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(4) **Deposits and Investments:** (Continued)

Interest Rate Risk: The Town limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the Town's surplus funds are invested in the Local Government Surplus Trust Fund. Investments held in the Town's Police Officer's Retirement Trust Fund are generally held to maturity to provide a stable investment interest rate platform which is vital to the projection of actuarial pension costs in the future. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Town's bank deposits are held in noninterest-bearing accounts.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Town's portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Concentration of Credit Risk: In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. The Town's policy limits certain type of investments to no more than 5% of the total portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

Custodial Credit Risk: All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2024, the Town's investment of $509,462 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

Municipal Police Officers' Retirement Trust Fund Investment Portfolio

The Municipal Police Officers' Retirement Trust Fund has adopted an investment policy which authorizes the pension manager to invest in equities, fixed income investments, money market funds, and pooled funds.

The Plan is subject to using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the Municipal Police Officers' Retirement Trust Fund investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels:

Investment Type	Carrying Value	Maturities (in years) Less Than 1	Credit Rating Range (S&P)	Fair Value Hierarchy Classification
Mutual funds – fixed income	$ 1,804,489	$ 1,804,489	NR	Level 1
Mutual funds – equity	3,490,665	3,490,665	NR	Level 1
Total Portfolio	$ 5,295,154	$ 5,295,154		