Table of Contents
Budget Section

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** November 2005 **Revised:** June 2012
Title: County Financial Policy	**Reference:** F. S. 129 & F. S. 200

200.1 Purpose

A financial policy is a set of guidelines for the management of funds or financial resources. Such a policy provides for the effective planning of government expenditures, revenues, and the financing of public services. It provides the framework within which financial or budget, tax, and fee decisions should be made. It helps ensure that the County is financially able to meet its short-term and long-term service objectives. It also helps prevent financial problems or emergencies from unnecessarily impacting or controlling important policy decisions.

200.2 Scope

In accordance with Chapters 129 and 200 of Florida Statutes, St. Johns County prepares its annual budget to provide the authority to levy and authorize the expenditure of ad-valorem (property) taxes, user fees, permit fees, and other general revenue established by the Board of County Commissioners. The budget will be prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards (GAS), and the Government Finance Officers Association (GFOA) standards for the Distinguished Budget Presentation Award.

200.3 Financial Planning Policy

The County will balance the financial burden of programs and facilities as fairly as possible between the general taxpayer and those who benefit directly. Consideration will be made toward recognizing the common good that flows from many public expenditures, the inability of some citizens to pay the full costs of certain benefits, and the difficulty of measuring the relationship between public costs and public or private benefits of some services.

200.3.1 Balanced Budget

The budget will be balanced upon adoption by the Board of County Commissioners. Total revenues, including inter-fund transfers and fund balances brought forward, will equal the total of fund appropriations or expenditures and reserves. Revenues will include a 5% statutory reduction in accordance with Chapter 129.01(2)(b) of Florida Statutes (excluding transfers, fund balances brought forward, certain grants, and revenues of certain Fund types such as Enterprise or Internal Service Fund revenues).

The County's Office of Management and Budget will, at a minimum, prepare a report at mid-year comparing actual and budgeted revenue and expenditures for all operating funds and their projections through year-end. Significant budget variances and recommended actions will be reported to the County Administrator.

All year-end surpluses, to the extent available and able to be appropriated, will be retained within each specific fund for re-appropriation in the next fiscal year, after meeting identified reserve requirements for that fund.

200.3.2 Long-Range Planning

The County will, as part of the mid-year report and the annual budget process, prepare a multi-year forecast of financial operations based on the service levels contemplated in the proposed budget and any probable future service level changes. As part of the mid-year report forecast, the County will analyze and project major revenues and expenditures by fund. Significant findings and recommended actions will be reported to the County Administrator.

The County will develop a five-year plan for major capital improvement projects (CIP) and present it annually to the County Commission. The County will consider, within available funds, early investment in capital projects in order to reduce or avoid larger costs in the future. The County will identify the estimated costs and potential funding sources for each capital improvement project. The County will seek the least costly financing method for all such projects. The County will identify the operating budget impacts of all CIP projects as well as evaluate the affordability of any applicable debt. The County will coordinate the CIP with the development of the operating budget.

The County will adopt an annual operating budget that includes an annual capital budget based on the CIP.

200.3.3 Audit

The County will ensure the conduct of a timely annual audit of its financial records in accordance with State law and governmental auditing standards and will achieve an unqualified audit opinion in full compliance with Generally Accepted Accounting Principles (GAAP).

200.3.4 Asset Inventory

The County will annually identify and assess the condition of its capital assets. The assessment should include an evaluation of community needs and priorities; the impact of any deferred maintenance; changes in technology; and any other significant factors, such as legal or regulatory changes. The assessment will be the responsibility of individual County department heads for their respective area of responsibility. The need for capital asset replacement or addition will be communicated by the department head as a part of the annual CIP or budget process.

200.4 Revenue Policy

Revenue from ad valorem or property taxes will be anticipated for purposes of the operating budget preparation using 100% of the reported total taxable value of current property assessments as prepared by the Property Appraiser, with the net budgeted revenue stated at 95% (conforming to the 5% Statutory reduction requirement).

All sales tax received will be limited to the General Fund unless required for debt service. The allocation of sales tax revenue will be in accordance with provisions of Florida Statute 218.65 and the direction of the County Commission.

The use of State Revenue Sharing monies will be limited to the General Fund unless required for debt service.

The use of all gas tax revenue will be limited to the County Transportation Trust Fund unless required for debt service.

All County funds shall be safely invested to provide a sufficient level of liquidity to meet cash flow needs while providing the maximum yield possible. All idle cash will be continuously invested. The Finance department under the County Clerk of Courts will develop and administer the appropriate investment policy.

200.4.1 Revenue Diversification

The County recognizes the value of diversity in revenue sources for funding County services and will, when possible, develop alternative funding sources other than property taxes. A diversity of revenue sources can potentially improve the County's ability to withstand revenue fluctuations and more equitably distribute the cost of providing services.

The County will encourage, through matching grants or other funding assistance, the participation of private organizations providing desired public services when objectives can be more effectively met.

200.4.2 Fees and Charges

The County Commission will review and adjust fees and charges for service and adopt them as part of the annual budget process. Attempts will be made by programs that charge fees for service, with some exceptions, to fully recover the costs of the operations of that program (including identified allowable indirect or overhead costs).

Impact Fees will be charged against new development at the building permit stage. Impact fees must bear a reasonable relationship to the benefits received by those who pay. The fee must not exceed the new development's proportionate share of the cost of new facilities or services required to serve that development. The County will collect impact fees under the following categories: Public Buildings, Law Enforcement Protection, Fire Protection, Emergency Medical Services, Schools, Roads, and Parks.

200.4.3 Use of One-time Revenues

The County will use one-time or non-recurring revenues only for one-time expenditures (i.e., capital projects). However, use for capital expenditures that significantly increase ongoing operating expenses without offsetting revenue will be minimized.

200.4.4 Use of Unpredictable Revenues

Certain major revenue sources can be relatively variable or unpredictable and therefore cannot be relied upon to generate level of revenue (i.e., interest income, Impact Fees, and intergovernmental revenue such as sales tax revenue and State Revenue Sharing). It will be the policy of the County to budget these revenues more conservatively with emphasis on a safe minimum level that will most likely be generated.

200.5 Expenditure Policy

200.5.1 Employee Compensation

The County will seek to provide total employee compensation (pay plus employee benefits) that is competitive within its labor market and will balance the stewardship of public funds with employee equity and the minimization of employee turnover.

200.5.2 Debt Policy

The basic purpose of a debt policy is to provide guidelines for the issuance and management of debt. Proper debt management promotes the accomplishment of service objectives, contributes to financial health and stability, and assures access to debt markets to meet both scheduled and unscheduled funding needs.

The decision to issue debt is best made on a case-by-case basis and only after careful and timely evaluation of all relevant factors. Factors to be considered when issuing debt are:

- Legal constraints on debt capacity and various financing alternatives.
- Constraints contained in currently outstanding debt documents.
- The urgency of the capital requirements to be met and the economic costs of delays.
- Willingness and financial ability of the taxpayers to pay for the capital improvements.
- Proper balance between internal and external financing.
- Current interest rates and other market considerations.
- The financial condition of the County.
- The types, availability and stability of revenues to be pledged for repayment of the debt.
- Type of debt to be issued.
- Whether or not the project to be financed creates ongoing operating expenditures that are supported through ongoing revenue.

In addition to County staff analysis, the County shall engage the services of an outside financial advisor who periodically, among other services, will evaluate the County's debt management strategies as well as the County's debt capacity using appropriate County revenue.

200.5.3 Debt Issuance and Management Guidelines

Capital improvements related to Enterprise Fund operations should be financed solely by debt to be repaid from user fees and charges and other available revenue generated from operations of the respective Enterprise fund.

The County will issue debt only for the purposes of constructing or acquiring capital improvements, for making major renovations to existing capital improvements, for acquiring environmentally sensitive lands, and for refunding outstanding debt when sufficient cost savings can be realized or it is advantageous to do so. The County may also enter into long-term leases for the acquisition of major equipment when it is cost justifiable to do so.

All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 30 years.

The County will at all times manage its debt and sustain its financial position in order to seek and maintain the highest credit rating possible.

The County will consider coordinating with other local government entities, to the fullest extent possible, so as to minimize the overlapping debt burden to citizens.

The County will ensure that an adequate system of internal control exists that provides reasonable assurance of compliance with applicable laws, rules, regulations, and covenants associated with outstanding debt.

Revenue sources will be pledged for debt only when legally available and other sufficient revenue sources are available to fund total County operating expenditures.

The County will market its debt through the use of competitive bid whenever deemed feasible, cost effective and advantageous to do so. However, it is recognized that, in some situations, certain complexities and intricacies of a particular debt issue are such that it may be advantageous to market the debt via negotiated sale or private placement.

The County will continually monitor its outstanding debt in relation to existing conditions in the debt market and will refund any outstanding debt when sufficient cost savings can be realized. Outstanding debt will be refunded as long as the net present value savings between the refunded bonds and the refunding bonds is equal to or greater than 3% without extending the maturity of the debt being refunded, unless extenuating circumstances would justify a smaller percentage saving. The County may also refund existing debt for the purpose of revising existing bond covenants to meet particular organizational and/or strategic needs of the County when it is advantageous to do so.

Credit enhancements (insurance, letters of credit, etc.) will be used in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.

In order to maintain a stable debt service burden, the County will attempt to issue debt that carries a fixed interest rate. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt. In those instances, the County should attempt, to the extent practicable, to stabilize debt service payments through the use of an appropriate stabilization arrangement.

While the County is generally averse to the use of derivatives, it will consider their use as a hedge against future interest rate risk when appropriate, but in no event will derivatives be used for speculative purposes. Furthermore, the County will only use derivatives when it has a complete understanding of the derivative product and the potential risks associated with it.

It is the policy of the County to provide full and fair disclosure in connection with the initial sale and distribution of its publicly marketed debt instruments and to provide appropriate ongoing secondary market information, in compliance with the requirements of applicable Federal and State securities laws, rules and regulations, including Securities and Exchange Commission Rule 15c-2-12.

200.5.4 Legal Debt Limit

The State of Florida has not enacted a debt limit for Florida Counties. Therefore, no legal debt limit exists for the County. However, financial practice and limits on funding debt service costs establishes a practical debt limit for the County.

200.5.5 Reserve or Stabilization Accounts and Fund Balance Targets

A reserve for contingencies complying with Florida Statutes 129.01(2) (c) shall be maintained to protect against unforeseen cash flow shortages, emergencies and unexpected economic downturns. The Statute limits such a reserve to a maximum of 10% of total fund revenue (including Cash Carryforward).

The General Fund will strive to maintain an ideal total minimum reserve as Unrestricted Fund Balance of no less than two months of regular General Fund operating expenditures including transfers to funds. For purposes of determining two months of regular General Fund operating expenditures, one-time General Fund expenditures or transfers to funds that would otherwise distort the two-month calculation shall be excluded.

Special Revenue Funds Transportation Trust and Fire District will strive to maintain an ideal minimum reserve of 2% of total fund revenue. All other Special Revenue, Debt Service and Capital Improvement Funds are not required to maintain minimum reserves.

Enterprise and Internal Service Funds will strive to maintain a prudent business reserve. Accordingly, all Enterprise Funds will strive to maintain a minimum working capital level equal to 90 days of operating expenses including depreciation. All Internal Service Funds will strive to maintain a minimum working capital level equal to 45 days of operating expenses. For purposes of determining the minimum specified days of Fund operating expenditures, one-time expenditures or transfers to funds that would otherwise distort the calculation shall be excluded.

For any County fund that does not meet the minimum stipulations of this policy section, such minimum is to be reached as soon as economic conditions allow, but in no case beyond a five-year time frame. Ideally, progress toward meeting the minimum will show improvement of at least 10% of the target each year toward meeting the minimum. A strategic financial plan for decreasing or minimizing total fund operating expenditures will be required from the outset of failure to meet minimum stipulations of this policy section.

200.5.6 Basis of Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures. Governmental Funds fall into four major types: General Fund, Special Revenue Funds, Debt Service Funds, and Capital Improvement Funds. All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available as net current assets. Expenses are recognized when the related liability is incurred. Two other Fund types are Enterprise Funds and Internal Service Funds. These two Funds are accounted for using the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

200.5.7 Basis of Budgeting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds. Actual spending cannot legally exceed the budgeted amount. All annual appropriations lapse at fiscal year end. Outstanding encumbrances are viewed as reservations of fund balances and do not constitute expenditures or liabilities.

The Comprehensive Annual Financial Report (CAFR) shows the status of the County's finances on the basis of GAAP. The CAFR shows fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes. In all but two cases, the way the County prepares its budget conforms to GAAP. First, capital outlay purchases are shown in the budget's Enterprise funds as expenditures, but the full purchase price of the capital outlay are reflected as uses of working capital in the statement of cash flows for the CAFR and not as expenditures. Second, principal payments of debt are shown in the budget's Enterprise funds as expenditures, but payments are shown as uses of cash on the statement of cash flows for the CAFR and not as expenditures.

200.5.8 Expenditure Accountability

All expenditures will be maintained by a detailed line item based upon a chart of accounts that provides for uniformity of reporting and is consistent with the Uniform Chart of Accounts established by the State of Florida and generally accepted accounting principles (GAAP).

The operating budget will be appropriated at the major account levels of personal services (i.e., salaries and benefits), operating expense, capital outlay, grants-in-aid, debt service, and non-operating expense (i.e., transfers to funds, reserves).

Budgets for salaries and benefits will be based on 100% of the estimated salaries at the beginning of the fiscal year plus the scheduled pay plan increase for each position and the scheduled annual cost of living adjustment (if any).

The operating budget will clearly reflect both direct and indirect costs of programs wherever practical. Indirect costs will be recovered at rates determined in conjunction with independent studies, pursuant to federal government standards and practices.
The County will, within available funds, plan and budget for those facilities and infrastructure necessary to support public programs determined to be necessary for the quality of life desired by its citizens.

The County will purchase goods and services through a competitive bid process except when an alternative method of procurement is specifically authorized by law and is in the County's best interest. Further County policy is established under "St. Johns County Purchasing Policy and Procedures."

In order to align costs with designated resources for specific programs or services, the County will, whenever possible, charge expenses against a restricted revenue source prior to using general funds.

The County will seek expenditure reductions whenever possible through efficiencies, technology, productivity improvements, reorganization, outsourcing, or privatization of services, and through the reduction or elimination of programs, policies, and practices which have significantly declined in their usefulness.

Under certain circumstances, the County may pre-pay certain expenditures, if necessary, such as in the case of beach re-nourishment projects, where a separate funded escrow account is necessary before the project can be initiated. The Finance Department will be the final determinant of the necessitating circumstances, subject to Board approval where necessary.

All budget requests for new programs, travel, contractual services, additional personnel, new vehicles, capital outlay and computer hardware and software will be closely reviewed with justification required. There will be a County Fleet Replacement Policy addressing the issues of fleet management, acquisition and replacement including the optimum replacement point.

The budget will emphasize the link between fiscal and management (operations) planning. The budget will include the following items for each County program: a) description of the program's responsibilities, activities, trends, etc.; b) historical summary of the program costs; c) summary of the previous year's accomplishments; and d) key objectives and quantifiable performance measurements or indicators.

It will be the intent of all Internal Service Funds to break even. However, in the event that a loss should occur, that loss may be disposed of by crediting or charging the billed departments in accordance with their usage. Any profit may be used to lower internal service charges in the ensuing fiscal year.

Annually, efforts will be made to qualify the Annual Financial Plan for the Government Finance Officers Association's "Award for Distinguished Budget Presentation".

Continual efforts will be made to encourage and expand citizen participation in the budget process or otherwise improve communication to citizens.

200.6 Budget Control Procedures

The Annual Operating Budget serves as the legal authorization for expenditures and the proposed means of financing them. The legal level of budgetary control is the departmental level. For management control purposes, the Operating Budget is integrated into the County's Accounting System and appropriations are controlled at the line-item level within each department. County department heads are responsible for the daily management of their budget and will submit requests for any required budget adjustments to the Office of Management and Budget before any cost overruns at the line-item level occur in their annual budget.

200.6.1 Amending the Budget

Section 129.06 of Florida Statutes provides that the Board of County Commissioners may establish procedures by which the designated Budget Officer may authorize certain intra-department budget amendments or transfers provided the total appropriation of the department is not changed. Accordingly, the County Budget Officer (the Director of Management & Budget) has been given the authority to approve all internal or intra-department transfers (i.e., from one line item to another line item) as long as the transfer does not change the total approved budget amount for that department. In the event that the Budget Officer does not approve a transfer, the department head may appeal the proposed action to the County Administrator.

Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund may correspondingly be increased by motion recorded in the minutes, provided that the total of the fund appropriations is not changed.

Appropriations from the reserve for contingencies may increase the appropriation for any particular expense in the same fund, or create an appropriation in that fund for any lawful purpose, but in no case can expenditures be charged directly to the reserve.

A receipt of funds not anticipated in the budget and received for a particular purpose, including grants, donations, gifts, or reimbursement for damages, by Resolution of the Board, may be appropriated and expended for that purpose. Such receipts and appropriations must be added to the budget within the proper fund.

If an amendment to a budget is required for a purpose not specifically authorized in paragraphs above, unless otherwise prohibited by law, the amendment may be authorized by Resolution or Ordinance of the Board of County Commissioners adopted following a public hearing. The public hearing must be advertised at least two days, but not more than five days, before the date of the hearing. The advertisement must appear in a newspaper of paid general circulation and must identify the name of the taxing authority, the date, place and time of the hearing, and the purpose of the hearing. The advertisement must also identify each budgetary fund to be amended, the source of the funds, the use of the funds, and the total amount of each budget.

The Office of Management and Budget will review all requests for appropriation changes and ensure that all necessary documents have been adequately prepared including those necessary for submission to the Board of County Commissioners.

200.7 Policy Administration

The County Administrator together with the County Budget Officer (the Director of Management & Budget) and/or the Clerk of Courts will provide appropriate recommendations to update this policy as the need arises. Guidelines within the Financial Policy will be implemented through the annual operating and capital budget process. The Financial Policy will undergo annual review and modifications as deemed necessary.

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** April 1994 **Revised:** January 2006
Title: Budget Adoption Schedule for The Annual Financial Plan	**Reference:** F.S. 129 & F.S. 200 SJC 96-70

201.1 Purpose
To establish a budget adoption schedule to guide the County Administrator and the Board of County Commissioners in adopting the annual financial plan.

201.2 Scope
To adopt St. Johns County annual Financial Plan, the Truth in Millage (TRIM) Act (F.S. 200.069) is utilized. This legislation establishes the guidelines which general law governments must follow to adopt the annual financial plan.

201.3 Policy
In accordance with Ordinance 96-70, the County Administrator is responsible for providing a recommended balanced budget to the Board of County Commissioners. The procedure the County Administrator follows is:

201.3.1 All requested budgets are submitted no later than June 1st of each year, unless otherwise specified by Florida Statutes.

201.3.2 Upon Submittal, the Budget Staff correlates the information and prepares a summation of the data submitted.

201.3.3 When appropriate, the County Administrator hosts budget workshops allowing departments, agencies and Constitutional Officers the opportunity to submit and present their budget requests.

201.3.4 The County Administrator prepares and submits to the Board of County Commissioners the recommended balanced budget-summarizing departments/programs within a fund.

201.3.5 Each Constitutional Officer is afforded the opportunity to address the Board of County Commissioners and request the necessary appropriation level for the coming fiscal year. This hearing is held prior to the meeting establishing the tentative Millage for the General Fund.

201.3.6 The steps involved to formally adopt the annual financial plan in accordance with the Truth and Millage Act (TRIM), F.S. 200.069 are followed.

201.4 Millage Act
The Office of Management and Budget is responsible for ensuring compliance with all steps and procedures outlined in the Truth and Millage Act.

St. Johns County
Administrative Code

Section:	Budget Policy and Procedure	**Date Issued:** **Revised:**	March 2003 January 2006
Title:	Capital Asset Policy	**Reference:**	F.S. 274 SJC 2003-186

202.1 Purpose

To promote the control, capitalization and safeguarding of tangible personal property including infrastructure assets, and to prescribe accounting guidance for reporting local government – owned capital assets and related depreciation as required by Statement No. 34 of the Governmental Accounting Standards Board (GASB), Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

202.2 Scope

This procedure will apply to all County departments under the Administrative control of the County Administrator.

202.3 Policy

For fiscal year ending September 30, 2002, St. Johns County will be required to implement Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments.* Statement No. 34 establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in their annual reports in the past. The intent of these new requirements is to make annual reports more comprehensive and easier to understand and use.

Two key implementation challenges the new reporting model presents are infrastructure reporting and depreciation accounting. Statement No. 34 requires the County to prospectively report all general infrastructure assets acquired after the implementation date of the statement, September 30, 2001. In addition, Statement No. 34 requires the state to retroactively report all major general infrastructure assets acquired in fiscal years ending after June 30, 1980. With respect to depreciation, Statement No. 34 requires all applicable general fixed assets to be depreciated over their estimated useful lives. In addition, the County is required to establish a policy for capitalizing assets and for estimating the useful lives of those assets.

In response to the requirements established by Statement No. 34, the Board of County Commissioners (the "Board") has established this policy to provide guidance to County Departments on implementing the new reporting requirements in regards to capital assets for financial statement purposes only. The purpose of this policy is to achieve consistency regarding the accounting of County-owned capital assets and related depreciation for the preparation of the financial statements required by Statement No. 34.

Capital asset reporting thresholds as established in this policy may be higher than the existing thresholds for property control due to different objectives. The primary objectives of financial reporting generally pertain to valuation, allocation, presentation, and disclosure, whereas the primary objectives of property control generally pertain to efficiency, effectiveness, and safeguarding of assets. For example, controls designed to prevent or promptly detect a loss of a small value asset, while important operationally, and are not necessarily relevant for financial reporting purposes. Because of the objective differences, this policy should not be used for property control purposes. County agencies and departments are encouraged to refer to Chapter 10.400, *Local Government-Owned Tangible Personal Property*, Rules of the Auditor General, and appropriate sections of Chapter 274, Florida Statutes, for guidance on property control.

202.4 <u>Capital Assets and Definitions</u>

Capital assets - are major tangible or intangible assets that benefit a department more than a single fiscal year. If assets meet the definition of capital assets, but are held primarily for resale, they are not considered capital assets. Departments should budget capital assets, including infrastructure, in the applicable general ledger account based on the nature of the asset. Examples of capital assets include land, land improvements, easements, buildings, vehicles, infrastructure, and works of art and historical treasures.

Infrastructure assets - are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, water and sewer systems, and lighting systems. Buildings should not be considered infrastructure assets, except buildings that are an ancillary part of a network of infrastructure assets, such as a maintenance shop or out-building associated with a water treatment system.

The County has invested in a broad range of capital assets that are used in the County's operations, which include:

- Land
- Buildings and other improvements
- Infrastructure
    - Arterial roads
    - Major collector roads
    - Minor collector roads
    - Local roads
    - Bridges
- Utility Assets
    - Process Structures
    - Process Equipment
    - Pipelines and Appurtenances
- Equipment
    - Furniture and equipment
    - Vehicles, boats and aircraft
- Library Collection
- Works of art and historical treasures
- Computer Software
- Leasehold improvements

- Construction in progress

202.4.1 Capital Asset Classification

Assets purchased, constructed or donated that meet or exceed the BCC's established capitalization thresholds or minimum reporting requirements must be uniformly classified. A list of current class code structures for personal and real property is in Appendix A.

Each class code contains a default value for both salvage value and estimated useful life (expressed in years). The default value is $1.00 or is based upon contractual repurchase agreements. However, departments are allowed to substitute information for salvage value and/or estimated life based on individual experience for each class of asset. Any substitutions must be substantiated and auditable.

202.4.1.1 Capitalization Thresholds

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets. All departments are required to use these thresholds.

Class of Asset	Threshold
Land	Capitalize All
Buildings and other improvements	$25,000
Infrastructure	$100,000
Utility Assets	$5,000
Equipment	$ 750
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Software developed for internal use	$25,000
Leasehold improvements	$25,000

202.4.1.2 Capital Asset Acquisition Cost

Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition – such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

When the historical cost of a capital asset is not practicably determinable, the estimated historical cost of the asset should be determined by appropriate methods and recorded. Estimated historical costs should be so identified in the record and the basis of determination established in the public records. The basis of valuation for capital assets constructed by agency personnel should be the costs of material, direct labor, and overhead costs identifiable to the project.

The departments are responsible for correctly reporting these assets at the date of acquisition. Any improvements made to a capital asset that extends the useful life of the asset beyond one year should be capitalized.

202.4.1.2.1 The costs of capital assets for ***governmental activities*** do not include capitalized interest. However, interest is capitalized on:

- Assets that are constructed or otherwise produced for an enterprise fund's own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been made).

- Assets intended for sale or lease that are constructed or otherwise produced as discrete projects (for example, ships or real estate developments)

202.4.1.2.2 Assets that do not qualify for capitalization of interest include:

- Assets acquired for governmental activities (interest will be reported in the statement of activities as a separate line item)

- Assets that are in use or ready for the intended use in the earning activities of the enterprise.

- Assets that are not being used in the earning activities of the enterprise and that are not undergoing the activities necessary to get them ready.

- Assets acquired with gifts and grants that are restricted by the donor or grantor to acquisition of those assets to the extent that funds are available from such gifts and grants

202.4.1.2.3 For object expenditure codes, see Appendix A. Historical costs also include ancillary charges, site preparation costs and professional fees.

202.4.1.3 Capital Asset Donations
GASB Statement No.33, *Accounting and Financial Reporting for Non-Exchange Transactions,* defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments or one party may be a nongovernmental entity, including an individual. *A voluntary contribution of resources between departments is not a donation.*

All developer contributed and private donated capital and infrastructure assets must provide and include the associated costs in accordance with the guidelines outlined in this policy prior to acceptance by the BCC through regulations adopted within the County's current land development and utility ordinances, and implementing procedures. The values will be reviewed by the appropriate County staff and should include all costs, including easements and rights-of-way, and ancillary charges relating to the asset.

For governmental funds, GASB 33 is effective beginning in fiscal 2002 or September 1, 2001. For departments with proprietary or fiduciary funds, GASB 33 is effective in fiscal 2001 or September 1, 2000. The timing of recognition of the asset and related revenue is outlined as follows:

	Governmental Activities (Effective fiscal 2002)	Business Type Activities (Effective fiscal 2001)
Donations	If the asset has been received but the eligibility requirements **have not** been met, then capital assets are debited and deferred revenue is credited in the *government-wide financial statements.* If the asset has been received and the eligibility requirements **have** been met, then capital assets are debited and revenue is credited in the *government-wide financial statements.* If the asset has not been received but the eligibility requirement **has** been met, then a receivable is debited and revenue is credited in the *government-wide financial statements.*	If the asset has been received but the eligibility requirements **have not** been met, then capital assets are debited and deferred revenue is credited in the *fund financial statements.* If the asset has been received and the eligibility requirements **have** been met, then capital assets are debited and revenue is credited in the *fund financial statements.* If the asset has not been received but the eligibility requirements **have** been met, then a receivable is debited and revenue is credited in the *fund financial statements.*
Promises Of capital Asset Donations	Promises should be recognized as receivables and revenues (net of estimated un-collectable amounts) on the *government-wide financial statements* when all applicable eligibility requirements are met, provided that the promise is verifiable and the resources are measurable* and probable** of collection.	Promises should be recognized as receivables and revenues (net of estimated un-collectable amounts) on the *fund financial statements* when all applicable eligibility requirements are met, provided that the promise is verifiable and the resources are measurable* and probable** of collection.

*Measurable – Reasonable estimable
**Probable – The future event of events are likely to occur

202.4.1.3.1 Dedicated and Donated Infrastructure

The methodology for determining the value of dedicated and donated infrastructure shall be as follows: County staff shall obtain the assessed value of the dedicated or donated property from the County Property Appraiser for the year the County obtained the property and shall add the developer's horizontal improvement and soft costs for construction on the dedicated or donated property to the assessed value. This amount will be determined on a square foot basis and applied to the square footage of the roads or easements. The easement values will then be adjusted based on the appropriate and consistent percentage of the fee values. The date the County received the dedicated or donated land shall be the date that the plat dedicating such land to the County is signed by the Clerk of Courts or the date such other instrument of title that dedicates or donates such land to the County is formally accepted by the County.

202.4.1.4 Sale of a Capital Asset Donation

Governmental fund statements per GASB 34 are to be used to report spendable assets and not capital assets.

However, there may be instances when a government receives a gift of a capital asset that it intends to sell. In such cases, the donation will be reported as revenue on the governmental fund statements if the asset is either:

- Sold prior to the end of the fiscal period, and the proceeds of the sale are considered available***, or

- The asset is sold (or the government has entered into a contract to sell the asset) prior to the issuance of the financial statements, and the proceeds of the sale are considered available.
- If the proceeds of the sale are not considered available, then the related receivable should be offset by a liability for deferred revenue on the fund financial statements.

***Available – Collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

202.4.1.5 Leased Equipment

Equipment should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.
- Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes of the financial statements.

202.5 Depreciating Capital Assets

202.5.1 Capital assets should be depreciated over their estimated useful lives unless they are:

- Inexhaustible (i.e., land and certain works of art and historical treasures),
- Infrastructure assets reported using the modified approach as discussed in Statement No. 34 (see section on Infrastructure and Infrastructure Improvements of this policy), or
- Construction in Progress

202.5.2 Departments will use the straight-line depreciation method (historical cost less salvage value, divided by useful life). Depreciation data will be calculated and stored by the Finance Department for each eligible asset. Accumulated depreciation will be summarized and posted to the accounting general ledger for all proprietary funds.

202.5.3 Proceeds from sale of assets must be netted against salvage value in computing net gain or loss from sale.

202.6 Sale of Capital Assets

When an asset is sold, a gain or loss must be recognized in the annual report when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset
- Cash is not exchanged and the asset is not fully depreciated or has a salvage value

A gain or loss **is not** reported when:

- Cash exchanged equals the net book value and the asset does not have a salvage value
- Cash is not exchanged and the asset is fully depreciated and has no salvage value

202.6.1 Computation of Gain and Loss from Sale of Assets

To compute a gain or loss on assets, which have not been fully depreciated, proceeds received must be subtracted from the assets net book value.

Example:	Asset's Historical Cost	$10,000
	Less accumulated Depreciation	7,000
	Net book value	$3,000
	Subtract Proceeds Received	2,000
	Loss from Sale of Asset	$1,000

If the asset has been fully depreciated and has a salvage value, then the proceeds must be subtracted from the salvage value to compute the gain or loss.

Example:	Asset's Historical Cost	$10,000
	Less accumulated Depreciation	9,000
	Net book value	$1,000
	Subtract Proceeds Received	2,000
	Gain from Sale of Asset	$1,000

Note: When the sale (transfer) is between governmental departments, the historical cost of the asset and the accumulated depreciation will transfer to the department receiving the asset.

When the sale (transfer) is between governmental and enterprise fund departments, the fair market value of the asset must be determined, and the sale (transfer) must be an "arms-length" transaction between the departments.

Net Book Value = asset's historical cost less then accumulated depreciation.

202.6.2 Assets Acquired by the Exchange of Other Assets

202.6.2.1 Similar assets - When recording an exchange of similar assets, departments must use a book value basis for the assets surrendered or required.

- When assets are exchanged and no monetary consideration is paid or received, the cost of the asset acquired is recorded at the book value of the asset surrendered.
- Where monetary consideration is given, the new asset must be recorded at the sum of the cash paid plus the book value of the asset surrendered.

202.6.2.2 Dissimilar assets – When recording an exchange of dissimilar assets, agencies must:

- Record the value of the asset being traded and the resulting transaction for acquiring the new asset, using the fair value of the asset being traded.
- If cash is used to purchase the asset, agencies must record the transaction for the new asset as cash paid plus the fair value of the asset surrendered.

202.6.2.3 Assets Held in Trust

Capital assets held by a department on behalf of a non-County entity (such as art collections owned by families, estates and others) and that are under the temporary control of the department should be inventoried by the Finance Department. Currently, the accounting treatment is being researched. This includes assets owned by the federal, state, and local government that have been loaned to a County department. Asset held in trust must be reported to the Finance Department using the appropriate acquisition and disposal method for such assets.

202.7 Capital Asset Categories

202.7.1 Land

202.7.1.1 Land Definition - Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited life (indefinite). Easements and rights-of-way related to infrastructure assets are also included as land.

Additionally, ancillary charges, site preparation and site improvements (other than buildings) that ready the land for its intended use are included. These costs associated with the land are added to the cost of the land.

202.7.1.2 Depreciation Methodology - Land is inexhaustible asset and does not depreciate over time.

202.7.1.3 Capitalization Threshold - All acquisitions of land will be capitalized.

Examples of Expenditures to be Capitalized As Land

- Purchase price or fair market value at time of gift
- Commissions
- Professional fees related to the acquisition of land (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Land excavation, fill, grading, drainage
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation, or reconstruction of property of others (railroad, telephone, and power lines)
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Water wells including initial cost for drilling, the pump and its casing. **(Excluding utility capital improvements).**
- Right-of-way

202.7.2 Building and Other Improvements

202.7.2.1 Building Definition - A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Buildings that are an ancillary part of the County's utility system or infrastructure network, such as toll buildings will be reported as infrastructures rather than as buildings.

202.7.2.2 Building Improvements Definition - Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both, beyond the current depreciable life. A building improvement should be capitalized as a betterment, if the expenditure for the improvements is at the capitalization threshold, or the expenditure increases the life or value of the building by 25 percent of the original life period or cost. The betterment will be recorded as an addition of value to the existing building.

202.7.2.3 Other Improvements Definition **-** Other improvements are capital events that materially improve the usefulness of County property. Assets (other than general use buildings) built, installed, or established to enhance the quality of facilitate the use of land for a particular purpose. These improvements include park and recreation resources (i.e., ball fields, restrooms, golf greens, etc.), operating resources (i.e., parking and landscaping improvements, poll barns, stables, sheds, etc.) and other improvements that are not included within the other definitions. Additionally, ancillary charges, which are associated with the purchase or construction of these items, are added to the cost.

202.7.2.4 Depreciation Methodology -The straight-line depreciation method (historical cost – salvage value/useful life) will be used for buildings, building and other improvements, and their components. Subsequent improvements that change the use or function of the building shall be depreciated.

202.7.2.5 Capitalization Threshold - The capitalization threshold for buildings and other improvements is $25,000.

Examples of Expenditures to be capitalized as Buildings

Purchased buildings

- Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired.
- Environmental compliance (i.e., asbestos abatement)
- Professional fees related to the purchase of buildings (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation including in-house departmental costs provided by various County departments

Constructed Buildings

- Completed project costs
- Interest accrued during construction
- Cost of excavation or grading or filling of land ***for a specific building***
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits
- Professional fees related to the design and construction of buildings (architect, engineer, management fees for design and supervision, legal)
- Costs of temporary buildings used during construction
- Unanticipated costs such as rock blasting, piling or relocation of the channel of an underground stream
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building

- Additions to buildings (expansions, extensions, or enlargements)

<u>Examples of Expenditures to be capitalized as Improvements to Buildings</u>

A. Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building, such as renovation of a recreation center. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part such as replacement of an old shingle roof with a new fireproof tin roof. Replacement or restoration to original utility level would not be capitalized. Determinations must be made on a case-by-case basis.

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- Structures ***attached*** to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling, or parquet
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Installation or upgrade of window or door frame, upgrading of windows or doors, built-n closet and cabinets
- Interior renovation associated with casings, baseboards, and light fixtures, ceiling trim. Etc.
- Exterior renovation such as installation or replacement of siding, roofing, masonry, Etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed wire circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- Other costs required to place or render the asset into operation including in-house departmental costs provided by various County departments

202.7.3 <u>Building Maintenance Expense</u>

The following are examples of expenditures ***not*** to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expense.

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal value to the building and/or that do not add to the life expectancy of the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper

- Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.
- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a hew one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value of the building

Examples of Expenditures to be Capitalized as Other Improvements

- Fencing and gates
- Landscaping
- Parking lots/driveways/parking barriers
- Outside sprinkler systems
- Recreation areas and athletic fields (including bleachers)
- Golf courses
- Paths an trails
- Septic systems
- Stadiums
- Swimming pools, tennis courts, basketball courts
- Fountains
- Plazas and pavilions
- Retaining walls

202.7.4 Infrastructure

202.7.4.1 Infrastructure Definition - Assets that are long-lived capital assets and that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature.

> **Note:** Prospective reporting of general infrastructure assets is required beginning in fiscal 2002. Also required is the retroactive reporting of infrastructure asset purchased, constructed, or donated in fiscal years ending after June 30, 1980 or that received major renovation, restorations, or improvements during that period. The County is encouraged to report their entire infrastructure, if possible.

202.7.4.2 Infrastructure Improvements Definition **-** Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both beyond the current depreciable life. Infrastructure improvements should be capitalized as betterment and recorded as an addition of value to the infrastructure if the improvement or addition of value is at the capitalization threshold or increases the life or value of the asset by 25 percent of the original cost or life period.

202.7.4.3 Jointly Funded Infrastructure **-** Infrastructure paid for jointly by the state and other governmental entities should be capitalized by the entity responsible for future maintenance. Additionally, ancillary charges, which are associated with the purchase or construction of these items, are added to the cost.

202.7.4.4 Modified Approach vs. Depreciation
The modified approach is an alternative to reporting depreciation for infrastructure assets that meet the following criteria:

- The assets are managed using a qualifying asset management system.
- It is documented that the assets are being preserved at or above a condition level established by the government.

Depreciation is not reported for infrastructure assets that use the modified approach. Only infrastructure assets that comprise a network or subsystem of a network can be reported using the modified approach.

A department may choose to use either method or a combination of methods to account for its assets. The asset accounting strategy chosen by the department will need to be approved by the Clerk of the Court.

202.7.4.5 Maintenance Costs
Maintenance costs allow an asset to be used during its originally established useful life (design life). Maintenance costs are expensed in the period incurred.

202.7.4.6 Preservation (or Renewal) Costs
Preservation costs are generally considered those outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be expensed under the modified approach and capitalized under the depreciation approach.

202.7.5 Additions and Improvements
Additions and improvements are those capital outlays that increase the capacity, efficiency, or extend the useful life of the asset by 25 percent or more. A change in capacity increases the level of service provided by an asset. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. A change in efficiency maintains the same service level, but at a reduced cost. For example, a heating and cooling plant could be reengineered so that it produces the same temperature changes at reduced cost. The cost of additions and improvements should be capitalized under both the modified and depreciation approaches to reporting infrastructure. Departments must maintain appropriate documentation to support what constitutes an enhancement or useful life extension.

202.7.6 Depreciation Methodology
The straight-line depreciation method (historical cost less salvage value, divided by useful life) will be used for infrastructure assets.

202.7.7 Capitalization Threshold

The capitalization threshold for infrastructure is $100,000. Infrastructure already capitalized will remain capitalized.

Examples of Expenditures to be Capitalized as Infrastructure

- Roads, streets, curbs, gutters, sidewalks, fire hydrants
- Bridges, railroads, trestles
- Canals, waterways, wharf, docks, sea walls, bulkheads, boardwalks
- Dams, Drainage facility
- Radio or television transmitting tower
- Electric, water and gas (main lines and distribution lines, tunnels)
- Fiber optic and telephone distribution systems (between buildings)
- Light system (traffic, outdoor, street, etc.)
- Airport runway/strip/taxi way/apron

202.8 Utility Assets

202.8.1 Utility Assets Definition

Fixed or movable tangible assets to be used to provide potable water, wastewater and reclaimed wastewater service to the St. Johns County Utility Department customers, the benefits of which extend beyond one year from the date of acquisition.

202.8.2 Utility Assets Improvements Definition

Utility asset improvements are capital events that materially extend the useful life, increase the value, or upgrade to meet regulatory requirements of the Utility system or asset.

202.8.3 Depreciation Methodology

The straight-line depreciation method ((historical cost – salvage cost)/useful life) will be used for utility assets. Subsequent improvements that change the use or function of the assets shall be depreciated.

202.8.4 Capitalization Threshold

A utility asset should be capitalized if the expenditure meets the definition of improvement defined above and meets the capitalization threshold of $5,000 or more.

Examples of Expenditures to be Capitalized as Utility Assets

- Professional fees related to planning, the preliminary design, design, construction and acquisition of a utility asset (architect, engineer, geologist, surveyor, legal fees, inspections, etc.)
- Completed project costs.
- Interest accrued during construction.
- All permitting costs.
- Costs for all process structures, equipment, piping, pumps, and appurtenances.
- Ancillary costs associated with and required to be completed to put the utility asset into service.

- [LIST OF SPECIFIC UTILITY ASSETS, Lift Stations, Water mains, sewer force mains, high service pump building, above ground water tank, wastewater treatment plant clarifier, blower building, etc.]

Examples of Expenditures to be Capitalized as Utility Asset Improvements

Note: For a renewal or replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the utility asset, such as replacement of clarifier equipment. Replacement or restoration to original utility level would not be capitalized. Determinations must be made on a case-by-case basis.

- Professional fees related to the design, construction, and inspections of an improvement to a utility asset.
- Liner installations in existing manholes lift stations, tanks and other process structures. This does not include normal painting or coating activities, but those lining activities that will extend the life of the asset beyond its original useful life.
- Rehabilitation and replacement of any process equipment including bar screens, aerators, clarifying equipment, major pumps and motors, filters, disinfections equipment, motor control centers, computerized control systems, and appurtenances.
- Other improvements similar to the improvements listed under Building improvements.

202.9 Equipment

202.9.1 Equipment Definition **-** Fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service. Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life should be capitalized as a betterment and recorded as an addition of value to the existing asset.

Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.

202.9.2 Jointly Funded Equipment - Equipment paid for jointly by the County and other governmental and private entities should be capitalized by the entity responsible for future maintenance.

202.9.3 Depreciation Methodology - The straight-line depreciation method (historical cost less salvage value, divided by useful life) will be used for equipment.

202.9.4 Capitalization Threshold - The capitalization threshold for Equipment is $1000.

Examples of Expenditures to be Capitalized as Equipment

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges

- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment

202.10 Library Collection

202.10.1 Library Collection Definition – The collection consists of library books, which is generally a literary composition bound into a separate volume and identified as a separate copyrighted unit, and library materials, which are information sources other than books that include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of libraries. Changes in value for the County libraries will be reported on an aggregated net basis.

202.10.2 Library Characteristics
A County library normally has one or more of the following characteristics:

- Internal controls are in place in lieu of central property management.
- Information is housed in a centralized location.
- Physical security measures are in place to protect the assets.
- Checkout procedures and policies exist and are used.
- Individual item costs and supplemental information is generally contained in a supplemental database.
- Volumes assigned to libraries are typically available to employees, students, and other individuals for checkout or use.
- Existence of the library helps the entity fulfill its mission.
- The value is material to the organization.
- Equipment assigned to libraries typically remains under central security of on-premises use.

A library may be reported on a composite basis by making net adjustments to total value to reflect increase or decrease in total value. Net adjustments must be made at least once annually by the close of the fiscal year.

202.10.3 Depreciation Methodology - Professional, academic and research library books and materials are not considered exhaustible, and will not be depreciated. These library books and materials have an economic benefit or service potential that is used up slowly, and their estimated useful lives are extraordinarily long. Some books have a cultural, aesthetic, or historical value, and efforts are usually applied to protect and preserve these assets in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

The straight-line depreciation method will be used for the collections purchased and used in a library if the capitalization threshold is met.

202.10.4 Capitalization Threshold - All purchases of books and materials for a library should be capitalized, as there is no minimum dollar amount. Library acquisitions are valued at a reasonable cost or other basis; deletions are valued at annually adjusted average cost. The library maintains records of all books and other library items, which suffice as detailed inventory records.

Books, periodicals and other materials purchased but not used in a library should be expensed unless they constitute a capital event.

Examples of Expenditures to be Capitalized As Library Books and Materials

- Invoice price
- Freight charges
- Handling
- In-transit insurance charges
- Binding
- Electronic access charges
- Reproduction and life costs required to place assets in service, with the exception of library salaries

202.11 Works of Art and Historical Treasures

202.11.1 Works of Art and Historical Treasures Definition - Collections or individual items of significances that are owned by the County which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

202.11.1.1 Exhaustible collections or items are items whose useful lives are diminished by display or educational or research applications.

202.11.1.2 Inexhaustible collection or items are items where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

202.11.2 Depreciation Methodology - The straight-line depreciation method (historical cost less salvage value, divided by useful life) will be used for exhaustible collections. Inexhaustible items should not be depreciated.

202.11.3 Capitalization Threshold - All works of art and historical treasures acquired or donated will be capitalized based on the appraised value, unless held for financial gain.

If a collection is held for financial gain and not capitalized, disclosures must be made in the notes that provide a description of the collection and the reasons these assets are not capitalized. When donated collection items are added to non-capitalized collections, program expense equal to the amount of revenues should be recognized.

<u>Examples of Expenditures to be Capitalized As Works of Art and Historical Treasures</u>

- Collection of rare books, manuscripts
- Maps, documents and recordings
- Works of art such as paintings, sculptures, and designs
- Artifacts, memorabilia, exhibits
- Unique or significant structures

202.12 <u>Computer Software</u>

202.12.1 <u>Computer Software Definition</u> – Departments will record the payment for the purchase of computer software whose unit value cost is $25,000 or greater and has an estimated useful life of more than one year. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number of units served (terminals) meets the criteria to capitalize the purchase.

202.12.2 For software to be considered for internal use, the department must meet the following tests:

- The software must be acquired, internally developed or modified solely to meet the department's internal needs, ***and***
- During the software's development or modification, the department must not have a substantive plan to market the software externally to other organizations.

202.12.3 Software development generally involves three phases. These phases and their characteristics are as follows:

- <u>Preliminary project phase</u> – when conceptual formulation of alternatives, the evaluation of alternatives, determination of existence of needed technologies and final selection of alternatives in made.
- <u>Application development phase</u> – Design of chosen path including software configuration and software interfaces, coding, installation of computer hardware and testing including parallel processing phase.
- <u>Post-implementation/operation phase</u> – training and application maintenance activities.

202.12.4 <u>Computer Software Capitalization Phases</u> – Costs associated with the preliminary project and the post-implementation/operating phases should be expensed as incurred. Internal and external costs associated with the application develop or obtain software that allows for assess of conversions of old data by new information systems should also be capitalized. General and administrative costs and overhead expenditures associated with software development should not be capitalized as cost of internal use software.

Capitalization of costs should begin when the preliminary project phase is complete and management has implicitly or explicitly authorized or commits to funding the software project with the intent it will be completed and used to perform its planned functions. Capitalization should cease no later than the time at which substantial testing is complete and the software is ready for its intended purpose or rendered in service.

<u>Examples of Expenditures during the Application Development Phase to be Capitalized</u>

- External direct costs of materials and services (third party fees for services)
- Costs to obtain software from third parties
- Travel costs incurred by employees in their duties directly associated with development
- Payroll and payroll-related costs of employees directly associated with of devoting time in coding, installing or testing
- Interest costs incurred during the application development

202.12.5 <u>Depreciation Methodology</u> - The straight-line depreciation method (historical cost less salvage value, divided by useful life) will be used for software developed or obtained for internal use.

202.12.6 <u>Capitalization Threshold</u> - The capitalization threshold for internally developed software is $25,000.

202.12.7 <u>Marketing of Software Developed or Obtained for Internal Use</u> - If a department decides to market the software, proceeds received from the license of the software, net of direct incremental costs (i.e., marketing, commissions, software reproduction costs, warranty and service obligations, and installation costs) should be applied against the carrying amount of the software.

Profits should not be recognized until aggregate net proceeds from licenses and amortization have reduced the carrying amount of the software to zero. Subsequent proceeds should be recognized in revenues as earned. If, during the development of internal use software, the County decides to market the software to other organizations, the County is required to follow the requirements of Financial Accounting Standards Board Statement No. 86 – Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed.

202.13 <u>Leasehold Improvements</u>

202.13.1 <u>Leasehold Improvements Definition</u> - Construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease. These improvements *will revert to the leaser* at the expiration of the lease. Moveable equipment of office furniture that is not attached to the leased property is not considered a leasehold improvement. Leasehold improvements do not have a salvage value.

202.13.2 <u>Depreciation Methodology</u>

Leasehold improvements are capitalized by the lessee and are amortized over the shorter of (1) the remaining lease term, or (2) the useful life of the improvement. Improvements made in lieu of rent should be expensed in the period incurred. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be written off over the life of the initial lease tem or useful life of the improvement, whichever is shorter.

202.13.3 Capitalization Threshold **-** The capitalization threshold for leasehold improvements is $25,000.

202.14 Construction in Progress

202.14.1 Construction in Progress Definition - Construction in Progress reflects the economic construction activity status of buildings and other structures, infrastructure (highways, energy distribution systems, pipelines, etc.), additions, alterations, reconstruction, and installation that are substantially incomplete.

202.14.2 Depreciation Methodology - Depreciation is not applicable while assets are accounted for as Construction in Progress. See appropriate capital asset category when asset is capitalized.

202.14.3 Capitalization Threshold - Construction is progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, of when the asset is placed into service.

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** November 2007
Title: Grant Procedures	**Reference:**

203.1 Purpose
To establish the procedure when applying, conducting, and reporting on State, Federal or private grants.

203.2 Scope
This procedure will apply to all the County departments, associated agencies and associations of which St. Johns County is a member. However, associated agencies must comply with the procedure only when applying for State and Federal grants.

203.3 Grant Application Policy
Any County government applications to receive funds from a non-county source or from a public agency or private organization/individual must be approved by the County Administrator's Grants Review Board and by the County Administrator prior to being presented to the Board of County Commissioners for approval.

All grant applications approved by the Grants Review Board and by the County Administrator must be submitted to the Board of County Commissioners for final approval prior to submission of that application to the local and state clearing house and grantor agency. Applications must specify St. Johns County as recipient of the funds rather than the individual County department or agency.

The Grants Review Board is comprised of the Assistant County Administrator for Administration, or a designee authorized by the County Administrator and representatives of the Office of Management & Budget, Construction Services, Risk Management, Planning Department, and Land Management Systems.

Any grant award offered to a BCC department must be reviewed by the Grants Review Board and receive Grants Review Board approval before being presented to the BCC for acceptance.

No grant contract or agreement will be executed for acceptance without BCC approval.

203.4 Grant Activities Policy
Any department that has been approved to receive a grant will follow the steps outlined in this section for the duration of the grant. Each department head is responsible for ensuring that expenditures from grant funds are in compliance with the general and specific requirements applicable to the grant.

During the term of all grants accepted and executed by the BCC, all grant report, correspondence, and other grant documents received by or emanating from BCC departments will also be filed by the grantee department with the correspondent position within the Office of Management & Budget.

All inconsistencies between the requirements of the approved grant agreement and the grant documents filed by the grantee department shall be actionable by the Office of Management & Budget, through the director of the grantee department.

To ensure all applicable documentation is available for review as part of the County's annual audit process, the following items must be filed with the Finance Department: original grant application, appropriate reports, amendments to contracts, correspondence related to scope of the project/program, and close-out information (both programmatic and financial).

203.5 Grant Reporting Policy

Each department head is responsible for ensuring the accurate and timely filing of all applicable documents/reports required in the grant application.

Before the submission of any grant financial reports (monthly, quarterly or annually), the Finance Department shall review the report to ensure that reported expenditures agree to the general ledger and initial authorization for filing.

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** April 1993
Title: Procedure for Aid to Private Organizations/Health & Human Service Organizations	**Reference:**

204.1 Purpose
To provide uniform procedure for handling all requests for County funds from non-County groups and agencies. To enable the Board of County Commissioners to review and decide on all requests for County funds from non-County agencies during the preparation of the Financial Plan for the coming fiscal year.

204.2 Scope
All Health and Human Service groups, agencies, or organizations seeking funding from St. Johns County, other than the St. Johns County Health & Human Services Department.

204.3 Policy
Non-County agencies, which seek grants or financial assistance from the County including agencies which are currently receiving funds, are required to adhere to current procedures for such requests as established by the St. Johns County Health & Human Services Department in accordance with the St. Johns County Purchasing Policy. Agencies are also required to so comply in those cases where the County will serve as the applicant or pass through agency for Federal or State funds regardless of whether County revenue is involved.

Requests for grants or financial assistance must be submitted during the budget preparation process for the County's fiscal year during which funds are to be distributed.

The Office of Management and Budget will review finalized recommendations from the St. Johns County Health & Human Services Department and make recommendations to the County Administrator. Agencies will be notified of any changes to the contract or funding amounts recommended to the Board of County Commissioners by the County Administrator as part of the tentative County Budget for the upcoming budget year.

The Board will review the County Administrator's Recommended Budget and determine the funds that will be included in the Annual Financial Plan. This action by the Board will constitute tentative approval of the contract and conditions.

After the budget is adopted, the St. Johns County Health & Human Services Department will ensure the preparation of contracts. The contracts will be forwarded to the County Attorney's Office and the Office of Management and Budget for their review and certification and then subsequently to the Board for final approval. The County Administrator will sign each approved contract on behalf of the Board of County Commissioners.

All agencies must submit timely reports as required by the contract before receiving payment. After ensuring all conditions have been met, the St. Johns County Health & Human Services Department will be responsible for initiating the requisition for payment to the agency. The St. Johns County Health & Human Services Department will forward copies of all reports required by the contract to the Office of Management and Budget for review.

St. Johns County
Administrative Code

Section:	Budget Policy and Procedure	**Date Issued:**	December 2006
Title:	Investment Policy and Internal Controls And Operational Procedures Manual For Investments	**Reference:**	SJC Ordinance 2001- SJC Resolution 2001

205.1 Purpose

The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of St. Johns County Board of County Commissioners (hereinafter "Board"). These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. As approved by St. Johns County Ordinance 2001- and Resolution 2001- and presented in original form and format.

205.2 Scope

In accordance with Section 218.415, Florida Statutes, this investment policy applies to all financial assets, of the board with the exception of Pension Funds and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Funds held by state agencies (e.g., Department of Revenue) are not subject to the provisions of this policy. Additionally, the policy does not include any financial assets under the direct control of any of the Constitutional Officers of St. Johns County, and this policy becomes applicable at such time as direct control of the funds passes to the Board.

205.3 Investment Objectives

Safety of Principal - The foremost objective of this investment program is the safety of the principal of those funds within the portfolio. Investment transactions shall seek to be consistent with the other investment objectives, which are to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value.

Maintenance of Liquidity - The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

Return on Investment - The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

205.4 <u>Delegation of Authority</u>
Responsibility for the investment program is vested with the Clerk of the Circuit Court ("Clerk"). Responsibility for the administration of the investment program is hereby delegated by the Clerk of the Circuit Court to the Finance Director, who shall maintain an Investment Procedures and Internal Controls Manual based on this policy. The Finance Director shall be responsible for monitoring internal controls, administrative controls and to regulate the activities of the Clerk's staff involved with the investment program. The Authorized Staff is limited to the following positions:

- Clerk
- Finance Director
- Assistant Finance Director

205.5 <u>Standards of Prudence</u>
The standard of prudence to be used by the Authorized Staff shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. Authorized Staff acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported in a timely fashion to the Clerk and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "Prudent Person" rule states the following:

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

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

205.6 <u>Ethics and Conflicts of Interest</u>
Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose to the Clerk and the Board any material financial interests in financial institutions that conduct business with the Board, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the Board's portfolio.

205.7 <u>Internal Controls and Investment Procedures</u>
The Finance Director shall establish a system of internal controls and operational procedures to protect the Board's assets and ensure proper accounting and reporting of the transactions related thereto. No person may engage in an investment transaction except as authorized under the terms of this policy. Independent auditors shall conduct a review of the system of internal controls as a normal part of the annual financial audit to the Board. Such internal controls shall include, but not limited to, the following:

Separation of functions:
- By separating the person who authorizes or performs the transaction from the person or persons who record or otherwise account for the transaction, a proper separation of duties is achieved.

Custodial safekeeping:
- Securities purchased from any bank or dealer, including appropriate collateral, shall be placed into a third party bank for custodial safekeeping.

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

Written confirmation of electronically initiated transactions for investments and wire transfers:
- Due to the potential for error and improprieties arising from telephone or other electronically initiated transactions, all such transactions should be supported by written communications and approved by an individual other than the individual initiating said transaction. Repetitive wires do not require a secondary approval; however, all non-repetitive wires shall have secondary approval.

Documentation of transactions and strategies:
- All transactions and the strategies that were used to develop said transactions should be documented in writing and approved by the appropriate person.

205.8 <u>Continuing Education</u>
The Finance Director and appropriate Authorized Staff shall annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

205.9 <u>Authorized Investment Institutions and Dealers</u>
Authorized Staff and Investment Advisor shall only purchase securities from financial institutions, which are qualified as public depositories by the Treasurer, or Chief Financial Officer of the State of Florida, "Primary Securities Dealers" as designated by the Federal Reserve Bank of New York, or from direct issuers of commercial paper and bankers' acceptances.

Authorized Staff and Investment Advisor shall only enter into Repurchase agreements with "Primary Securities Dealers" as designated by the Federal Reserve Bank of New York and financial institutions that are state qualified public depositories.

205.10 <u>Maturity and Liquidity Requirements</u>

A. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants. The purchase of investments for core funds with maturities longer than five (5) years requires the Clerks approval prior to purchase. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreements.

B. Investments do not necessarily have to be made for the same length of time that the funds are available. The basic criteria for consideration for investments are listed below:
   1. Keep maturities short in a period of constantly rising interest rates based on Treasury bill auctions or the daily Federal Funds rate.
   2. Keep maturities short in a period of a flat or an inverted treasury yield curve.
   3. Maturities should be lengthened when the treasury yield curve is normal and is expected to remain that way based on economic reports taken as a whole. The yield curve is normal when short-term rates are lower than long-term rates.
   4. Maturities should be lengthened when interest rates are expected to fall based on economic reports taken as a whole.
   5. The yield curves of the market should be analyzed for significant breaks in yields over various maturity dates. The points at which the yield curve breaks are the points at which there are significant marginal declines in yields for incremental changes in the maturity dates. Investments should be made at these breaks in the yield curve so that yields will be maximized.

205.11 <u>Risk and Diversification</u>

Assets held shall be diversified to control risks resulting from over concentration of assets in a specific maturity, issuer, instruments, dealer, or bank through which these instruments are bought and sold. The Clerk shall determine diversification strategies within the established guidelines.

205.12 <u>Master Repurchase Agreement</u>

The Clerk will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions will adhere to requirements of the Master Repurchase Agreement.

205.13 <u>Derivatives and Reverse Repurchase Agreements</u>
Investment in any derivative products or the use of reverse repurchase agreements is specifically prohibited by this investment policy. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values.

205.14 <u>Competitive Selection of Investment Instruments</u>
After the Investment Advisor or the Finance Director has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) reputable, qualified, and financially sound banks and/or dealers must be contacted and asked to provide bids on securities in questions. Bids will be held in confidence until the highest bid is determined and awarded.

However, on an exception basis, securities may be purchased utilizing the comparison to current market price method. Acceptable current market price providers include, but are not limited to:

A. Telerate Information System,
B. Bloomberg Information Systems,
C. The Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing,
D. Daily market pricing provided by the Clerk's custody agents or their correspondent institutions.

Selection by comparison to a current market price, as indicated above, shall only be utilized when, in judgment of the investment advisor, the Clerk, or Finance Director, competitive bidding would inhibit the selection process.

Examples of when this method may be used include:

A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
B. When no active market exists for the issue being traded due to the age or depth of the issue.
C. When a security is unique to a single dealer, for example, a private placement.
D. When the transaction involves new issues or issues in the "when issued" market.

Overnight sweep repurchase agreements will not be bid, but may be placed with the depository bank relating to the demand account for which the repurchase agreement was purchased.

205.15 <u>Authorized Investments and Portfolio Composition</u>
Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the Board's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, Authorized Staff may sell the investment at the then-prevailing market price and place the proceeds into the proper account at the Board's custodian.

The following are the guidelines for investments and limits on security types, issuers, and maturities as established by the Board. The Clerk or the Finance Director shall have the option to further restrict investment percentages from time to time based on market conditions. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment. Investments not listed in this policy are prohibited.

A. The State Board of Administration's Local Government Surplus Funds Trust Fund ("SBA Pool")

1. Investment Authorization

   Authorized Staff may invest in the SBA

2. Portfolio Composition

   A maximum of 100% of available funds may be invested in the SBA.

B. United States Government Securities

1. Purchase Authorization

   Authorized Staff may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:

   - Cash Management Bills
   - Treasury Securities – State and Local Government Series (SLGS)
   - Treasury Bills
   - Treasury Notes
   - Treasury Bonds
   - Treasury Strips

2. Portfolio Composition

   A maximum of 100% of available funds may be invested in the United States Government Securities.

3. Maturity Limitations

   The length to maturity of any direct investment in the United States Government Securities is five (5) years from the date of purchase. Maturities longer than five (5) years require the Clerk's approval.

C. United States Government Agencies (full faith and credit of the United States Government)

1. Purchase Authorization

   Authorized Staff may invest in bonds, debentures or notes issued or guaranteed by the United States Governments agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to the following:

   - United States Export – Import Bank
     - Direct obligations or fully guaranteed certificates of beneficial ownership
   - Farmer Home Administration
     - Certificates of beneficial ownership
   - Federal Financing Bank
     - Discount notes, notes and bonds
   - Federal Housing Administration Debentures
   - General Services Administration
   - United States Maritime Administration Guaranteed
     - Title XI Financing

New Communities Debentures
United States Government guaranteed debentures
United States Public Housing Notes and Bonds
United States Government guaranteed public housing notes and bonds
United States Department of Housing and Urban Development
Project notes and local authority bonds

2. Portfolio Composition
A maximum of 50% of available funds may be invested in United States Government agencies.

3. Limits on Individual Issuers
A maximum of 25% of available funds may be invested in individual United States Government agencies.

4. Maturity Limitations
The length to maturity for an investment in any United States Government agency security is five (5) years from the date of purchase. Maturities longer than five (5) years require the Clerk's approval.

D. Federal Instrumentalities (United States Government sponsored agencies which are non-full faith and credit).

1. Purchase Authorization
Authorized Staff may invest in bonds, debentures or notes issued or guaranteed by Untied States Government sponsored agencies (Federal Instrumentalities which are non-full faith and credit agencies) limited to the following:
Federal Farm Credit Bank (FFCB)
Federal Home Loan Bank or its Clerk banks (FHLB)
Federal National Mortgage Association (FNMA)
Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificates
Student Loan Marketing Association (Sallie-Mae)

2. Portfolio Composition
A maximum of 80% of available funds may be invested in Federal Instrumentalities

3. Limits on Individual Issuers
A maximum of 50% of available funds may be invested in any one issuer.

4. Maturity Limitations
The length to maturity for an investment in any Federal Instrumentality is five (5) years from the date of purchase. Maturities longer than five (5) years require the Clerk's approval.

E. Non-Negotiable Interest Bearing Time Certificates of Deposit

1. Purchase Authorization
Authorized Staff may invest in non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in this state, provided that any such deposits are secured by the Florida Security for Public Deposits

Act, Chapter 280, Florida Statutes and provided that the bank is not listed with any recognized credit watch information service.

2. Portfolio Composition
A maximum of 50% of available funds may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts.

3. Limits on Individual Issuers
A maximum of 25% of available funds may be deposited with any one issuer.

4. Maturity Limitations
The maximum maturity on any certificate shall be no greater than one (1) year from the date of purchase.

F. Repurchase Agreements

1. Purchase Authorization
   a. Authorized Staff may invest in repurchase agreements comprised of only those investments based on the requirements set forth by the Clerk's Master Repurchase Agreement. All firms with whom the Clerk enters into repurchase agreements will have in place an executed Master Repurchase Agreement with the Clerk.
   b. A third party custodian shall hold collateral for all repurchase agreements with a term longer than one (1) business day.
   c. Securities authorized for collateral are negotiable direct obligations of the United States Government and Federal Instrumentalities with maturities under five (5) years and must have a mark-to-market value at a minimum of 102 percent during the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the Authorized Staff.

2. Portfolio Composition
A maximum of 50% of available funds may be invested in repurchase agreements with the exception of one (1) business day agreements and overnight sweep agreements.

3. Limits on Individual Issuers
A maximum of 25% of available funds may be invested with any one institution with the exception of one (1) business day agreements and overnight sweep agreements.

4. Maturity Limitations
The maximum length to maturity of any repurchase agreement is 60 days from the date of purchase.

G. Commercial Paper

1. Purchase Authorization
Authorized Staff may invest in commercial paper of any United States company that is rated, at the time or purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). If backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated at least "A" by at least two nationally recognized rating agencies. The LOC provider must be ranked in the top fifty (50) United States banks in terms of total assets by the American Banker's yearly report.

2. Portfolio Composition

A maximum of 35% of available funds may be directly invested in prime commercial paper.

3. Limits on Individual Issuers

A maximum of 20% of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for prime commercial paper shall be 180 days from the date of purchase.

H. Bankers' Acceptances

1. Purchase Authorization

Authorized Staff may invest in bankers' acceptances which are issued by a domestic bank which has at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" by Moody's or "A-1" by Standard & Poor's. The bank must be ranked in the top fifty (50) United States banks in terms of total assets by the American Banker's yearly report.

2. Portfolio Composition

A maximum of 35% of available funds may be directly invested in bankers' acceptances.

3. Limits on Individual Issuers

A maximum of 20% of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for bankers' acceptances shall be 180 days from the date of purchase.

I. State and/or Local Government Taxable and/or Tax-Exempt Debt

1. Purchase Authorization

Authorized Staff may invest in state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's or "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's or "SP-2" by Standard & Poor's for short-term debt.

2. Portfolio Composition

A maximum of 20% of available funds may be invested in taxable and tax-exempt debts.

3. Limits on Individual Issuers

A maximum of 20% of available funds may be invested with any one issuer.

4. Maturity Limitations

A maximum length to maturity for an investment in any state or local government debt security is three (3) years from the date of purchase.

J. Registered Investment Companies (Money Market Mutual Funds)

1. Investment Authorization

Authorized Staff may invest in shares in open-end and no-load money market funds provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7, which stipulates that money market funds must have an average weighted maturity of 90 days or less. In addition, the share value of the money market funds must equal to $1.00.

2. Portfolio Composition
A maximum of 50% of available funds may be invested in money market funds.

3. Limits of Individual Issuers
A maximum of 25% of available funds may be invested with any one money market fund.

4. Rating Requirements
The money market funds shall be rated "AAm" or "AAm-G" or better by Standard & Poor's or the equivalent by another rating agency.

5. Due Diligence Requirements
A thorough review of any money market fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director that will contain a list of questions that covers the major aspects of any investment pool/fund.

K. Intergovernmental Investment Pool

1. Investment Authorization
Authorized Staff may invest in intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01, F.S.

2. Portfolio Composition
A maximum of 25% of available funds may be invested in intergovernmental investment pools.

3. Due Diligence Requirements
A thorough review of any investment pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director that will contain a list of questions that covers the major aspects of any investment pool.

205.16 Performance Measurements

In order to assist in the evaluation of the portfolio's performance, the Clerk will use performance benchmarks. The use of benchmarks will allow the Clerk to measure its returns against other investors in the same markets.

A. The State Board of Administration's Local Government Surplus Funds Trust Fund ("SBA Pool") will be used as a benchmark as compared to the portfolios' net book value rate of return for current operating funds.

B. Investment performance of funds designated as core funds and other non-operating funds that have a longer-term investment horizon will be compared to an index comprised of U. S. Treasury or Government securities. The appropriate index will have a duration and asset mix that approximates the portfolios and will be utilized as a benchmark to be compared to the portfolio's total rate of return.

205.17 Reporting

The Finance Director and/or Investment Advisor shall provide the Clerk with quarterly investment reports. Schedules in the quarterly report should include the following:

A. A listing of individual securities held at the end of the reporting period
B. Percentage of available funds represented by each investment type
C. Coupon, discount or earning rate
D. Average life or duration and final maturity of all investments
E. Par value and market value

On an annual basis, the Clerk or designee shall prepare and submit to the Board a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment.

The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

205.18 Third-Party Custodial Agreements

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

The Clerk will execute on behalf of the Board, third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements may include letters of authority from the Clerk, details as to the responsibilities of each party, method of notification of security purchases, sales, and delivery, procedures related to repurchase agreements and wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps and describing the liability of each party.
The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Clerk and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

The custodian shall provide the Clerk with safekeeping receipts that provide detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

205.19 Investment Policy Adoption

The investment policy shall be adopted by the Board. The Clerk shall review the policy annually and, if necessary, present modifications to the Board for approval.

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** December 2006
Title: Internal Controls And Operational Procedures Manual For Investments	**Reference:** SJC Ordinance 2001- SJC Resolution 2001

206.1 <u>Purpose</u>
The St. Johns County Clerk of the Circuit Court (the "Clerk") recognizes that as a public entity the County is endowed with the trust and use of funds from various sources including the issuance of debt, federal, state and local grants, and proceeds generated from the operations of the County's facilities. An important part of the County's earnings is the investment of funds derived from these sources. Therefore, the purpose of this Internal Controls and Operational Procedures Manual for Investments is to provide guidelines to assist the Clerk's Authorized staff with day-to-day investment operations. As approved by St. Johns County Ordinance 2001- and Resolution 2001- and presented in original form and format.

206.2 <u>Scope</u>
In accordance with Section 218.415(13), Florida Statues, this Internal Controls and Operational Procedures Manual for Investments ("Manual") applies to all cash and investments held or controlled by the County. However, the Manual does not apply to any financial assets under the direct control of any of the Constitutional Officers of St. Johns County and this Manual becomes applicable at such time as direct control of the funds transfers to the Board of County Commissioners of St. Johns County ("the County").

The Finance Director has established a system of internal controls and operational procedures that are a part of the Clerk's operational procedures. The internal controls have been designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures include reference to safekeeping, repurchase agreements, and separation of transactions from accounting and record keeping, wire transfer agreements and depository agreements. No person may engage in any investment transaction except as authorized under the terms of this Manual. Independent auditors as a normal part of the annual financial audit to the County shall conduct a review of the system of internal controls to ensure compliance with the investment policy and this Manual.

206.3 <u>Delegation of Authority</u>
Responsibility for the investment program is vested with the Clerk. Responsibility for the administration of the investment program is hereby delegated by the Clerk to the Finance Director, who shall maintain an internal controls and operational procedures manual for investments pursuant to the County's investment policy. The Finance Director shall be responsible for monitoring internal controls, administrative controls and to regulate the activities of the Clerk's staff involved with the investment program.

The Authorized Staff is limited to the following positions:

- Clerk
- Finance Director
- Assistant Finance Director

206.3.1 Chain of Command

For the purpose of obtaining approval on investment activity, the following chain of command is appropriate.

1. Assistant Finance Director
2. Finance Director
3. Clerk

206.3.2 Duties and Responsibilities

The Finance Director and delegate (hereafter referred to as "Assistant Finance Director") have specific duties and responsibilities as stated in their respective position descriptions. The Finance Director shall be responsible for the management of the investment program and the Assistant Finance Director shall be responsible for the daily operational duties (i.e., purchases, sells, bank accounts, wires, and investment reports).

206.3.3 Separation of Duties

The Assistant Finance Director shall not be responsible for the reconciliation of the bank accounts; furthermore, adequate separation of duties requires that the Assistant Finance Director should not also be responsible for writing checks or preparing bank deposit slips.

206.4 <u>Standards of Prudence</u>

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the Clerk in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "Prudent Person" rule states the following:

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

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

206.5 Ethics and Conflicts of Interest

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose to the Clerk any material financial interests in financial institutions that conduct business with the Clerk, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the County's investment program.

206.6 Operational Procedures

A. Cash Review

The Assistant Finance Director must review the cash balances and investment portfolio daily, or as needed. Items to be reviewed should include the following:

1. Balances, by fund if so deposited, at primary bank.
2. Balances, by fund if so deposited, at other banks.
3. Maturing investments (includes Repo's, CD's, Commercial Paper, Bankers' Acceptances and general securities).
4. Bond sales and other large, periodic receipts.
5. Bond and coupon payments (debt service) and other large periodic cash disbursements.

B. Investment Selection

The Assistant Finance Director determines how much of the cash balance is available for investment and selects the area of the yield curve that most closely matches the required maturity date.

In determining the maturity date, the Assistant Finance Director should consider liquidity, cash flow and expected expenditures. A review of some of the following sources should be made to determine whether the investments should be placed to match projected expenditures or shorter, or to take advantage of current and expected interest rate environments, as follows:

1. The Wall Street Journal or similar daily business publication.
2. Input from approved brokers/dealers.
3. Input from depository banks.
4. Publications on general trends of economic statistics.
5. Input from data services (Telerate, Bloomberg, Reuters, etc.).
6. Input from the Investment Advisor.

C. Purchasing an Investment

Authorized Staff and Investment Advisor shall only purchase securities from financial institutions, which are qualified as public depositories by the Treasurer, or Chief Financial Officer of the State of Florida, "Primary Securities Dealers" as designated by the Federal Reserve Bank of New York, or from direct issuers of commercial paper and bankers' acceptances. Additionally, Authorized Staff and Investment Advisor shall only enter into repurchase agreements with "Primary

Securities Dealers" as designated by the Federal Reserve Bank of New York and financial institutions that are state qualified public depositories.

The Assistant Finance Director or authorized Investment Advisor should be as specific as possible in requesting for a security offering. If a particular type of investment or a particular issuing agency is to be excluded due to policy limitations that should be stated to the providers. If collateral is required (i.e. for Repo's or CD's), the collateral limitations (excess margin, types of securities, maximum maturity, etc.) should be specified.

The following must be determined prior to contacting the providers:

1. Settlement—cash, regular (next day), corporate (3 business days) or when-issued if a new issue.
2. Amount—either par value or total dollars to be invested.
3. Type of security to be purchased, or type to be excluded.
4. Targeted maturity, or maturity range.
5. Time limit to show offering—5 minutes, 15 minutes, etc.

If choosing an external pool or fund as the preferred investment vehicle, the following should be available for inspection prior to purchase and at any reasonable time thereafter:

1. A written investment policy, if a government-run investment pool.
2. A prospectus for money-market funds, mutual funds or bank-managed funds.
3. A schedule of the types of reports and the frequency of distribution.
4. A clear description of how interest rates are calculated (30/360, actual/365, etc.).
5. A schedule of when and how income is distributed.
6. Are the pools or fund types of investments restricted to the County's own legal and policy limits?
7. Are the pools or fund investments restricted to the County's own maturity limits?

Before concluding the transaction, the Assistant Finance Director or authorized Investment Advisor should validate the following:

1. The security selected for purchase meets all criteria, including portfolio diversification, collateralization (if appropriate), and maturity. If the security has any imbedded options such as call provisions or coupon adjustments, these should also be reviewed.
2. Yield calculations should be verified.
3. Total purchase cost (including accrued interest) does not exceed funds available for investment.
4. Advise the successful provider that their offering has been selected for purchase.
5. After the confirmation of the purchase, as a courtesy, notify the other brokers/dealers that you have placed the investment. Best price may be disclosed, if you choose.

After consummation of the transaction, and prior to settlement date, the Assistant Finance Director or authorized Investment Advisor and the provider should exchange and review the following information to ensure prompt and uninterrupted settlement, as follows:

1. Name of third-party safekeeping agent.
2. ABA number of safekeeping agent.
3. Safekeeping account number.
4. Reconfirm amount of transaction.
5. Reconfirm settlement date.
6. Acquire CUSIP number of security, if applicable.

D. Settlement and Follow Through

The Assistant Finance Director, or authorized Investment Advisor should forward to the safekeeping agent a trade confirmation of the investment transaction. If the Investment Advisor executes the transaction, the trade ticket should also be forwarded to the Clerk's Office. The report may be verbal, but a written form should be sent and acknowledged. When applicable, the following should be verified:

1. Provision of receipt or disbursement of funds.
2. Internal transfer or wiring of funds.
3. Validation of written a trade confirmation.
4. Notification of discrepancy prior to acceptance or rejection of the transaction.

Immediate notification if a fail has occurred: by the provider if they are responsible, by safekeeping agent if they are responsible.

E. Reporting Requirements

The Finance Director or the Investment Advisor shall provide the Clerk with quarterly investment reports. Schedules in the quarterly report should include the following:

1. A listing of individual securities held at the end of the reporting period.
2. Percentage of available funds represented by each investment type.
3. Coupon, discount or earning rate.
4. Average life or duration and final maturity of all investments.
5. Par value, and market value.

On an annual basis, the Clerk or designee shall prepare and submit to the Board a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment.

The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB standards. Investment reports shall be available to the public.

F. Accounting for Investment Transactions

The Assistant Finance Director will prepare the journal entries to be posted for all investment transactions and the journal entries will be submitted to the Finance Director for review and approval. Additionally, the Assistant Finance Director must supply the necessary supporting documentation for all journal entries, for example brokerage or bank statements.

G. Data Input of Investment Transactions

The Assistant Finance Director shall enter investment transactions into the appropriate spreadsheets. Investment entries shall be completed on a monthly basis to ensure that information is current. Information will include the following: current market value, original price, interest earned, accrued interest, current yields, updated money market and SBA balances, purchases, and sells.

Additionally, all investments as recorded on the reports shall be reconciled against the original securities' confirmations.

H. Investment Information

1. Market Values

   On a monthly basis, market values of securities held for bond reserves shall be calculated including accrued interest to the last day of the month. Market values for securities, which fall below stated bond requirements should be noted and reported to the Finance Director for correction. In addition, all marketable securities (i.e., Treasury bills, notes, and Federal Instrumentalities) shall be priced on a monthly basis.

2. Trust Statements

   On a monthly basis, the Assistant Finance Director shall reconcile original trust statements for the County's investment accounts that are held by the custodian. Exhibit 1 is a copy of a typical monthly trust statement. The Finance Director will review and approve each monthly trust statement.

I. Bid Process

As stated in the Board's Investment Policy, the Clerk shall only purchase securities after the Assistant Finance Director or the Investment Advisor has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or approved brokers/dealers must be contacted and asked to provide bids/offers on securities in questions. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

1. Telerate Information System.
2. Bloomberg Information Systems.
3. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing.
4. Daily market pricing provided by the County's custodian or their correspondent institutions.

The Assistant Finance Director or the Investment Advisor shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when, in judgment of the Assistant Finance Director or the Investment Advisor, competitive bidding would inhibit the selection process.

Examples of when this method may be used include:

1. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
2. When no active market exists for the issue being traded due to the age or depth of the issue.
3. When a security is unique to a single dealer, for example, a private placement.
4. When the transaction involves new issues or issues in the "when issued" market.

Overnight sweep investment and repurchase agreements will not be bid, but may be placed with the County's depository bank relating to the demand accounts for which the sweep investment and repurchase agreement were purchased, subject to collateral restrictions as outlined in the Investment Policy.

J. Security Confirmations

An individual not permitted to purchase and/or sell investments shall file and reconcile security confirmations. All confirmations for securities, including certificates of deposit, shall be filed by the maturity date. Upon receipt all current investment confirmations shall be reconciled against the appropriate investment reports. An example of a security confirmation is provided in Exhibit 2.

Securities that have matured shall be filed by maturity date in a maturity file. Only copies of confirmations of investments will be provided, as all originals must remain within the Finance Department.

K. Safekeeping Procedures

All securities purchased for the County shall be received by "delivery vs. payment" to the County's custodian for safekeeping. Certificates of deposit are permitted to be safe kept at the issuing bank; however, all certificate of deposit confirmations must be verified with the appropriate investment reports on a monthly basis.

Collateral for repurchase agreements with maturities longer than one (1) business day shall be delivered to the custodian and collateral for repurchase agreements for only one (1) business day shall remain at the depository bank. Additional requirements and procedures are outlined in the Third-Party Custodian Safekeeping Agreement regarding safekeeping procedures. See Exhibit 3.

L. Bank Corrections

All bank corrections shall be requested in a written memo. The memo should provide for a section to state the problem followed by a section for a solution to the problem. The memo is delivered to the bank's corporate cash management section.

M. Daily Operations for Assistant Finance Director

Daily operations are defined as those duties and procedures required to maintain the investment program on a daily basis.

1. Worksheets

a. All investment activity is recorded on the daily worksheets, which include but are not limited to purchases, maturities, incoming and outgoing wires, see Exhibit 4. The worksheets are maintained in a file for reference purposes.

b. The top section of the worksheet is for debits to the account. The middle section is for money requirements. The bottom section is for investment purchases. A daily worksheet is completed in conjunction with a download from the bank to determine daily cash requirements and/or use of funds for investment purposes. If the available cash balance is negative, funds can be drawn from the SBA or an investment to provide for expenditures. If a positive balance is at the bottom of a spreadsheet, the balance can be used to purchase new investments or if the amount is too small, it can be deposited to the SBA. The goal is to have all daily worksheets with a zero balance; however, wire costs and interest rates may affect the decision to zero out a bank account balance.

c. Finally, when the daily worksheets are completed the appropriate accountant shall receive a copy of the daily worksheets for review.

2. Trading

a. <u>All</u> trading, except as provided for in Section I. (Bid Process) must be executed with an approved broker/dealer and a minimum of three (3) quotes per security must be obtained.

b. Required procedures prior to purchases or sales (additional steps may be required).

1) Verify amounts available at the SBA or in a bank/investment account.
2) Check investment limits to determine which investment types have availability in the portfolio.
3) Review the investment statements to determine the required maturity dates.
4) Decide on an investment type, then obtain quotes from three different brokers/dealers and choose the best quote.

3. Trade Confirmations

All quotes received from brokers/dealers must be recorded on a trade confirmation, which includes but is not limited to the account name, trade date, the dollar amount, settlement date, security description, offer information, and comments. See Exhibit 5.

4. State Board of Administration

The State Board of Administration ("SBA") is one of the money market funds used for short-term placement of funds. The SBA closes promptly at 11:00 AM, it is critical that all money requirements or excess money sweeps are completed by approximately 10:30 AM. The following steps are used when conducting transactions with the SBA.

a. The recorded message will provide step-by-step instructions as follows:

1) PIN Number
2) account number
3) verify account
4) transaction type (deposit/withdrawal)
5) verify transaction type
6) amount of transaction
7) verify dollar amount

b. After verifying the dollar amount, a transaction reference number will be provided. Record this number on the SBA worksheet under the appropriate account name. Finally, the caller will be prompted to end the call or proceed with the next account.

c. If a problem occurs, call the SBA at (850)-488-7311.

5. Money Market Funds

Money market funds must meet the ratings standards and cannot exceed the asset allocation limits as set forth in the County's Investment Policy. Prospectuses for money market funds should be kept and reviewed at least annually to ensure compliance and to obtain the best possible returns.

6. Authorized Wires

Only authorized representatives as stated in Exhibit 6 of the Bank's Funds

Transfer Agreement should be authorized to wire County's funds. Wire instructions and personal identification numbers (PIN's) shall be safeguarded by the Authorized Staff. One Authorized Staff member will enter the wire information into the Encore System and another Authorized Staff member will verify the information, release the wire, and verify the wire has been sent.

All outgoing and incoming wires shall be printed from the daily activity report and filed with the appropriate daily work package. The purpose of the wire shall be recorded with the wire information.

7. Repeat Codes

   Only pre-approved repetitive wires are permitted to be used. No one in the Clerk's Office is authorized to use a repeat code without the approval of the Finance Director or the Assistant Finance Director. The wire transaction request must be in writing and signed by the Finance Director or the Assistant Finance Director.

206.7 <u>Manual Review and Approval</u>

The Clerk shall approve this Manual. The Finance Director shall review the Manual annually and, if necessary, present modifications to the Clerk for approval.

206.8 <u>Exhibits</u> (available from Finance)

1. Sample Trust Statement
2. Sample Security Confirmation
3. Third-Party Custodian Safekeeping Agreement
4. Daily Worksheet
5. Sample Trade Confirmation
6. Fund Transfer Agreement

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** February 2015
Title: Marketed Debt Disclosure Policies And Procedures	**Reference:** Federal Securities Laws

207.1 <u>Purpose</u>

Market disclosure relative to publicly issued debt in general is subject to the antifraud rules under the federal securities laws. Disclosures by issuers are generally made in three contexts: (1) primary market disclosure through offering documents prepared for primary offerings of securities; (2) secondary market disclosures prepared in compliance with undertakings under Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"); and (3) releases and/or statements by the issuer and its officials that are reasonably expected to reach investors and the trading markets, such as communications through investor websites, press releases or other public responses.

<u>207.2 Marketed Debt Disclosure Policies and Procedures</u>

When St. Johns County, Florida (the "County") publicly issues bonds, notes or other obligations (collectively, the "Obligations"), a preliminary and final offering statement (each an "Offering Statement") are prepared that provide disclosure to buyers of the Obligations of financial and other information relating to the County.

In connection with each Offering Statement, the Chair or Vice Chair (the "Chair") of the Board of County Commissioners of the County (the "Board"), the County Administrator and/or the Clerk of the Board (the "Clerk") shall provide a certification to the effect that (i) the information contained therein, as of the date of such Offering Statement, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, and (ii) there has been no material adverse change in the financial condition and affairs of the County from the date of the Offering Statement to the date of issuance of the Obligations that was not disclosed in or contemplated by the Offering Statement. In connection with each Offering Statement, the County Attorney and/or special finance counsel to the County if the County has retained such counsel (“Finance Counsel”) shall opine to the affect that, subject to certain standard exclusions, the information contained therein, as to legal matters and as of the date of such Offering Statement, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

In order to support the certification described above, the Board hereby adopts these policies and procedures for preparing the Offering Statements and updating, from time to time, certain information contained within the Offering Statements (the "Disclosure Policy"). The Finance Director shall review annually the Disclosure Policy and may, from time to time, as may be necessary, propose that the Board update the Disclosure Policy in consultation with Finance Counsel and Disclosure Counsel (as defined herein) or bond counsel, if the County does not retain separate Disclosure Counsel. By adopting this Disclosure Policy and by requiring staff to adhere to this Disclosure Policy, the Board hereby formalizes the appropriate procedures and documents to ensure the County efficiently carries out its obligations pursuant to the Rule.

In interpreting this Disclosure Policy, it should be noted that the County Administrator, the Director of the Office of Management and Budget, and the Finance Director should check for accuracy and be ultimately responsible for all factual information to be included in the Offering Statements, and the County Attorney and/or Finance Counsel should check for accuracy and be ultimately responsible for all legal matters described in the Offering Statement.

Unless the Chair, the County Administrator or the Clerk determines to delegate initial disclosure preparation to counsel to the underwriter ("Underwriter's Counsel"), the County will rely on bond counsel and/or engage separate disclosure counsel (hereinafter referred to as "Disclosure Counsel") to advise the County with respect to disclosure obligations and requirements under the federal securities laws. In that case, Disclosure Counsel shall provide an opinion to the County in connection with the use of the Offering Statement in each issuance of Obligations.

207.2.1 Preparation of Offering Statements

Commensurate with the source of security for the Obligations, the Finance Director and the Director of the Office of Management and Budget shall collect, coordinate and review, then provide all information that a reasonable investor would want to know in making an informed investment decision. In order to accomplish this objective, the following procedure will be followed:

(1) The Finance Director and the Director of the Office of Management and Budget, with the assistance of any assistant or deputy and other County staff, shall provide textual, demographic, financial and budgetary information and operating data to Underwriter's Counsel or Disclosure Counsel, as the case may be.

(2) The County Attorney and/or Finance Counsel shall provide descriptions of material litigation and contractual obligations to Underwriter's Counsel or Disclosure Counsel, as the case may be.

(3) The Finance Director, if necessary, shall contact the County Administrator, the Director of the Office of Management and Budget, the County Attorney, Finance Counsel, the County's financial advisors and the County's auditors, as applicable, to discuss pending or approved legislation, proposed and actual actions of the federal and state government, and strategic and policy considerations. If any of such matters are believed to be "significant," they should be reported to and reviewed by Underwriter's Counsel or Disclosure Counsel, as applicable, and the underwriter(s), to determine if any of such matters are disclosure issues.

(4) The Finance Director and the Director of the Office of Management and Budget shall ensure that all information that is provided to any rating agencies and/or bond insurers as part of the credit process is also shared with Underwriter's Counsel or Disclosure Counsel, as applicable.

(5) The Finance Director, or his or her designee, shall review the County's website, including reports available on the County's website, to identify material inconsistencies with the information included in the Offering Statements.

(6) Prior to printing each of the Offering Statements, following appropriate review, the Finance Director shall ensure that each of the County Administrator, any assistant or deputy Finance Director, any other County staff, the County Attorney and/or Finance Counsel are comfortable with the portions of the disclosure that they are individually responsible for and that each have determined the information contained in such portions, subject to customary exclusions, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained in such portions, in light of the circumstances under which they were made, not misleading.

207.2.2 Preparation of Annual Continuing Disclosure Filings

By January 31st of each year, the Finance Director shall review the County's annual filing requirements in each active continuing disclosure undertaking to determine what financial information and operating data must be updated and filed on an annual basis, and when such filings are required to be submitted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). The Finance Director shall involve any assistant or deputy Finance Director, other County staff, the County Administrator, the County Attorney and Finance Counsel, as appropriate, in the preparation of the requisite updates. The Board and the Clerk shall ensure that the County complies with the annual filing requirements of all such undertakings. The process of preparing the annual continuing disclosure filing shall be the same as the process for preparation of Offering Statements described above. The Board or the Clerk may employ the services of an outside dissemination agent to assist with the foregoing responsibilities to transmit the annual continuing disclosure filings to EMMA, if necessary or desirable.

In connection with the filing of an undertaking, the Chair, the County Administrator and/or the Clerk shall provide a certification to the Board to the effect that, to the best of his or her knowledge, the information contained therein, as of the date of such filing, is true and accurate in all material respects.

207.2.3 Monitoring Events Which May Trigger Continuing Disclosure Filings

The Finance Director shall consult regularly with Finance Counsel, Disclosure Counsel (or bond counsel, if the County does not retain separate Disclosure Counsel) and any outside dissemination agent retained by the County to review the list of enumerated events in each active continuing disclosure undertaking, to maintain an awareness of the circumstances which may trigger a filing obligation, including the timeframe within which such a filing would be required to be made. The Finance Director shall ensure that the County complies with the ongoing filing requirements of all such undertakings. The Board or the Clerk may employ the services of an outside dissemination agent to assist with the foregoing responsibilities to transmit continuing disclosure filings relating to any such listed enumerated events to EMMA, if necessary or desirable.

207.2.4 Confirmation of Timely Filing Of Required Continuing Disclosure Undertakings

In the event that the Board or the Clerk has not employed the services of an outside dissemination agent to assist with the filing responsibilities relating to annual continuing disclosure filings and continuing disclosure filings relating to any such listed enumerated events, immediately following each such filing with EMMA, the Finance Director shall undertake an audit to determine if the filing was actually transmitted to EMMA by the County and received, processed and publicly displayed on EMMA as intended under each applicable CUSIP No. with respect to which the filing is required to be submitted. If the Finance Director determines that the continuing disclosure filing is not publicly displayed on EMMA with respect to each applicable CUSIP No., the Finance Director immediately will cause the filing to be resubmitted to EMMA under each applicable CUSIP No. with respect to which the continuing disclosure filing is not publicly displayed and repeat the audit process until the Finance Director has determined that such filing is then properly displayed on EMMA under each applicable CUSIP No. with respect to which the filing is required to be submitted. Once the process has been completed, the Finance Director will (i) print out evidence that the filing is then displayed on EMMA as intended, and (ii) provide a certification to the County Administrator to the effect that the required filing has been made and that the filing is publicly displayed under each CUSIP No. with respect to which the filing is required to be submitted, attaching to such certification evidence that the filing is then displayed on EMMA as intended.

207.2.5 Website Disclaimer

The County's website is a very useful tool for communicating with citizens and taxpayers in the County. In certain instances, potential investors may also find the County's website useful, which requires that the County be cautious in the administration of its website. With respect to information of the "investor relations" type (i.e., information that the County reasonably expects to reach investors and the trading markets), the County shall endeavor to include a disclaimer to the following effect before allowing access to potential investors:

> *The information on this website does not and should not be considered an offer to buy or sell securities. In connection with certain outstanding public bond issues of St. Johns County, Florida (the "County"), the County files, or causes to be filed, its offering statements, its audited financial statements, certain operating data and financial information, and occasional voluntary notices on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") which can be accessed at http://emma.msrb.org/. The information on EMMA and this website is for informational purposes only, and does not include all information which may be of interest to a potential investor, nor does it purport to present full and fair disclosure within the meaning of the applicable securities laws. Such information about the County is only accurate as of its date, and the County undertakes no obligation to update such information beyond its date. No representation is being made that there has not been a change in the affairs of the County since such date. Such information is subject to change without notice and posting of other information on the website does not imply that there has been no change in the affairs of the County since the date of such information. The updating or lack of updating of any information contained on EMMA or this website should not be considered to convey a complete picture of the affairs of the County. Such information concerning past*

performance should not be relied upon as a forecast of future performance. Third party information is believed to be reliable; however, the County takes no responsibility for its accuracy.

Please click the appropriate button below:
I understand and agree
I do not agree

207.2.6 Periodic Training

At least once every three years, the County's Finance Counsel or Disclosure Counsel (or bond counsel, if the County does not retain separate Disclosure Counsel) shall conduct training available to the County officials identified herein to review the roles and responsibilities in this Disclosure Policy. Such training shall include: (i) a review of the County's annual filing requirements in each active continuing disclosure undertaking, (ii) a review of the list of enumerated events and the timeframe within which a filing would be required to be made in each active continuing disclosure undertaking, and (iii) updates on current issues in the area of federal securities law as well as a question and answer session. Feedback on the process should be invited. During the training process, modifications to the Disclosure Policy, if any, should be considered.

207.2.7 Chief Disclosure Officer

The Finance Director is responsible for ensuring compliance by the County with this Disclosure Policy and will have general oversight of the entire disclosure process which shall include: (i) maintaining appropriate records of compliance with this Disclosure Policy and decisions made with respect to disclosure issues that have been raised as a result of working through this Disclosure Policy; (ii) periodically checking to determine that this Disclosure Policy is being followed; and (iii) evaluating the effectiveness of the procedures contained in the Disclosure Policy and making recommendations for appropriate changes to the Disclosure Policy when revisions or modifications to the process become necessary.

207.2.8 General Principles

(1) Everyone involved in the disclosure process should be encouraged to raise potential disclosure items at all times in the process.

(2) Everyone should be encouraged to err on the side of raising issues to the next level of the review chain.

(3) It should be made clear that all participants in the disclosure process should feel free to raise any issue with the Finance Director at any time.

(4) While care should be taken not to shortcut or eliminate any steps outlined in the Disclosure Policy on an ad hoc basis, the disclosure procedures contained herein are a "work in progress" and recommendations for improvement should be solicited and regularly considered.

(5) The process of primary disclosure should not be viewed as a mechanical insertion of current information and data. Everyone involved in the preparation of Offering Statements should consider the need for revisions in the form and content of the sections for which they are responsible at the time of each update.

(6) Care should be taken that any information produced and maintained for public consumption, and which may be relied upon by an investor in making an investment decision in the primary or secondary market, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(7) Consideration should be made, based on consultation with Finance Counsel and/or Disclosure Counsel (or bond counsel, if the County does not retain separate disclosure counsel), as to whether a public statement by a County official or the response by the County to an investor inquiry (e.g., a question from one of the County's bondholders) may be material enough to merit a voluntary EMMA filing in order to ensure that the County's bonds are trading based on equal access to material information.

St. Johns County
Administrative Code

Section: Budget Policy and Procedure	**Date Issued:** October 2012
Title: Internal Control Procedures for the Monitoring of Tax-Advantaged Bonds	**Reference:** Internal Revenue Code

208.1 Purpose

The purpose of this section is to constitute written procedures coupled with requirements contained in the arbitrage and tax certificates (the "Tax Certificates") or other operative documents executed at the time of issuance of tax-advantaged bonds for ongoing compliance with federal tax requirements to ensure timely identification and remediation of any violations of such requirements.

208.2 Scope

St. Johns County, Florida (the "County") has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates), tax credit obligations and "direct-pay" tax credit obligations (collectively, "tax-advantaged bonds") that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the "Code") with which the County intends to ensure continuing compliance.

The Finance Director of the County ("Finance Director") is responsible for coordinating the necessary actions required for monitoring these requirements under the direction of the Clerk of the Board of County Commissioners of the County ("Supervising Officer"). The Finance Director, the Supervising Officer, the County Attorney and the County's Office of Management and Budget Director (the "OMB Director") should consult with outside professionals such as the County's general finance counsel, bond counsel, financial advisor and rebate consultant as necessary to achieve the objectives of these policies and procedures.

The Finance Director shall identify any additional persons who will be responsible for each section of these procedures, notify the current holder of that office of the responsibilities, and provide that person a copy of these procedures. Upon employee or officer transitions, new personnel should be advised of responsibilities under these procedures and confirm they understand the importance of these procedures. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all procedures have been appropriately assigned.

The Finance Director and other responsible persons shall receive appropriate training that includes the review of and familiarity with the contents of these procedures, review of the requirements contained in the Code applicable to each tax-advantaged bond, identification of all tax-advantaged bonds that must be monitored, identification of all facilities (or portions thereof) financed or refinanced with proceeds of tax-advantaged bonds, familiarity with the requirements contained in the Tax Certificates or other operative documents contained in the transcript for each tax-advantaged bond, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.

208.3 Periodic Compliance Review

The Finance Director and/or the Supervising Officer or other responsible person shall periodically review compliance with these procedures and with the terms of the Tax Certificates to determine whether any violations have occurred so that such violations can be timely remedied through the "remedial action" regulations (Treasury Regulation §1.141-2, §1.142-12 or §1.148-2, as applicable) or the Voluntary Closing Agreement Program described in Internal Revenue Service ("IRS") Notice 2008-31 (or successor guidance) and related sections of the Internal Revenue Manual. Such periodic review shall occur at least annually and confirmation of such review shall be provided to the Supervising Officer.

208.4 Change in Tax-Advantaged Bond Terms

If any changes to the terms of the outstanding tax-advantaged bonds of the County are contemplated, the Finance Director shall consult general finance counsel and, if needed, bond counsel. Such modifications could result in a reissuance, i.e., a deemed refunding, of the bonds which could jeopardize the status of tax-advantaged bonds or subsidies on any direct pay obligations.

208.5 Tax Certificates

Upon the issuance of any tax-advantaged bonds, the Finance Director shall confirm that bond counsel prepares a comprehensive Tax Certificate with respect thereto. The Finance Director shall review such Tax Certificate and consult with bond counsel, if necessary, to fully understand the provisions of the Tax Certificate and the tax law requirements relating to such tax-advantaged bonds.

208.6 Issue Price for Tax-Advantaged Bonds

In order to document the issue price of tax-advantaged bonds, the Finance Director shall consult with bond counsel and the financial advisor and obtain a written certification from the underwriter, placement agent or other purchaser of the bonds as to the offering price of the bonds that is in form and substance acceptable to the County and bond counsel. The Finance Director may request its financial advisor or other consultant to review the market trading activity of tax-advantaged bonds following their sale and prior to closing and to report any irregular trading activity.

208.7 Information Return Filing

Filing of Applicable Form 8038. The Finance Director will confirm that bond counsel has filed the applicable information reports (such as Forms 8038 and 8038-G) for such bond issue with the IRS on a timely basis, and maintain copies of such form(s) including evidence of timely filing as part of the transcript of the bond issue.

Filing of Forms 8038-T or 8038-R. The Finance Director shall file or cause to be filed the IRS Form 8038-T relating to the payment of rebate or yield reduction payments in a timely manner.

The Finance Director with the County's rebate consultant shall monitor the extent to which the County is eligible to receive a refund of prior rebate payments and provide for the timely filing for such refunds using an IRS Form 8038-R.

208.8 Use of Tax-Advantaged Bond Proceeds

Consistent Accounting Procedures. The Finance Director shall maintain clear and consistent accounting procedures for tracking the investment and expenditures of tax-advantaged bond proceeds, including investment earnings on such bond proceeds.

Reimbursement Allocations at Closing. At or shortly after closing of a tax-advantaged bond issue, the Finance Director shall confirm that any allocations for reimbursement expenditures comply with the Tax Certificate for such bonds.

Timely Expenditure of Bond Proceeds. The Finance Director and the OMB Director shall monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged bonds are spent in a timely fashion consistent with the requirements of the Tax Certificate for such bonds.

Costs of Issuance Limitation. With respect to qualified private activity bonds, the Finance Director shall monitor that no more than 2% of the sales proceeds are used to pay costs of issuance.

Qualified Use of Proceeds of Qualified Private Activity Bonds. With respect to qualified private activity bonds, the Finance Director and the OMB Director shall monitor that sale proceeds and investment earnings on sale proceeds are allocated to qualifying expenditures permitted in a timely fashion consistent with the requirements of the Tax Certificate for such bonds.

If an exempt facility will not be completed, or the facility has been placed in service, and there are remaining unspent bond proceeds, the Finance Director shall immediately consult with bond counsel to determine whether bonds are required to be redeemed or defeased under Treasury Regulation §1.142-12.

If exempt facility bonds are required to be redeemed or defeased in order to comply with the remedial action rules under Treasury Regulation §1.142-12, the Finance Director shall cause such redemption or defeasance to occur within the time period prescribed by federal tax requirements at such time.

Requisitions. The Finance Director shall utilize, or cause to be utilized, requisitions to draw down tax-advantaged bond proceeds, and confirm that each requisition contains (or has attached to it) detailed information in order to establish when and how bond proceeds were spent. The Finance Director shall review requisitions carefully to confirm proper use of bond proceeds to minimize the need for reallocations.

Maintenance and Retention of Records Relating to Proceeds. The Finance Director shall maintain careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which tax-advantaged bond proceeds were spent or used and any final allocation of such proceeds. The Finance

Director shall maintain records separately for each issue of bonds for the period indicated in Section 208.11.

208.9 Monitoring Private Business Use

With respect to tax-advantaged bonds that are subject to the private activity bond limitations provided in the Code, the following procedures shall be implemented:

Identify Bond-Financed Facilities. The Finance Director and the OMB Director shall identify or "map" which outstanding tax-advantaged bond issues financed or refinanced which facilities (the "bond financed facilities") and whether the bonds were governmental or private activity.

Review of Contracts with Private Persons. The Finance Director and general finance counsel or bond counsel shall review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as "private persons") with respect to the bond-financed facilities which could result in private business use of the facilities: contracts for the sale or other disposition of bond-financed facilities; leases of bond-financed facilities; management or service contracts relating to bond-financed facilities; and any other contracts involving "special legal entitlements" (such as exclusive provider arrangements) granted to a private person with respect to bond-financed facilities.

Counsel Review of New Contracts or Amendments. Before the County amends an existing agreement described in the paragraph just above with a private person or enters into any new lease, management or service agreement with a private person with respect to any bond financed facilities, the County Attorney and the Finance Director shall consult general finance counsel and, if needed, bond counsel to review such amendment or agreement to determine whether it results in private business use. The Finance Director shall periodically communicate with the County Attorney, the OMB Director and facilities personnel in order to be informed with respect to the foregoing.

Review Use. The Finance Director shall review any private business use of government bond-financed facilities and, for each issue of bonds, consider whether the 10% limit on private business use (5% in the case of "unrelated or disproportionate" private business use) is exceeded, and contact general finance counsel, bond counsel or other tax advisors if the limit appears to be exceeded.

Remediation if Limitations Exceeded. If it appears that private business use limits may be exceeded, the Finance Director shall immediately consult with general finance counsel and, if needed, bond counsel to determine if a remedial action is required with respect to nonqualified bonds of the issue under Treasury Regulation §1.142-12, or if the IRS should be contacted under its Voluntary Closing Agreement Program.
If tax-advantaged bonds are required to be redeemed or defeased in order to comply with the remedial action rules under Treasury Regulation §1.142-12, the Finance Director shall, to the extent possible, cause such redemption or defeasance to occur within the time period prescribed by federal tax requirements at such time.

Maintenance and Retention of Records Relating to Qualifying Use. The Finance Director shall retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated in Section 208.11.

208.10 Arbitrage Rebate Compliance

Review of Tax Certificates. The Finance Director and the OMB Director shall review each Tax Certificate to understand the ongoing federal tax requirements applicable to each bond issue and shall consult with bond counsel to the extent necessary to fully understand such requirements.

List of Bonds and Arbitrage Yield. The Finance Director shall record a list of all tax-advantaged bonds that require arbitrage calculations and denote the arbitrage yield of each bond issue (as shown on the applicable IRS Form) or, if applicable, denote that such bonds are variable rate bonds which must be determined on an ongoing basis.

Temporary Periods. The Finance Director shall review the Tax Certificates to determine the "temporary periods" for each tax-advantaged bond issue which are the periods during which proceeds of bonds may be invested without yield restriction.

Post-Temporary Period Investments. The Finance Director shall monitor and verify that any investment of bond proceeds after applicable temporary periods is at a yield that does not exceed the applicable bond yield, unless yield reduction payments can be made pursuant to the applicable Tax Certificate.

Monitor Temporary Period Compliance. The Finance Director and the OMB Director shall monitor that tax-advantaged bond proceeds (including investment earnings) are expended promptly after the bonds are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of bond proceeds.

Monitor Yield Restriction Limitations. The Finance Director shall identify situations in which compliance with applicable yield restrictions depends upon subsequent investments (e.g., the purchase of 0% State and Local Government Securities from the U.S. Treasury for an advance refunding escrow) and shall monitor and verify that these purchases are made as contemplated.

Establish Fair Market Value of Investments. The Finance Director shall monitor and verify that investments acquired with bond proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), maintaining records to demonstrate satisfaction of such safe harbors. The Finance Director shall consult the Tax Certificate for a description of applicable rules.

Credit Enhancement, Hedging and Sinking Funds. The Finance Director shall consult with general finance counsel and, if needed, bond counsel before engaging in credit enhancement or hedging transactions relating to a tax-advantaged bond issue, and before creating separate funds that are reasonably expected to be used to pay debt service on bonds. The Finance Director shall maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to a bond issue.

Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to bond-financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), the Finance Director shall consult general finance counsel and, if needed, bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.

Bona Fide Debt Service Fund. Even after all proceeds of a given tax-advantaged bond issue have been spent, the Finance Director shall monitor and verify that the debt service fund meets the requirements of a "bona fide debt service fund," i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year.

Debt Service Reserve Funds. The Finance Director shall monitor and verify that amounts invested in any reasonably required debt service reserve fund do not exceed the least of: (i) 10% of the stated principal amount of the bonds (or the sale proceeds of the bond issue if the bond issue has original issue discount or original issue premium that exceeds 2% of the stated principal amount of the bond issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the bond issue; or (iii) 125% of average annual debt service on the bond issue.

Rebate and Yield Reduction Payment Compliance. The Finance Director shall review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described in the applicable Tax Certificate, investment earnings on bond proceeds at a yield in excess of the bond yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.

The Finance Director shall monitor and verify that rebate and yield reduction payment calculations are timely performed and payment of such amounts, if any, are timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue of the bonds, then in succeeding installments every five years. The final rebate payment for a bond issue is due 60 days after retirement of the last bond of the issue. The County shall continue to retain a rebate consultant.

If a spending exception from the rebate requirement (as described in the Tax Certificate) may apply to the bonds, the Finance Director shall confirm that the spending of proceeds is monitored prior to semi-annual spending dates for the applicable exception.
The Finance Director shall file or cause to be filed Form 8038-T in a timely manner. Even after all other proceeds of a given bond issue have been spent, the Finance Director shall monitor and verify compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement.

Maintenance and Retention of Arbitrage and Rebate Records. The Finance Director shall maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section 210.11.

208.11 Record Retention

The Finance Director or other responsible person shall ensure that for each issue of bonds, all relevant records and contracts are maintained in retrievable paper or electronic format while any of the tax-advantaged bonds are outstanding, plus a minimum of three years following the final maturity or redemption of that bond issue.

Records required to be maintained include, but may not be limited to:

> Basic records relating to the bond transaction, including the bond transcript and other related closing documents;
>
> Construction contracts, purchase orders, invoices, trustee requisitions, accounting statements and other documentation relating to costs paid or reimbursed with bond proceeds;
>
> Records identifying the assets financed with bond proceeds, including a final allocation of bond proceeds;
>
> Documentation evidencing the use of bond-financed property, including records of lease or sale of such property and any change in use of such property from its original intended purpose;
>
> Documentation relating to investment proceeds, including the purchase and sale of securities, SLGS subscriptions, yield calculations for each class of investments, actual income received from investments, trustee statements, rebate payments and arbitrage calculations and reports; and
>
> All correspondence to and from the IRS with respect to the tax-advantaged bonds.

208.12 Policy Administration

To the extent necessary, the Finance Director, the Supervising Officer, the OMB Director and the County Attorney shall communicate with the County's general finance counsel and bond counsel and shall suggest changes to these procedures from time to time in order to incorporate any additional requirements related to tax-advantaged bonds.

Appendix A

Capital Asset Object Codes Effective September 1, 2002

ASSET CATEGORIES Per Capital Asset **Guide**	**Capitalize/ Expense**	**Object Code Number and Title (New codes in bold)**	**Depr. In Years**
Land	CAPITALIZE	56100 Real Property – Land, Easements, and Right of Way	N/A
	EXPENSE	54603 Other maintenance	
Buildings and Other Improvements	CAPITALIZE	56200 Buildings	10-60 Years
		56300 Building Improvements	
		56301 Other Improvements	
		56302 System Improvements (Utilities)	
	EXPENSE	54600 Building maintenance	
		54603 Other maintenance	
Infrastructure	CAPITALIZE	56330 Major Collector Road	25 years
		56320 Minor Collector Road	35 years
		56310 Local Road	50 years
		56340 Arterial Road	25 years
		56350 Bridges	35-75 years
	EXPENSE	54603 Other maintenance	
Utility Assets	CAPITALIZE	56304 Process Structures	30 years
		56305 Process Equipment	10 years
		56306 Pipelines and Appurtenances	50 years
	EXPENSE	54603 Other Maintenance	N/A

ASSET CATEGORIES Per Capital Asset **Guide**	**Capitalize/ Expense**	**Object Code Number and Title (New codes in bold)**	**Depr. In Years**
Equipment	CAPITALIZE	56400 Equipment	4-10 Years
		56401 Office Equipment	
		56402 Office Furniture	
		56403 Computer Equipment	
		56406 Equipment thru Donations - Main	
		56407 Equipment thru Donations – Ponte Vedra	
		56408 Equipment thru Donations - Hastings	
		56409 Equipment thru Donations- Bartram Trails	
		56410 Grant Equipment	
		56411 Exhibits	
		56412 Equipment thru Donations-Southeast Branch	
		56420 Trade-in allowance	
	EXPENSE	54601 Equipment maintenance	
		54602 Vehicle maintenance	
		54603 Other maintenance	
		55200 Operating supplies	

Library Books And Reference Materials	CAPITALIZE	56426 Library Collection	10 Years
		56421 Donated Collection - Main	
		56422 Donated Collection – Ponte Vedra	
		56423 Donated Collection – Hastings	
		56424 Donated Collection – Bartram Trails	
		56425 Donated Collection – Southeast Branch	
	EXPENSE	55205 Library Materials	

Works of Art and Historical Treasures	CAPITALIZE	56430 Personal Property – Works of Art and Historical Treasures	N/A

ASSET CATEGORIES Per Capital Asset **Guide**	**Capitalize/ Expense**	**Object Code Number and Title (New codes in bold)**	**Depr. In Years**
Software Computer	CAPITALIZE	56440 Personal Property – Proprietary Computer Software	5 Years
	EXPENSE	55200 Operating Supplies	
Leasehold Improvements	CAPITALIZE	56315 Leasehold Improvements	Balance of lease
	EXPENSE	54600 Building maintenance	