO.

XI. Property and Equipment

Property and equipment includes items such as; but are not limited to:

1. Office furniture and equipment
2. Computer hardware
3. Computer software
4. Leasehold improvements

It is the organization's policy to capitalize all items which have a unit cost greater than five thousand dollars (\$5,000). Items purchased with a value or cost less than five thousand dollars (\$5,000) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months

Computer Software
Leasehold improvements

36 months
Length of lease

1. A Fixed Asset Log is maintained by HRTAC staff including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, and life of asset.
2. The Log will be reviewed and amended by HRTAC staff when appropriate and all changes to the log shall be made in writing by the Accounting Manager.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. Depreciation will be recorded no less than annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

XII. Payroll Processing

1. Timesheets are to be prepared by all staff on the approved form and submitted semi-monthly no later than 3 days before payday. Should the payday fall on a weekend or holiday, the timesheets are to be submitted the 3rd day prior to the weekend or holiday. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed electronically.
3. Any corrections to timesheets are to be made by making a single line through the error and writing in the correction. Correction fluid and/or tape are not allowable.
4. Timesheets are to be signed and dated by the employee and the employee's supervisor for submission to the designated staff.
5. Payroll will be processed in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
6. Paychecks will be distributed on the 15th and last day of the month. If the 15th and/or the last day of the month fall on a weekend or holiday the paychecks will be distributed the day before.
7. All employees will be paid by direct deposit.
8. Federal and State taxes will be paid electronically on the date of the payroll.
9. All quarterly federal and state payroll reports will be prepared and filed appropriately.

10. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year.

XIII. Financial Reports

The HRTAC Accounting Manager will prepare the monthly Hampton Roads Transportation Fund (HRTF) financial report for review by the Executive Director and CFO. The HRTF Report will be included in the HRTAC agendas and include: Totals Sheet, Sales and Use Tax received, Fuels Tax received, Projects Allocation, Projects Expenditures and a Summary Page.

A Cash Balance report is prepared for the Executive Director and Finance Committee Chair.

Periodic and annual financial reports will be submitted to the Finance Committee and Commission for review and approval.

For purposes of development of the annual financial reports of the Commission, a sixty-calendar day period following the closing day of the accounting fiscal year will be utilized as a rule to receive invoices resulting from the closed fiscal year's activities and record them in the previous fiscal year. Special exceptions to this rule may be made and estimated on a case-by-case basis and in coordination with the Commission's auditor.

XIV. Bonds and Post Issuance Bond Policy

Proceeds from Bond Issuance

Once the proceeds are received from commercial close of the bond sale, the underwriter disburses the monies as follows:

- 1) Pay Cost of Issuance Invoices
- 2) Reimburse HRTAC for money paid on Projects covered under Adopted Reimbursement Resolutions
- 3) Invest remaining bond proceeds in SNAP until HRTAC authorizes payments for eligible projects

Revenue Distribution Waterfall Post Bond Issuance

When the monthly HRTF revenues transfer/deposit is received (Sales & Use Tax and Fuels Tax), HRTAC will distribute the funds in accordance with the HRTAC HRTF Series 2018A Master Indenture 'Waterfall' as follows:

- 1) Debt Service Funds
- 2) Debt Service Reserve Funds (if any)
- 3) Rebate Fund (if necessary)
- 4) Interest Payment
- 5) Operating Account
- 6) Operating Reserve Account
- 7) General (remainder)

**HAMPTON ROADS TRANSPORTATION FUND REVENUE
BONDS
POST-ISSUANCE BOND COMPLIANCE POLICY
(Adopted April 19, 2018)**

This policy summarizes the federal law regulatory compliance responsibilities of the Hampton Roads Transportation Accountability Commission (the “Commission”) with regard to its tax-exempt bond issues. These responsibilities consist of compliance with (1) federal income tax regulations relating to the use and investment of bond proceeds, and (2) federal securities regulations relating to continuing disclosure to the market.

This policy is formulated to address, in a summary fashion, the assignment of general categories of responsibilities, and to specify the frequency of review and required duration of recordkeeping for each item. A more specific checklist to be used in connection with each individual bond issue is attached as Exhibit A to this document. Any questions that arise as to non-routine matters should be addressed to bond counsel. Each specific category of tasks should be assigned to one responsible department or individual.

Because most bond issues remain outstanding for long periods of time, and the possibility of IRS audit exists throughout the term of each bond issue, each individual or department with responsibilities under this policy should develop a plan detailing the steps that will be taken to transfer responsibilities and accumulated knowledge to successor personnel. Further, Commission record retention policies should be applied to bond-related materials with the recognition that tax regulations require the retention of most records relating to tax-exempt bond issues for the life of the bonds, including the life of any bonds that refund such bonds, plus 3 years. See “Record Retention,” see Section XVI below, for more detail.

Allocation of Bond Proceeds

The Treasury Regulations set forth detailed allocation and accounting rules relating to the allocation of bond proceeds to expenditures. Allocations should reflect, among other things, compliance with the various rules that qualify uses of funds for temporary periods (i.e., periods during which unspent funds are not subject to yield restriction) and other limitations on expenditures.

Responsibility for this category: Executive Director

<i>Task</i>	<i>Responsible Party</i>	<i>Frequency of Review</i>
Prepare and maintain an expenditure summary showing the date, amount and purpose of each expenditure from bond proceeds, and including copies of all requisitions or advance certificates. (Expenditures should reflect compliance with limitations set forth in issue-specific non-arbitrage certificates in bond transcripts.)	_____	Monthly during draw-down periods
Request that bond counsel prepare reimbursement resolutions for projects to be financed with tax-exempt bond proceeds in the near future.	_____	Issue-specific ¹
If a reimbursement resolution has been adopted, bond proceeds can be used to reimburse expenditures made up to 60 days before the resolution date, and the bonds must be issued and proceeds allocated to each expenditure within 18 months after the later of (i) the date of the first expenditure to be reimbursed or (ii) the placed in service date of the project, but in no event later than three years after the expenditure was paid.	_____	Issue-specific
Bond proceeds for capital projects should be spent consistently with the “3-year temporary period” rule, meaning that (i) the project moves forward with diligence after closing, (ii) the Commission incurs within six months after closing a substantial binding obligation to a third party to expend at least 5 percent of the bond proceeds on the project, and (iii) all bond proceeds are expended on the project within 3 years after the date of issuance of the bonds.	_____	Issue-specific

¹ Also refer to Exhibit A for bond issue-specific items.

Investment of Bond Proceeds

Bond proceeds that are not immediately spent are regarded as “nonpurpose investments” while held in reserve, or until they are spent and allocated to expenditures in the manner described above. The yield on a nonpurpose investment must be restricted unless the type of investment qualifies for a “temporary period” during which such restriction is not required. In order to prevent artificially depressing yield, nonpurpose investments must be purchased at fair market value. In addition, any arbitrage that the Commission in fact earns, even during a temporary period or in a reasonably required reserve fund, must be rebated to the federal government, unless an exception to rebate applies.

Responsibility for this category: Executive Director

<i>Task</i>	<i>Responsible Party</i>	<i>Frequency of Review</i>
Avoid the formal or informal creation of funds reasonably expected to be used to pay debt service on bonds without determining in advance whether such funds must be invested at restricted yield. (Such funds may be deemed to be “replacement proceeds” of the bonds, which are subject to yield restriction requirements.)	_____	Semi-annual
Prepare and maintain a summary of investment transactions in order to assist with arbitrage rebate compliance analysis.	_____	Quarterly
Obtain computation of the “yield” of the bonds and establish a procedure to track the return on invested bond proceeds.	_____	Issue-specific
Monitor compliance with “temporary period” expectations for spending bond proceeds (e.g., three years for a construction fund)	_____	Issue-specific
When required, provide for yield restriction of investments, or “yield reduction payments” if restrictions cannot be met.	_____	Issue-specific
Monitor compliance with 6-month, 18-month, or 24-month spending exceptions to rebate requirement, including percentage milestones required by the Treasury Regulations.	_____	Issue-specific
Engage an outside arbitrage rebate consultant to prepare computations of rebate liability and, if rebate is payable, timely file Form 8038-T and pay the amount of rebate that is due. (Rebate is ordinarily due at 5-year intervals.)	_____	Issue-specific
Maintain the special records required to establish that certain investments (e.g., guaranteed investment contracts, certificates of deposit, defeasance escrows) are purchased at fair market value; this may include the requirement of receiving multiple bids.	_____	Issue-specific

Use of Bond Financed Facilities

Property financed with tax-exempt bond proceeds generally must be used for governmental purposes and not used for, secured or paid by, or leased to any private trade or business. However, a *de minimis* amount of private use (no more than 10%) is allowed in most circumstances, as is use by the general public. In addition, no more than 5% of proceeds of bonds allocated to private use may be used in connection with private business use that is unrelated or disproportionate to the governmental use financed by the issue. Service contracts, management contracts and other arrangements may be maintained with private or federal government entities without implicating private use so long as certain regulatory safe harbors are met or the contract is reviewed and approved by bond counsel.

Responsibility for this category: Executive Director

<i>Task</i>	<i>Responsible Party</i>	<i>Frequency of Review</i>
Establish internal processes for tracking which outstanding bond issues financed which facilities and in what amounts.	_____	Annual
Make periodic reviews to ensure there is no more than 10% in aggregate amount of bond-financed facilities that can be attributed to private use or special legal entitlements (arrangements comparable to the conveyance of priority rights to use bond-financed facilities) involving private entities or federal government users (other than the <i>de minimis</i> allowable amount).	_____	Annual
Consult with bond counsel in making periodic reviews of service, management, and other contracts to ensure continuing compliance with regulatory safe harbors.	_____	Annual
Ensure that no more than 5% of the proceeds of governmental bonds allocated to private use are used in connection with private business use that is unrelated or disproportionate to the government use financed by the issue.		Annual
Promptly consult with bond counsel as to any possible change of use or private use of bond-financed facilities. "Remedial action" for such "change of use" may require redemption or defeasance of bonds or expenditures for other qualified purposes within specified time periods.	_____	As events arise

Changes in Terms

Proposed changes to the terms of tax-exempt bonds must be carefully scrutinized to determine if the changes cause the bonds to be “reissued” for federal income tax purposes. Avoiding a reissuance is often important in order to avoid the application of subsequent, often more restrictive, changes in law and tax-exempt bond eligibility requirements, and the requirements of filing a new IRS Form 8038-G, obtaining an arbitrage rebate report and in some cases obtaining new public approvals.

Responsibility for this category: Executive Director

<i>Task</i>	<i>Responsible Party</i>	<i>Frequency of Review</i>
Consult with bond counsel before engaging in post-issuance credit enhancement transactions or hedging transactions.	_____	Issue-Specific
Identify any post-issuance changes to the terms of the bonds that could be treated as a tax reissuance, such as changes in yield in an amount greater than 25 basis points, material deferral of scheduled debt service payments, including extensions of maturities, and changes in obligor or security that affect payment expectations.	_____	Issue-Specific

Record Retention

Responsibility for this category: Executive Director

<i>Task</i>	<i>Responsible Party</i>	<i>Frequency of Review</i>
Keep all closing transcripts prepared by bond counsel, including a copy of each filed IRS Form 8038-G; and maintain general records relating to each bond issue for the life of the issue (plus any refunding of the issue) plus three years.	_____	Issue- Specific
Maintain all special records required by the safe harbors for investment contracts or defeasance escrows.	_____	Issue-Specific
Maintain records of identification on the Commission’s books and records of any “qualified hedge” contract.	_____	Issue-Specific

Continuing Disclosure Requirements

Securities regulations applying to publicly issued bonds, and in many cases loan covenants in private placements, require continuing disclosure obligations.

Responsibility for this category: Executive Director

<i>Task</i>	<i>Responsible Party</i>	<i>Frequency of Review</i>
<p>Manage preparation and dissemination of required annual disclosures of financial and operational information, including:</p> <ul style="list-style-type: none"> (a) Audited financial statements of the Commission; and (b) Updated operating data of the type described in the Official Statement for the Series 2018A Bonds in (i) Table I: "Historical Hampton Roads Transportation Fund Revenues," (ii) Appendix E, Table 1: "HRTF Revenues Fiscal Year 2014 to Date," (iii) Appendix E, Table 2: "Hampton Roads Transportation Fund (HRTF) Revenues and Expenditures," and (iv) Appendix E, Table 3: "Hampton Roads Transportation Fund (HRTF) Transportation Project Expenditures." 	_____	Annual
<p>Review required event notices list (applicable events must be disclosed on EMMA no more than ten (10) business days after their occurrence):</p> <ul style="list-style-type: none"> (a) Principal and interest payment delinquencies; (b) Non-payment related defaults, if material; (c) Unscheduled draws on any debt service reserves maintained with respect to the bonds, reflecting financial difficulties; (d) Unscheduled draws on any credit enhancement maintained with respect to the bonds, reflecting financial difficulties; (e) Substitution of credit or liquidity providers, or their failure to perform; (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the bonds; (g) Modifications to rights of bondholders, if material; (h) Bond calls, if material, and tender offers; (i) Defeasance of all or any portion of the bonds; (j) Release, substitution, or sale of property securing repayment of the bonds, if material; (k) Rating changes; (l) Bankruptcy, insolvency, receivership or similar event of the issuer; (m) Consummation of a merger, consolidation, or acquisition involving the issuer or the sale of all or substantially all of the assets of the issuer, other than in the ordinary course of business, or the entry into a definitive agreement to undertake such a transaction; and (n) Appointment of a successor or additional bond trustee or the change of name of a trustee, if material. 	_____	As events arise

Voluntary Disclosure

If the Commission chooses to provide information to the market beyond what is specifically required by its continuing disclosure obligations (discussed above), all releases of information which can be expected to reach the bond market must be in compliance with the anti-fraud rules under the Securities Exchange Act (“Rule 10b-5”) (i.e., the information that is provided must not be materially inaccurate or misleading in the context in which it is provided). In addition, disparities in disclosure by a municipal bond issuer to various investors should be minimized, as such disparities can negatively impact market perception of an issuer and can lead to Rule 10b-5 claims. The best course of action is to take steps to assure uniform dissemination of information to the maximum extent practicable, such as through posting of disclosures on the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board.

Responsibility for this category: Executive Director

<i>Task</i>	<i>Responsible Party</i>	<i>Frequency of Review</i>
Designate a municipal bonds investor-relations specialist, responsible for responding to inquiries from market participants.	_____	Annual
Disclosed information should be periodically reviewed to determine whether inconsistent information is being provided through marketing materials, press kits, or Internet sites.	_____	Quarterly
Maintain a record of all contacts with market participants, including contact information and summaries of the questions presented and responses (if any) given. This record should be periodically reviewed and analyzed as to the need to make public releases (EMMA postings) of information to minimize any instances of selective or inconsistent disclosure.	_____	Monthly
All information prepared for public release shall be reviewed by one or more members of the Commission and by counsel.	_____	Issue-Specific

EXHIBIT A

TRANSACTION CHECKLIST

KEY PARTICIPANTS		
	Responsible Department or Individual:	<u>Executive Director</u>
	Bond Counsel:	<u>Kaufman & Canoles</u>
	Trustee:	<u>Wilmington Trust</u>
	Paying Agent:	<u>Wilmington Trust</u>
	Rebate Specialist:	_____
	Dissemination Agent:	_____
	Other:	_____
	Other:	_____

A. TAX LAW REQUIREMENTS	Document Reference	Responsibility
1. General Matters.		
(a) Proof of filing Form 8038-G.		
(b) Any "Significant modification" to bond documents results in reissuance under Treas. Reg. § 1.1001-3 – proof of filing new Form 8038, etc., plus final rebate calculation on pre-modification bonds.		
2. Use of Proceeds		
(a) No private business use arrangement with private entity (includes federal government) beyond permitted <i>de minimis</i> amount, unless cured by remedial action under Treas. Reg. § 1.141-12.		
(i) Sale of facilities.		
(ii) Lease.		
(iii) Nonqualified management contract. Rev. Proc. 97-13.		
(iv) Nonqualified research contract. Rev. Proc. 97-14.		
(v) "Special legal entitlements" (e.g. any other arrangement comparable to the conveyance of priority rights to the use of bond financed facilities)		
(b) Change of use remedial action may consist generally of redemption or defeasance of bonds (with notice of defeasance to IRS). Where disposition is a cash sale, remedial action may be an alternative qualifying use of proceeds. Alternative use must have proof of filing new Form 8038-G, and other "new money" requirements prior to the sale of original facilities.		

3. Arbitrage.		
(a) Rebate. IRC § 148(f).		
(i) First installment of arbitrage rebate (at least 90% of rebate amount) due on fifth anniversary of bond issuance plus 60 days.		
(ii) Succeeding installments (at least 90% of rebate amount) every five years.		
(iii) Final installment (total rebate amount) 60 days after retirement of last bonds of issue.		
(iv) Monitor expenditures prior to semi-annual target dates for six-month, 18-month, or 24-month spending exception to rebate.		
(b) Monitor expenditures generally against date of issuance expectations for three-year temporary period.		
(c) For advance refunding escrows, confirm that any scheduled purchased of State and Local Government Series (SLGs) U.S. Treasury securities are made on the scheduled date.		
4. Record Retention.		
(a) Maintain general records relating to issue for life of issue plus any refunding plus three years.		
(b) Maintain special records required by safe harbor for investment contracts or defeasance escrows. Treas. Reg. § 1.148-5.		
(c) Maintain record of identification on the Commission’s books and records of “qualified hedge” contract. Treas. Reg. § 1.148-4(h)(2)(viii), § 1.148-11a(i)(3) and § 1.148-4(h)(4).		
5. Bond Proceeds Used for Reimbursement. Make any allocations of bond proceeds for reimbursement not later than 18 months after the later of (a) the date the expenditure is paid or (b) the date the Project is placed in service or abandoned, but in no event more than 3 years after the expenditure is paid. Treas. Reg. § 1.150-2.		
B. DISCLOSURE REQUIREMENTS		
1. SEC Rule 15c2-12 Requirements.		
(a) Determine applicability of continuing disclosure undertaking (“CDU”).		
(b) Identification of the Commission as “obligated person” for purposes of Rule-15c2-12.		
(c) Name of Dissemination Agent, if applicable.		

(d) Periodically determine that required CDU filings have been prepared, sent to and received by EMMA.		
(e) Any information required to be provided to EMMA:		
(i) Annual Reports.		
(1) Audited financial statements.		
(2) Historical HRTF Revenues, HRTF Revenues Last Five FYs to Date, HRTF Revenues and Expenditures, and HRTF Transportation Project Expenditures		
(ii) Other information.		
(1) Change of fiscal year.		
(2) Other information specified in CDU.		
(f) Event Disclosure. Notification by the Commission to EMMA, in timely manner, of any following events with respect to bonds, if event is material within the meaning of the federal securities laws:		
(i) Principal and interest payment delinquencies.		
(ii) Non-payment related defaults, if material.		
(iii) Unscheduled draws on any debt service reserves maintained with respect to the bonds, reflecting financial difficulties.		
(iv) Unscheduled draws on any credit enhancement maintained with respect to the bonds, reflecting financial difficulties.		
(v) Substitution of credit or liquidity providers, or their failure to perform.		
(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the bonds.		
(vii) Modifications to rights of bondholders, if material.		
(viii) Bond calls, if material, and tender offers.		
(ix) Defeasance of all or any portion of the bonds.		
(x) Release, substitution or sale of property securing repayment of the bonds, if material.		
(xi) Rating changes.		

(xii) Bankruptcy, insolvency, receivership or similar event		
(xiii) Consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material		
(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material		
(xv) Failure of the Commission on or before the date required by disclosure agreement to provide annual financial and operating information to the persons and in the manner required by any disclosure agreement		
(g) Failure of the Commission to timely file financial information (including audited financial statements) and operating data with EMMA.		
<p>2. Notification to Underwriters of Bonds.</p> <p>Determination of whether bond purchase agreement requires the Commission to notify underwriters for a specified period of time of any fact or event that might cause the official statement to contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.</p>		
3. Information Required to be Filed with Other Entities.		
(a) Trustee or Bondholder.		
(b) Rating Agencies.		
(c) Bond Insurer (if any).		
(d) Credit Enhancer (if any).		
(e) Examples:		
(i) Financial records.		
(1) Annual.		
(2) Quarterly.		
(ii) Budgets.		
(iii) Issuance of additional bonds.		
(iv) Events of default.		
(v) Notices of redemption.		
(vi) Amendments to bond documents.		

<p>4. Local Disclosure. Any Virginia and/or local requirements.</p>		
<p>C. MISCELLANEOUS REQUIREMENTS</p>		
<p>1. Investments. Compliance with permitted investments.</p>		
<p>2. Derivatives. Ongoing compliance with derivatives contracts, including any posting of collateral.</p>		

XV. Investment Policy

STATEMENT OF INVESTMENT POLICY

(Adopted June 16, 2016, Revised December 13, 2018, June 20, 2019,
December 10, 2020, and September 21, 2023)

A. INTRODUCTION

The Hampton Roads Transportation Accountability Commission (“HRTAC” or “Commission”) is a political subdivision of the Commonwealth of Virginia created under §33.2-2601 et seq. of the Code of Virginia. All cash and investment activities shall be conducted in accordance with applicable law, including the Code of Virginia Hampton Roads Transportation Fund (“HRTF”; §33.2-2600 et seq.), Security for Public Deposits Act (“SPDA”; §2.2-4400 et seq.), Investment of Public Funds Act (§2.2-4500 et seq.), and Administration of the Transportation Trust Fund (§33.2-1525), the provisions of any applicable bond resolutions, and this Investment Policy (the “Policy”).

B. SCOPE

This Policy applies to the deposit and investment activities of all funds and monies that are under the Commission’s supervision including, but not limited to, all financial assets and funds related to the HRTF and all financial assets and funds related to the Hampton Roads Regional Transit Fund (“HRRTF”). This Policy does not apply to any monies in trust for the funding of post-employment employee benefits. Funds from all sources related to HRTF may be pooled for investment purposes, and funds from all sources related to HRRTF may be pooled for investment purposes, but all deposits and investments related to the HRRTF shall be fully segregated from the deposits and investments of the HRTF. For the purpose of this Policy, these funds are referred to collectively as the “Investment Portfolio”.

C. OBJECTIVES

All investments and deposits will be managed to accomplish the following fundamental goals:

- **Safety of Principal** - The single most important objective is the preservation of principal of those funds within the Investment Portfolio.
- **Maintenance of Liquidity** - The Investment Portfolio will be managed at all times with sufficient liquidity to meet all projected disbursement needs as well as to fund capital projects and other operational requirements which may reasonably be anticipated.

- **Maximizing Return** - The Investment Portfolio shall be managed so as to maximize the return on investments within the context and parameters set forth by the safety and liquidity objectives above.

D. STANDARD OF PRUDENCE

Public funds held and invested by HRTAC shall be held in trust for the citizens of the member jurisdictions and any investment of such funds shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a 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.

E. DELEGATION OF AUTHORITY

The Commission is responsible for the adoption of the Investment Policy, and must approve any revisions or alterations made to it.

HRTAC's Executive Director shall have responsibility for the operation of the cash management and investment program subject to: the Commission's Policies for the Management of Cash, Bank Accounts, and Credit and Debit Cards; the Commission's Policy Relating to Procurement of Goods and Services, Including Procedures for Small Purchases; this Investment Policy; and other policies adopted by the Commission.

Subject to the approval of the Commission, the Executive Director may engage external investment advisors as defined in this Policy, under Section M. Engagement of Investment Managers, to assist in managing HRTAC's Investment Portfolio and to provide advice on the administration of cash and investment activities.

No member of the Commission, or the Executive Director, or any employee of the Commission acting in accordance with Code of Virginia Section §33.2-1525 shall be personally liable for any loss relating to an investment in the absence of negligence, malfeasance, misfeasance, or nonfeasance.

F. ETHICS AND CONFLICTS OF INTEREST

The Executive Director and any HRTAC staff involved in the cash management and investment processes shall comply with the Code of Virginia Section §2.2-3100 et seq., the State and Local Government Conflict of Interests Act. Specifically, no staff shall:

- a) accept any money, loan, gift, favor, service, or business or professional opportunity that reasonably tends to influence him in the performance of his official duties; or
- b) accept any business or professional opportunity when he knows there is a reasonable likelihood that the opportunity is being afforded to influence him in the performance of his official duties.

The Executive Director and HRTAC staff shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair his ability to make impartial decisions.

G. AUTHORIZED INVESTMENTS

Subject to applicable state laws, federal laws, bond resolutions, and in the case of the LGIP, VIP and Virginia SNAP funds, adoption by the Commission of necessary Resolutions, HRTAC's Investment Portfolio may be invested in the following Authorized Investments. The Executive Director may, but shall not be obligated to, impose additional requirements and restrictions to ensure that HRTAC's goals are met. For all Authorized Investments the "time of purchase" or "date of purchase" shall be interpreted as the transaction settlement date.

1. **U.S. Treasury Obligations.** Bills, notes and any other obligation or securities issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of five (5) years from the time of purchase.
2. **Federal Agency/Government Sponsored Enterprise Obligations.** Bonds, notes and other obligations of the United States, and securities guaranteed by any federal government agency or instrumentality or government sponsored enterprise, with a rating of at least "AA" (or its equivalent) by at least two of the following NRSROs: Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P"), or Fitch Ratings, Inc. ("Fitch"). The final maturity shall not exceed a period of five (5) years from the time of purchase. Any investment in mortgage backed securities or collateralized mortgage obligations shall have a weighted average life that does not exceed five (5) years from the time of purchase.
3. **Municipal Obligations.** Bonds, notes and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, with a rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody's, or Fitch, matures within three (3) years of the date of purchase, and otherwise meets the requirements of Code of Virginia §2.2-4501.
4. **Commercial Paper.** "Prime quality" commercial paper, with a maturity of 270 days or less from the date of purchase, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch, and that otherwise meets the requirements of Code of Virginia §2.2-4502.
5. **Bankers' Acceptance.** Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating from at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch.

6. **Corporate Notes.** High quality corporate notes with a final maturity from the time of purchase of five (5) years or less and that meet the following requirements:
 - a. Notes with maturities of no more than three (3) years from the time of purchase shall have received at least two of the following ratings: A by S&P, A by Moody's, or A by Fitch.
 - b. Notes with maturities of no more than five (5) years from the time of purchase shall have received at least two of the following ratings: AA by S&P, Aa by Moody's, or AA by Fitch.
7. **Negotiable Certificates of Deposit and Bank Deposit Notes.** Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks that meet the following requirements:
 - a. Notes with maturities or no more than one (1) year from the time of purchase shall have received at least two of the following ratings: A-1 by S&P, P-1 by Moody's, or F1 by Fitch.
 - b. Notes with maturities exceeding one year and not exceeding five (5) years from the time of purchase shall have received at least two of the following ratings: AA by S&P, Aa by Moody's, or AA by Fitch.
8. **Bank Deposits and Non-Negotiable Certificates of Deposit.** Demand deposits, time deposits, and other deposits that comply with all aspects of SPDA or with §2.2-4518 with a final maturity no more than two (2) years.
9. **Repurchase Agreements.** In overnight repurchase agreements provided that the following conditions are met:
 - a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as described in paragraphs 1 and 2 above, including the maximum maturity of three (3) years, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
 - b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
 - c. the securities are free and clear of any lien and held by an independent third-party custodian acting solely as agent for HRTAC, provided such third party is not the seller under the repurchase agreement;
 - d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the City;
 - e. the counterparty is a:
 - i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
 - ii. a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and

- f. the counterparty meets the following criteria:
 - i. a long-term credit rating of at least 'AA' or the equivalent from an NRSRO.
 - ii. has been in operation for at least 5 years, and
 - iii. is reputable among market participants.

- 10. **Money Market Mutual Funds (Open-Ended Investment Funds).** Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least AAAM or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the Code of Virginia for political sub-divisions.
- 11. **Local Government Investment Pool (LGIP).** A specialized commingled investment program that operates in compliance with Government Accounting Standards Board's Statement 79 ("GASB 79) that was created in the 1980 session of the General Assembly (Code of Virginia §2.2-4700 et seq.) designed to offer a convenient and cost-effective investment vehicle for public funds. The LGIP is administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAM by Standard & Poor's.
- 12. **Virginia State Non-Arbitrage Program's (Virginia SNAP) SNAP Fund.** A specialized commingled investment program that operates in compliance with GASB 79 and that was authorized by the Government Non-Arbitrage Act in 1989 (Code of Virginia §2.2-4700 et seq.). Virginia SNAP and the SNAP Fund are administered by the Treasury Board of the Commonwealth of Virginia. Virginia SNAP offers several investment options, including the SNAP Fund, and arbitrage rebate reporting services that are specifically designed for the investment of tax exempt bond proceeds.

H. PORTFOLIO DIVERSIFICATION

The Investment Portfolio shall be diversified by security type and institution. The maximum percentage of the portfolio permitted in each eligible security is as follows:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency/GSE Obligations	100%	35%
Municipal Obligations	15%	5%
Commercial Paper	35%	5%
Bankers' Acceptances	35%	5%
Corporate Notes	25%	5%
Negotiable Certificates of Deposit and Bank Deposit Notes	25%	5%
Bank Deposits and Non-Negotiable Certificates of Deposit	100%	100%
Repurchase Agreements	25%	25%

Money Market Mutual Funds	25%	25%
LGIP	100%	100%
Virginia SNAP-SNAP Fund (Proceeds of Tax Exempt Bonds Only)	100%	100%

I. MAXIMUM MATURITY

Maintenance of adequate liquidity to meet HRTAC’s cash flow needs is essential. Accordingly, to the extent possible, the Investment Portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Whenever practical, selection of investment maturities will be consistent with known cash requirements in order to minimize the potential for a forced sale of securities in order to provide cash for disbursement needs.

To manage market value volatility, the duration and/or weighted average maturity of the total Investment Portfolio shall not exceed two (2) years.

J. SECURITY DOWNGRADES

In the event that any authorized investment held in the Investment Portfolio is downgraded below the minimum credit rating requirement established in Section G of this policy, the Executive Director shall be notified immediately and the downgraded security shall be liquidated in 30 days unless the Commission authorizes otherwise.

K. INVESTMENT OF BOND PROCEEDS

HRTAC intends to comply with all applicable sections of the Internal Revenue Code relating to Arbitrage Rebate and the investment of bond proceeds. All investment records will be maintained to ensure compliance with all regulations.

L. SELECTION OF BROKER/DEALERS

The Executive Director will maintain a list of broker/dealers that are approved for investment purposes. All broker/dealers who desire to provide investment services will be provided with current copies of the HRTAC’s Investment Policy. Before an organization can provide investment services to HRTAC, it must confirm in writing that it has reviewed the Investment Policy and will not recommend or sell to HRTAC any security that is in conflict with the Policy.

At the request of the Executive Director, broker/dealers will supply HRTAC with information sufficient to adequately evaluate their financial capacity and creditworthiness. The following information will be provided:

- 1) Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- 2) Proof of Financial Institution Regulatory Authority (“FINRA”) certification

- 3) Proof of state registration;
- 4) Certification of having read and understood and agreeing to comply with the HRTAC's investment policy;
- 5) Evidence of adequate insurance coverage;
- 6) A sworn statement by an authorized representative of the broker/dealer pledging to adhere to "Capital Adequacy Standards" established by the Federal Reserve Board and acknowledging the broker/dealer understands that the HRTAC has relied upon this pledge; and
- 7) any additional information requested by the Executive Director in evaluating the creditworthiness of the institution.

Only firms meeting the following requirements will be eligible to serve as broker/dealers for HRTAC:

- 1) "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- 2) Capital of at least \$10,000,000;
- 3) Registered as a dealer under the Securities Exchange Act of 1934;
- 4) Member of the Financial Institution Regulatory Authority ("FINRA");
- 5) Registered to sell securities in the Commonwealth of Virginia; and
- 6) Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.

If an external third-party Investment Manager is engaged, the Executive Director may designate that Investment Manger to maintain a list of approved broker/dealers.

M. ENGAGEMENT OF INVESTMENT MANAGERS

HRTAC may engage one or more qualified firms to provide investment management services. All investment management firms who desire to provide investment services to HRTAC will be provided with current copies of the Investment Policy. Before an organization can provide investment services to HRTAC, it must confirm in writing that it has reviewed the Investment Policy and will not purchase for HRTAC any security that, at the time of purchase, is in conflict with the Policy.

Only firms meeting the following requirements will be eligible to serve as investment manager for HRTAC:

- 1) Registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940;
- 2) Must provide to HRTAC an annual updated copy of Form ADV, Part II;
- 3) Must be registered to conduct business in the Commonwealth of Virginia; and
- 4) Must have proven experience in providing investment management services under Code of Virginia §2.2-4500 et seq.

Any firm engaged by HRTAC to provide investment services shall:

- 1) Maintain a list of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment services in the Commonwealth of Virginia;
- 2) Provide monthly reports of transactions and holdings to the Executive Director;
- 3) Provide quarterly performance reports that display investment performance in comparison to HRTAC's investment benchmarks;
- 4) Upon request must show that it has solicited at least three bids for any security purchased or sold on behalf of HRTAC; and
- 5) Not collect any soft dollar fees from any broker/dealer or other financial firm in relation to services provided to HRTAC.

N. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

All securities purchases and sales will be transacted only with designated broker/dealers through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers, taking into consideration current market conditions. Electronic bids will be accepted. HRTAC or its Investment Manager will accept the bid which: (a) offers the highest rate of return within the maturity required and (b) optimizes the investment objective of the overall Investment Portfolio, including diversification requirements. When selling a security, the bid will be selected that generates the highest sale price, consistent with the diversification requirements.

O. SAFEKEEPING AND CUSTODY

All investment securities purchased by or for HRTAC shall be held by a third-party custodial agent that may not otherwise be counterparty to the investment transaction. The custodial agent shall annually provide a copy of its most recent Statement on Standards for Attestation Engagements (SSAE) No. 16 report.

All securities in HRTAC's Investment Portfolio will be held in the name of HRTAC and will be free and clear of any lien. Further, all investment transactions will be conducted on a delivery-vs.-payment basis. On a monthly basis, the custodial agent will provide reports that list details of all securities held for HRTAC including CUSIP, original cost, and market value as of month-end.

Original copies of non-negotiable certificates of deposit and confirming copies of all other investment transactions must be delivered to HRTAC or its custodial agent.

P. VERIFICATION OF DEPOSITS

The Executive Director shall regularly verify that all bank deposits are held in compliance with the SPDA and related guidelines. On an annual basis, the Executive Director shall require all depositories to confirm that all bank accounts are being held as Public Deposits as defined by Code of Virginia 2.2-4401 and shall require all depositories to continue to provide monthly account reports. On a quarterly basis, the Executive Director shall utilize the Public Fund Accounts system provided on the Department of the Treasury's website to confirm that all quarter-end bank account balances are being reported as Public Deposits. The Executive Director

shall report any discrepancies identified during the quarterly verification to the Treasurer of the Commonwealth of Virginia.

Q. RECORDS AND REPORTS

The Executive Director will review an investment performance report on at least a quarterly basis as provided by external investment managers and pooled investment programs. The Executive Director shall report investment performance to the Commission on a quarterly basis.

In addition to quarterly performance reports, monthly reports of balances and holdings shall be provided to the Commission. The reports shall consist of a summary of cash and investments by depository and manager and a listing of all investments.

R. PERFORMANCE STANDARDS

The Investment Portfolio will be designed to obtain at least a market level rate of return, given budgetary and economic cycles, commensurate with HRTAC's risk tolerances and cash flow needs. HRTAC's portfolio management approach will be active, allowing periodic restructuring of the Investment Portfolio to take advantage of current and anticipated interest rate movements.

The returns on the Investment Portfolio will be compared on a quarterly basis to indices of U.S. Treasury securities having similar maturities or to other appropriate benchmarks as selected by the Executive Director. For funds having a weighted average maturity greater than 90 days, performance will be computed on a total return basis.

S. INVESTMENT POLICY ADOPTION

This policy is enacted by the Hampton Roads Transportation Accountability Commission, this 16th day of June, 2016, and was revised by the Hampton Roads Transportation Accountability Commission on the 13th day of December, 2018 the 20th day of June, 2019, the 10th day of December 2020 and the 21st day of September 2023. This policy with revised changes will become effective September 21, 2023.

Glossary of Terms

Bankers' Acceptance: a draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Benchmark: a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Broker: brings buyers and sellers together for a commission.

Certificate of Deposit (CD): a time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

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.

Commercial Paper: An unsecured promissory note with a fixed maturity no longer than 270 days. Public offerings are exempt from SEC regulation.

Corporate Notes: Unsecured promissory notes issued by corporations to raise capital.

Dealer: acts as a principal in all transactions, buying and selling for his own account.

Debenture: a bond secured only by the general credit of the issuer.

Delivery versus Payment: delivery of securities with an exchange of money for the securities. (See also "Delivery versus Receipt")

Delivery versus Receipt: delivery of securities with an exchange of a signed receipt for the securities. Also known as "free" delivery. (See also "Delivery versus Payment").

Diversification: allocation investment funds among a variety of securities offering independent returns.

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, also referred to as Government Sponsored Enterprises or GSEs. The largest are Ginnie Mae, Fannie Mae, Freddie Mac, Federal Home Loan Banks, Federal Farm Credit Bank, Tennessee Valley Authority.

Federal 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: the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open – market operations.

Liquidity: the ability of ease with which an asset can be converted 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 transacted at those quotes.

Market Value: the price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement: a written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

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

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency which issues credit ratings that the U.S. Securities and Exchange Commission (the "SEC") permits other financial firms to use for certain regulatory purposes. Several examples include Moody's Investor Service, Standard & Poor's and Fitch Ratings.

Portfolio: collection of securities held by an investor.

Primary Dealer: a group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

Rate of Return: the yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (RP or REPO): a agreement under which the holder of securities sells these securities to an investor with a commitment to repurchase the securities at a fixed price on a fixed date. The security's "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.

Safekeeping: a service rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank for protection.

SEC Rule 15C3-1: see "Uniform Net Capital Rule".

Securities and Exchange Commission ("SEC"): agency created by Congress to protect investors in securities transactions by administering securities legislation.

Treasury Bills: a non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

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 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 from two to 10 years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: the rate of annual income return on an investment, expressed as a percentage. Income/current yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

XVI. Fiscal Policy Statements

1. All cash accounts owned by HRTAC will be held in financial institutions which are insured by the FDIC.
2. All capital expenditures which exceed five thousand dollars (\$5,000) will be capitalized.
3. No salary advances will be made under any circumstances.
4. Reimbursements will be paid upon complete expense reporting and approval using the official HRTAC Reimbursement form. Reimbursements to the Executive Director will be authorized by the Commission Chair.
5. The Executive Director, CFO and two designated Commission members are the signatories on HRTAC's bank accounts. All disbursements require a second signature by an authorized Commission or staff member. Each set of signatures must be either the Executive Director or CFO, AND one of the two Commission members.
6. Bank statements will be reconciled monthly and all statements will be given to the CFO for review.
7. Accounting and personnel records will be kept in locked file cabinets in the finance department or human resources department and only parties with financial and/or HR responsibilities will have access.

XVII. Records Retention

1. **Purpose.** The purpose of this policy is to ensure that the Hampton Roads Transportation Accountability Commission (“HRTAC”) is compliant with federal and state requirements for records retention.
2. **General.** The Virginia Public Records Act (Code of Virginia §§ 42.1-76 et seq.) defines public records: “Public record” or “record” means recorded information that documents a transaction or activity by or with any public officer, agency or employee of an agency. Regardless of physical form or characteristic, the recorded information is a public record if it is produced, collected, received or retained in pursuance of law or in connection with the transaction of public business. The medium upon which such information is recorded has no bearing on the determination of whether the recording is a public record.
3. **Specific Requirements of Policy.** HRTAC documents shall be maintained for the periods indicated in the schedules adopted by the Library of Virginia in accordance with the Public Records Act.
4. **Electronic Records.** Electronic records will be handled as if they were paper documents. If there is sufficient reason to keep an email message, the message should be printed in paper copy and kept in the appropriate file or moved to an “archive” computer file folder.
5. **Safekeeping.** The Executive Director shall designate a staff member with responsibility for compliance with this policy. HRTAC documents shall be maintained in a safe, and secure, and accessible manner. Electronic files will be backed up as needed.
6. **Destruction of Documents.** Financial and employee related documents will be destroyed by shredding. Document destruction will be suspended immediately upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.

XVIII. Federal Programs Manual

Introductions

This manual sets forth the policies and procedures used by the Hampton Roads Transportation Accountability Commission (the Commission) to administer federal funds and funds provided through federal loan proceeds such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program. This manual contains the internal controls and Federal programs standards established under 2CFR 200 and used by the Commission to ensure that all federal funds are lawfully expended. Employees of the Commission are expected to review this manual to gain familiarity and understanding of the Commission's rules and practices.

Conflict of Interest (2CFR 200.112)

The Commission will disclose in writing any potential conflict of interest to the federal awarding agency or pass-through entity in accordance with applicable federal awarding agency policy. A conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the Commission may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts

Financial Management System

The Commission maintains a proper financial management system to receive Federal programs proceeds and to expend funds associated with such loan. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in actions that could include return of funds or termination of the loan.

Financial Management Standards (2CFR 200.302)

The standards for financial management systems are found in 2CFR 200.302. The required standards include:

- **Identification**

In its accounts the Commission must identify all federal funds received and expended and the federal programs under which they were received. Federal program and loan identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and the name of the pass-through entity, if applicable.

- **Financial Reporting**

Accurate, current, and complete disclosure of the financial results of each federal loan are made in accordance with the financial reporting requirements set forth in the Government

Accounting Standards Board (GASB) on the Schedule of Expenditures of Federal Awards (SEFA), and in accordance with Generally Accepted Accounting Principles (GAAP).

- **Accounting Records**

The Commission maintains records which adequately identify the source and application of funds provided for federally-assisted activities. These records contain information pertaining to federal loans, authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.

- **Internal Controls**

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The Commission must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

"Internal controls" are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance property and money is spent in accordance with the Federal programs agreement and to further the selected objectives; and
- Compliance with applicable laws and regulations.

- **Budget Control**

Actual expenditures or outlays are compared with budgeted amounts for each federal award.

- **Cash Management**

The commission has written procedures in the Accounting Manual to implement the cash management requirements found in 2 CFR 200.302 and 2 CFR 200.305.

- **Allowable Costs**

The Commission has adopted and will adhere to 2 CFR 200, Subpart E – Cost Principles (see attached).

Overview of the Financial Management/Accounting System

The Commission uses Denali fund accounting software. Purchase orders are created and tracked in Word and Excel, respectively. Capital assets are tracked on an Excel spreadsheet. The budget is developed in excel and monitored by the Executive Director. For identifying Federal programs awards, expenditures are identified in Denali by general ledger number and fund.

The Accounting Manager is responsible for compiling the SEFA, which is reviewed by the Senior Accounting Manager.

Accounting Records

The accounts of the Commission are organized on the basis of funds, 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, which comprise of assets, liabilities, fund balances, revenues, and expenditures.

Spending Federal Funds

The Commission has adopted and will adhere to 2 CFR 200, Subpart E – Cost Principles (see attached).

Determining Allowability of Costs

The Commission has adopted and will adhere to 2 CFR 200, Subpart E – Cost Principles (see attached).

Federal Cash Management Policy/Procedures (2CFR 200.305)

The Commission will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the Commission, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the Commission receives Federal programs funds on a reimbursement basis.

However, if the Commission receives an advance in Federal programs funds, then the Commission will remit interest earned on the advanced payment quarterly to the federal agency. The Commission may retain interest amounts up to \$500 per year for administrative expenses. 2CFR 200.305(b)(9)

Payment Methods

Reimbursements: The Commission will initially pay expenditures with nonfederal funds and then request reimbursement from the Federal programs. All reimbursements are based on actual disbursements, not on obligations.

Consistent with state and federal requirements, The Commission will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for review upon request.

Reimbursements of actual expenditures do not require interest calculations.

Timely Obligation of Funds

When Obligations are Made

Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the Commission during the same or a future period. 34 CFR 200.71

The following table illustrates when funds are determined to be obligated under federal regulations:

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which the Commission makes a binding written commitment to acquire the property
Personal services by an employee of the Commission	When the services are performed
Personal services by a contractor who is not an employee of the Commission	On the date which the Commission makes a binding written commitment to obtain the services
Public utility services	When the Commission receives the services
Travel	When the travel is taken
Rental of Property	When the Commission uses the property

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. (2 CFR 200.309) This period of time is known as the period of performance. (2 CFR 200.77) The period of performance is dictated by statute and will be indicated in the Federal programs agreement.

Procurement System

The Commission maintains a Procurement Policy consistent with Virginia Public Procurement Act (VPPA). The following is a recap of the Commission's procurement policy and additional requirements for purchases using TIFIA fund.

Responsibility for Purchasing

For all purchases greater than \$5,000 the Commission requires the usage of a Purchase Order. All purchase orders are maintained and issued by the Procurement Associate. When the Procurement Associate receives the Purchase Approval Form with the Executive Director and Chief Financial Officer's signatures a purchase order will be cut and emailed to the vendor and requesting person. A copy of the purchase order is sent to accounts payable personnel for when the invoice is received.

For all purchases under \$5,000 approved personnel have the authority to purchase necessary goods and services with the Executive Director's final approval when the invoice is received.

General Procurement Standards (2CFR 200.318)

- (a) The Commission uses its own documented procurement procedures located in the Accounting Manual which reflect applicable state and local regulations, provided that the procurements conform to applicable federal law and the standards identified in this part.

- (b) The Commission maintains oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- (c)(1) No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the Commission may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the Commission.
- (c)(2) Does not apply. The Commission does not have a parent, affiliate, or subsidiary organization.
- (d) The Commission avoids acquisition of unnecessary or duplicate items. Consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.
- (e) When applicable, the Commission will enter into state and local intergovernmental agreements for procurement or use common or shared goods and services. Competition requirements will be met with applied to documented procurement actions using strategic sourcing, shared services, and other similar procurement arrangements.
- (f) The Commission will use federal and state excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.
- (g) When applicable, the Commission will use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the over lower cost.
- (h) Contracts will only be awarded to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- (i) Sufficient records will be kept to detail the history of the procurement. These records will include, but are not limited to, the following: Rational for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- (j) The Commission will not use a time-and-materials type contract.
- (k) The Commission will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the Commission of any contractual responsibilities under its contracts. The federal awarding agency will not substitute its judgement for that of the Commission unless the matter is primarily a federal concern. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Competition (2CFR 200.319)

(a) All procurement transactions for the acquisition of property or services required under a federal award will be conducted in a manner providing full and open competition consistent with the standards of this section and 2CFR 200.320.

(b) In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurement. Some of the situations considered to be restrictive of competition include but are not limited to:

- 1) Placing unreasonable requirements on firms in order for them to qualify to do business;
- 2) Requiring unnecessary experience and excessive bonding;
- 3) Noncompetitive pricing practices between firms or between affiliated companies;
- 4) Noncompetitive contracts to consultants that are on retainer contracts;
- 5) Organizational conflicts of interest;
- 6) Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and
- 7) Any arbitrary action in the procurement process.

(c) The Commission will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

(d) The Commission has written procedures for procurement transactions. These procedures ensure that all solicitations:

- 1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and
- 2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

(e) The Commission will ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure

maximum open and free competition. Also, the Commission will not preclude potential bidders from qualifying during the solicitation period.

Methods of procurement to be followed (2CFR 200.320)

The Commission will use one of the following methods of procurement:

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (\$500). To the extent practicable, the Commission must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the Commission considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold (\$100,000). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) For sealed bidding to be feasible, the following conditions should be present:

- i. A complete, adequate, and realistic specification or purchase description is available;
- ii. Two or more responsible bidders are willing and able to compete effectively for the business; and
- iii. The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

- i. Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;
- ii. The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services for the bidder to properly respond;
- iii. All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
- iv. A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
- v. Any or all bids may be rejected if there is a sound documented reason.

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- 1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
- 2) Proposals must be solicited from an adequate number of qualified sources;
- 3) The Commission must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;
- 4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and
- 5) The Commission may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(e) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- 1) The item is available only from a single source;
- 2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- 3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the Commission; or
- 4) After solicitation of several sources, competition is determined inadequate.

Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms. (2CFR 200.321)

c) The Commission must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

d) Affirmative steps must include:

Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

6) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;

7) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;

- 8) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
- 9) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- 10) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of this section.

Domestic preferences for procurements (2CFR 200.322)

- (d) To the greatest extent practicable under a federal award, the Commission will provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States. The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under Federal programs.
- (e) For purposes of this section:
 - 1) "Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
 - 2) "Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

Procurement of recovered materials (2CFR 200.323)

The Commission is a political subdivision of a state and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

Contract cost and price (2CFR 200.324)

- (a) The Commission will perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the Commission will make independent estimates before receiving bids or proposals.
- (b) The Commission will negotiate profit as a separate element of the price for each contract in which there is no price competition and, in all cases, where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work

to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

(c) Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the Commission under Subpart E—Cost Principles of this part. The Commission may reference its own cost principles that comply with the Federal cost principles.

(d) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

Federal awarding agency or pass-through entity review (2CFR 200.325)

(a) The Commission will make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements where the Federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the Commission desires to have the review accomplished after a solicitation has been developed, the Federal awarding agency or pass-through entity may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

(b) The Commission will make available upon request, for the Federal awarding agency or pass-through entity pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:

- 6) The Commission's procurement procedures or operation fails to comply with the procurement standards in this part;
- 7) The procurement is expected to exceed the Simplified Acquisition Threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation;
- 8) The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a "brand name" product;
- 9) The proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or
- 10) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.

(f) The Commission is exempt from the pre-procurement review in paragraph (b) of this section if the Federal awarding agency or pass-through entity determines that its procurement systems comply with the standards of this part.

- 3) The Commission may request that its procurement system be reviewed by the Federal awarding agency or pass-through entity to determine whether its system meets these standards for its syst to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third-party contracts are awarded on a regular basis;

- 4) The Commission may self-certify its procurement system. Such self-certification must not limit the Federal awarding agency's right to survey the system. Under a self-certification procedure, the Federal awarding agency may rely on written assurances from the Commission that it is complying with these standards. The Commission must cite specific policies, procedures, regulations, or standards as following these requirements and have its system available for review.

Bonding requirements (2CFR 200.326)

For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the Federal awarding agency or pass-through entity may accept the bonding policy and requirements of the Commission provided that the Federal awarding agency or pass-through entity has decided that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:

- (a) A bid guarantee from each bidder equivalent to five percent of the bid price. The “bid guarantee” must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.
- (b) A performance bond on the part of the contractor for 100 percent of the contract price. A “performance bond” is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
- (c) A payment bond on the part of the contractor for 100 percent of the contract price. A “payment bond” is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

2 CFR 200, Subpart E – Cost Principles Attachment Follows as OMB Guidance Pages 135-176

XVIIV. Glossary of Terms

Bankers' Acceptance: a draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Benchmark: a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Broker: brings buyers and sellers together for a commission.

Certificate of Deposit (CD): a time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

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.

Commercial Paper: An unsecured promissory note with a fixed maturity no longer than 270 days. Public offerings are exempt from SEC regulation.

Corporate Notes: Unsecured promissory notes issued by corporations to raise capital.

Dealer: acts as a principal in all transactions, buying and selling for his own account.

Debenture: a bond secured only by the general credit of the issuer.

Delivery versus Payment: delivery of securities with an exchange of money for the securities. (See also "Delivery versus Receipt")

Delivery versus Receipt: delivery of securities with an exchange of a signed receipt for the securities, also known as "free" delivery. (See also "Delivery versus Payment").

Diversification: allocation investment funds among a variety of securities offering independent returns.

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, also referred to as Government Sponsored Enterprises or GSEs. The largest are Ginnie Mae, Fannie Mae, Freddie Mac, Federal Home Loan Banks, Federal Farm Credit Bank, Tennessee Valley Authority.

Federal 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: the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open – market operations.

Liquidity: the ability of ease with which an asset can be converted 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 transacted at those quotes.

Market Value: the price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement: a written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

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

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency which issues credit ratings that the U.S. Securities and Exchange Commission (the “SEC”) permits other financial firms to use for certain regulatory purposes. Several examples include Moody’s Investor Service, Standard & Poor’s and Fitch Ratings.

Portfolio: collection of securities held by an investor.

Primary Dealer: a group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

Rate of Return: the yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (RP or REPO): a agreement under which the holder of securities sells these securities to an investor with a commitment to repurchase the securities at a fixed price on a fixed date. The security’s “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.

Safekeeping: a service rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank for protection.

SEC Rule 15C3-1: see “Uniform Net Capital Rule”.

Securities and Exchange Commission (“SEC”): agency created by Congress to protect investors in securities transactions by administering securities legislation.

Treasury Bills: a non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

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 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 from two to 10 years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: the rate of annual income return on an investment, expressed as a percentage. Income/current yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.