



OJRSA

Oconee Joint Regional
SEWER AUTHORITY

FINANCIAL & ACCOUNTING POLICY

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DEFINITIONS, CONSTRUCTION, ACRONYMS, AND FORMAT

This Section of the *OJRSA Financial and Accounting Policy* contains definitions, acronyms, abbreviations, and formatting that are specific to this document. In addition, additional terms using initial capitals shall have meanings ascribed thereto in the body of this Policy.

DEFINITIONS

The following words, unless the context, custom or intent clearly indicates otherwise, shall mean:

Accounting Period means the OJRSA's Fiscal Year.

Annual Budget means a financial plan containing projected expenditures and resources covering a single Fiscal Year (July 1–June 30).

Authorized Signer shall mean the Board Chair (or acting Board Chair) and the Executive Director, acting individually or together, as applicable.

Bond Counsel means, with respect to a particular issue of Bonds (as such term is defined in Section 4.1 hereof), either the law firm that served as bond counsel in connection with the issuance of such Bonds, or any other nationally recognized firm of attorneys experienced in the field of municipal bonds whose opinions as to federal income tax matters are generally accepted by purchasers of municipal bonds.

Capital Improvement Fund means the Projects & Contingency Fund, as well as other funds or accounts that may be created in accordance with SECTION 2.4.

Capital Projects means, in accordance with Generally Accepted Accounting Principles, construction, renovation, or replacement projects for an existing facility or facilities of the OJRSA sewer utility system which extend the life of the system, or the purchase of an asset or equipment, to include software, with a useful life exceeding a year.

Cash Basis of Accounting means the method of accounting utilized by OJRSA, pursuant to which revenues and expenditures are recorded when actual payments are received or disbursed.

Code means the Code Laws of South Carolina 1976, as amended.

Consumable means items not included in the definition of Inventory and are not replaced or are finished in a process, such as janitorial items, toilet paper, batteries, light bulbs, and gloves. Consumables are usually discarded when they have failed. *Consumables do not include fuels, oils, or lubricants purchased or stored in any size vessel.*

Contract means any type of binding agreement, regardless of the title.

Days Operating Cash on Hand shall have the meaning ascribed thereto in Section 2.10(H) herein.

Debt Service means for the period in question, the total cash required to pay back debt obligations calculated by totaling the periodic interest and principal payments coming due on a debt.

Debt Service Coverage Ratio means for any period of time, the ratio determined by dividing income available for Debt Service by the Debt Service for the given period.

De Minimis means something that is trifling or of little importance.

Employee has the meaning given such term in the then current version of the *OJRSA Employee Handbook*.

Executive Director means the Executive Director of OJRSA who serves as the chief administrative officer of the OJRSA.

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Extraordinary Event means an unprecedented event due to circumstances that are not under the control of management, is unusual in nature, and is infrequent in occurrence, such as a vehicle wreck, natural disaster, third-party damage, pandemic, federal government mandates, or other Act of God.

F&A Committee shall mean the OJRSA's Finance & Administration Committee.

Financial Signer shall mean the OJRSA's Office Manager.

Fiscal Year means the period of twelve calendar months, beginning on July 1 of each year and ending on June 30 of the following year, unless the same shall have been changed by OJRSA pursuant to the authorization contained in SECTION 2.1 hereof.

Full Accrual Basis of Accounting means a financial accounting method that allows an entity to record revenue before receiving payment for goods or services sold, and record expenses as they are incurred.

Generally Accepted Accounting Principles or GAAP means the collection of commonly-followed accounting rules and standards for financial reporting and measuring financial performance.

Insurance and Damage Reimbursement means the receipt of cash from an insurance company, governmental agency (such as FEMA), or other such organization that covers losses incurred as a result of an Extraordinary Event. Reimbursement could cover equipment, material, labor, infrastructure replacement, and other such expenses incurred by the agency.

Inventory means items used to replace a lost or damaged part of a machine, such as pulleys, couplings, and rotors used for pump components that are not capital assets as identified in Section 5.3. There are three (3) classifications of Inventory:

1. Vital: An item within critical equipment that, should it fail, will badly reduce or stop production or will harm OJRSA, a Person, or the community. These are typically items that have a long lead time to receive when ordered. Examples include spare pumps, motors, repair clamps, air release valves, and generators that are dedicated to specific applications.
2. Essential: An item that could cause a significant loss of production but will not endanger the safety of people or the environment. Examples include pump repair parts and common-size operating valves.
3. Desirable: An item that would not cause any problems if not on hand in the moment and are typically stocked by or can easily be fabricated by vendors. Examples include bearings, gauges, and belts.

IRS Code means United States Internal Revenue Code of 1986, as amended.

Joint Authority Act means in the South Carolina Joint Authority Water and Sewer Systems Act, which is codified at Title 6, Chapter 25 of the Code.

Lab Chemicals means items not included in the definition of Inventory and are solid, liquid, or gaseous chemicals and associated labware used for compliance monitoring or process control in the OJRSA laboratory, such as pH solution, acids, sodium hydroxide, and *E. coli* bottles.

Limited Signer shall mean the F&A Committee Chair and Operation and Planning Committee Chair. These individuals shall possess all authority described in Section 3.4 herein.

Member Cities means the municipalities of Seneca, Walhalla, Westminster.

Person means any corporate organization (including, without limitation, corporations, limited partnerships, and limited liability companies), business, individual, union, committee, club, other organization, or group of individuals.

Personal Property means any property besides land that is owned by OJRSA.

Policy means these financial policies of OJRSA, as approved by the Board and as amended from time to time.

Process Chemicals means items not included in the definition of Inventory and are liquid or gaseous chemicals used solely for the purpose of treating wastewater and biosolids that is purchased in individual bulk quantities greater than fifty (50) gallons or one hundred (100) pounds, such as chlorine gas, sodium hypochlorite, sodium bisulfite, peracetic acid, and liquid polymer. Process Chemicals do not include chemicals purchased in bags (such as lime or dry polymer) or fuels, oils, or lubricants purchased or stored in any size vessel.

Real Property means any land, all things attached thereto, and all improvements made thereto including buildings and structures located thereon.

Regulations means United States Department of the Treasury Regulations unless otherwise stated.

Responsible Official means the Executive Director, or such other responsible official designated by the OJRSA Board who is responsible for OJRSA's compliance with the policies and procedures set forth in Section 4 of this Policy and any Tax Certificate to be entered into by OJRSA. The Responsible Official may from time to time delegate certain of the responsibilities to be performed by other members of the staff of OJRSA, acting under the general supervision and direction of the Responsible Official.

Retail Impact Fund means the fund operated pursuant to Section 3.03, which is funded by impact fees collected and expended pursuant to Title 6 Chapter 1 Article 9 (DEVELOPMENT IMPACT FEES) of the South Carolina Code of Laws 1976, as amended and *OJRSA Impact Fee Policy*.

Retail means, in reference to OJRSA's wastewater treatment and/or conveyance system, the portion of the wastewater collection system, trunk sewer, and/or treatment plant where OJRSA is the sole wastewater utility providing services to the end user.

Sinking Fund means a fund established by OJRSA for the purpose of accumulating revenue over a period of time to fund a future Capital Project, or repayment of long-term debt.

Surplus Property means OJRSA-owned real or personal property with remaining useful life that has no reasonable expectation of future use within the purposes of OJRSA.

Tax Agreement means the agreement entered into by OJRSA with respect to each Bond or series of Bonds setting forth obligations intended to maximize the likelihood that all applicable post-issuance requirements of IRS Code to preserve the tax-exempt or tax-advantaged status of such Bonds.

Wholesale Impact Fund means the fund operated pursuant to Section 3.03, which is funded by impact fees collected and expended pursuant to Title 6, Chapter, 1 Article 9 (DEVELOPMENT IMPACT FEES) of the Code and *OJRSA Impact Fee Policy*.

Wholesale means, in reference to OJRSA's wastewater treatment and/or conveyance system, the portion of OJRSA wastewater trunk sewer and/or treatment system that serves the Member Cities, as well as the Town of West Union.

CONSTRUCTION

In this Policy, unless the context otherwise requires:

- A. Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Policy.
- B. The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms refer to this Policy, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before the date of adoption of this Policy.
- C. Words of the masculine gender shall mean and include correlative words of the female and neuter genders, and words importing the singular number shall mean and include the plural number and vice versa.
- D. Shall is mandatory and requires compliance. May is permissive.

ACRONYMS AND ABBREVIATIONS

ACH: Automated Clearing House
Board: Board of Commissioners of Oconee Joint Regional Sewer Authority
ACFR: Annual Comprehensive Financial Report
EMMA: Electronic Municipal Market Access
FEMA: Federal Emergency Management Agency
FDIC: Federal Deposit Insurance Corporation
FINRA: Financial Industry Regulatory Authority
GAAP: Generally Accepted Accounting Principles
GASB: Government Accounting Standards Board
GFOA: Government Finance Officers Association
IRS: United States Internal Revenue Service
LGIP: South Carolina Local Government Investment Pool
OJRSA: Oconee Joint Regional Sewer Authority
VCAP: Internal Revenue Service’s Voluntary Closing Agreement Program
SCDAH: South Carolina Department of Archives and History or any successor agency
WOMSS: Work Order Maintenance Software System

DOCUMENT FORMAT

This policy contains fonts and styles that mean certain things, including points of emphasis or reference other sections or materials. Below is a list of the types used within this manual and what it represents when encountered in the *OJRSA Financial and Accounting Policy*.

BOLD CAPITAL LETTERS	Important point of emphasis
<u>Dashed Underline</u>	Name of a form to use for documenting a task referenced in the document
<i>Italic ‘Cambria Math’ Font</i>	<i>Mathematic or chemistry formula</i>
<i>Italics</i>	Title of books, manuals, and other documents
MIX-SIZED CAPITAL LETTERS	Name of sections or appendices in a book, manual, or other document
<u>Underlined Italics</u>	A note of caution or warning

SECTION 1 – PURPOSE AND ADOPTION

Oconee Joint Regional Sewer Authority (“OJRSA”) has developed and adopted a comprehensive set of financial policies that are consistent with the Board of Commissioners of Oconee Joint Regional Sewer Authority’s (the “Board”), as the governing body of OJRSA, goals and objectives. This *OJRSA Financial and Accounting Policy* (this “Policy”) is an integral part of the development of service, providing of capital, and establishing of financial plans and the Annual Budget. This Policy provides the basis for decision-making and ensure the OJRSA’s ongoing financial stability.

The Policy shall become effective in accordance with OJRSA Resolution 2025-01. All resolutions or policies (including former financial policies) that are in conflict with the provisions of the approval resolution or the Policy adopted thereby (as amended) are hereby repealed to the extent of the conflict or inconsistency or in their entirety where the conflict or inconsistency is not severable from such document.

SECTION 2 – FINANCIAL MATTERS

2.1 FISCAL YEAR

OJRSA shall be operated on a Fiscal Year basis, which shall commence on the first (1st) day of July of each year and shall end on the thirtieth (30th) day of June of the following year. OJRSA may, by resolution duly adopted by the Board, change the Fiscal Year at any time from that now existing to a different twelve (12) month period.

2.2 UNRESTRICTED FUNDS AND ACCOUNTS

OJRSA maintains two unrestricted (2) accounts or funds, which are collectively referred to within this Policy as the “Unrestricted Fund.” These accounts are utilized to fund the general operation and maintenance of the Wholesale and Retail systems.

The Unrestricted Fund is used to receive revenue and pay expenses associated with the Annual Budget, which may include capital expenditures as approved by the Board. The Unrestricted Fund is comprised of the following two funds:

- A. Wholesale Operations & Maintenance Fund. The banking and investment account used to pay for normal operating business expenses associated with the Wholesale wastewater conveyance and treatment system.
- B. Retail Operations & Maintenance Fund. The banking and investment account used to pay for normal operating business expenses associated with the Retail wastewater conveyance and treatment system. All revenues collected from the Retail system must remain in this fund and cannot intermingle with other OJRSA funds except as necessary for operating shared assets, such as the Coneross Creek Water Reclamation Facility, which is OJRSA’s wastewater treatment plant.

2.3 RESTRICTED FUNDS AND ACCOUNTS

OJRSA maintains three (3) restricted bank accounts, each with a specific purpose as detailed below, where the funds can only be used for those purposes which they were collected and/or designated by the Board. Within this Policy, these funds may be collectively referred to as “Restricted Funds.”

Expenditures from these funds are strictly limited to the mandates of each fund and can only be made upon Board approval. Restricted Fund revenues or fund balance are not to be used to subsidize other funds, except as required or permitted by this Policy.

- A. Wholesale Impact Fund. The banking and investment account to be used for the renovation, modernization, and expansion of Wholesale system. Such fund shall be managed in a manner consistent with SECTION 2.6(F) of this Policy.
- B. Retail Impact Fund. Banking and investment account to be used for the renovation, modernization, and expansion of OJRSA retail system including the:
 1. Coneross Creek Water Reclamation Facility,
 2. Construction of new treatment facilities, and
 3. Conveyance system.
- C. Capital Projects Fund. This fund is used as a reserve fund for:
 1. Capital Projects,
 2. Unexpected expenses or emergency repairs that were not included in the Wholesale Operations and Maintenance Fund and Retail Operations and Maintenance Fund for a Fiscal Year,
 3. The restoring or replacing of depreciated or obsolete properties of the system, and
 4. Other purposes as recognized by the Board.

2.4 CREATING AND CLOSING ADDITIONAL ACCOUNTS

The OJRSA may create and close additional special fund accounts as necessary, such as when funding a special project. The Board shall determine if such accounts are Unrestricted Funds or Restricted Funds.

2.5 ANNUAL BUDGET

- A. The Annual Budget is the vehicle through which the Board authorizes OJRSA to fund operations during a Fiscal Year for specific purposes and which establishes the economic resources that are required to support these activities. The Annual Budget, which is required by South Carolina law, is a fiscal, planning, and policy document, reflecting the allocation of limited revenues among diverse uses.
- B. Citizen input into decisions relating to revenues will be solicited during the budget public hearing process and will be made available for public review prior to consideration by the Board. Best efforts shall be made for the proposed Annual Budget is to be presented to the Board for its consideration no later than the first scheduled

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Board meeting in May. The Annual Budget shall be approved by the Board by no later than June 30 of each year. Notice of the adoption of the Annual Budget will be provided in accordance with the provisions of South Carolina law.

- C. Budgets shall be prepared using the Cash Basis of Accounting at the department level and provide the basis for the OJRSA's financial management system. The adopted Annual Budget shall constitute the maximum expenditure authorization for a given fund and can be amended only by action of the Board.
- D. In drafting the Annual Budget and identifying multi-year costs, the expenditures shall be prioritized in accordance with the following:
 - 1. Maintenance or installation of devices, equipment, and systems that ensure a safe working environment for Employees and the public;
 - 2. Maintenance or installation of infrastructure or appurtenances to remain in compliance with applicable permits, laws, and regulations; and
 - 3. Installation of equipment and/or programs that reduce operating costs, such as increased utilization of technology, equipment, and proven business methods.
- E. The Executive Director will monitor the financial condition of OJRSA and estimate present and future financial needs. It will be the duty of the Executive Director to take action to bring the budget into balance if adjustments are needed in the course of a Fiscal Year. The Executive Director will provide monthly summary reports and detailed quarterly reports to the Board covering the operating results of OJRSA compared to the budget and prior year performance. All excess revenue collected by OJRSA that exceeds the projected budget revenue figure from a specific revenue category must be reported to the Board on a monthly basis.
- F. Department heads will be accountable for the implementation of department budgets in a manner that accomplishes the programs and objectives for which the budgets were authorized and ensuring that their respective budgets stay within the prescribed funding levels.
- G. Departments must adhere to the Annual Budget by each major expense category of personnel, operating, and capital. Budget transfers or shifts in departmental budgets must be authorized by the Executive Director, provided that overall budget appropriations do not change without the approval of the Board.
- H. OJRSA will operate on a current funding basis which means expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of fund balances accumulated through prior years.
- I. Operating revenues shall be equal or greater than operating expenses. Revenues will be estimated based on actual revenues during the last twelve (12) months in conjunction with rate adjustments, cost-of-service projections, and any projected customer growth approved by the OJRSA Board on an annual basis. All other revenues will be based on actual revenues during the last twelve (12) months (adjusted for any Extraordinary Events).
- J. Expenses will generally be based on actual expenses during the last twelve (12) month period, and as necessary a cost-of-living factor (adjusted for any Extraordinary Events). Labor expenses will primarily be based on the current level of Employees, a cost-of-living adjustment as necessary, and any anticipated merit-based salary adjustments determined by the Executive Director and approved by the Board. All other expenses will be based on last twelve (12) months (adjusted for any Extraordinary Events).
- K. All operations are expected to be self-supporting. OJRSA will conduct an annual review of fee structures, charges for services, and other operating revenues and expenditures.
- L. Multi-year operating cost projections shall be prepared and updated each year to identify the impact of current decision making on future resources.
- M. For purposes of this Policy, the Cash Basis of Accounting is used in defining revenues and expenditures.
- N. OJRSA will make every effort to maximize any discounts offered by creditors/vendors.

2.6 REVENUES

- A. OJRSA will maximize and diversify its revenue base to raise sufficient revenue to support essential agency services and to maintain services. OJRSA must be sensitive to the balance between the need for services and the Member Cities' ability to raise fees to support those services.
- B. OJRSA shall conservatively estimate annual revenue increases.
- C. All surpluses above the budgeted revenue estimates will be available to OJRSA for appropriation through the

agency's budget monitoring and approval processes. Additional appropriations will be used for activities that support the function or program generating the additional fees.

- D. Revenue shortfalls requiring the utilization of Restricted Fund resources will result in a current appropriation level reduction. In the event of a current Fiscal Year projected total revenue shortfall, OJRSA will document other offsetting revenues or reduce its Annual Budget within the regular budget monitoring process. **TRANSFERS FROM THE RESTRICTED FUND BALANCE TO COVER REVENUE SHORTFALLS IN THE RESTRICTED FUNDS SHALL NOT OCCUR WITHOUT BOARD AUTHORIZATION.**
- E. Whenever possible, OJRSA will maintain a diversified and stable revenue base to reduce the effects of short-term fluctuations in any one revenue source.
- F. The Wholesale Operations and Maintenance Fund and the Retail Operations and Maintenance Fund shall be self-supporting. The Board will establish all user fees at a level related to the full costs (operating, direct, indirect, and capital) of providing the service. The Board will review these fees and charges annually in the Annual Budget process and target rates that meet the cost to provide the service.
- G. Charges for services that benefit specific users should recover full costs, including all direct costs, overhead, loss of earned interest, and depreciation on capital assets. When applicable for determining OJRSA costs, current Federal Emergency Management Agency (FEMA) Rate Schedules may be used, as well as the cost to rent comparable equipment needed to complete a function.
- H. Restricted Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than Debt Service or capital projects.
- I. One-time resources such as proceeds from asset sales, debt refinancing, one-time grants, revenue spikes, budget savings, and similar non-recurring revenue shall not be used for current or new ongoing operating expenses without the approval of the Board. Appropriate uses of one-time resources include:
 - 1. Rebuilding Unrestricted Fund reserves (fund balance);
 - 2. Establishing or rebuilding the Capital Projects Fund;
 - 3. Early retirement of debt; and
 - 4. Funding capital expenditures and/or other non-recurring expenditures.
- J. OJRSA will actively seek grant funding to benefit both operating and capital expenditures. Prior to the acceptance of grant funding, an evaluation of the grant must determine the following:
 - 1. The grant purpose is compatible with OJRSA program objectives;
 - 2. The benefits provided by the grant exceed the cost of administration;
 - 3. The grant does not commit OJRSA to long-term, unaccounted for expenditures after the completion of the grant period; and
 - 4. The cost and funding source to determine whether to continue the service when the grant period ends. The decision to continue to fund or drop the grant will be made prior to accepting the grant. Alternatively, OJRSA could choose to continue the service with other funding.

2.7 EXPENDITURES

- A. Expenses will generally be based on actual expenses during the last twelve (12) month period, and as necessary a cost-of-living factor (adjusted for any Extraordinary Events). Labor expenses will primarily be based on the current level of Employees with a cost-of-living increase and an improvement factor based on performance goals to be based annually. All other expenses will be based on last twelve (12) months (adjusted for any Extraordinary Events). An appropriate balance will be maintained between budget dollars provided for direct public services and dollars provided to assure good management and legal compliance. In addition to the Executive Director and the Board Secretary/Treasurer, all department heads share in the responsibility of understanding the agency's long-term financial viability, its general spending trends, its projected incomes, and educating themselves, and Employees on the necessary short and long-term balance between revenues and expenditures.
- B. All operations are expected to be self-supporting entities. OJRSA will conduct an annual review of fee structures, charges for services, and other operating revenues and expenditures.
- C. The annual expenditures (operating budget minus capital outlay) shall not exceed the annual revenues.
- D. In extraordinary circumstances, the Board may approve the use of fund balance in lieu of rate increases, to

cover non-recurring or capital costs.

- E. Before OJRSA undertakes any Contracts that would create fixed ongoing expenses, the cost implications of such Contracts will be estimated for current and future years with the aid of strategic financial planning models, when possible.

2.8 DEBT COMPLIANCE

- A. Adherence to this Policy will help assure access to the credit and capital markets and maintenance of the highest possible credit rating given the rating environment.
- B. Debt or bond financing shall not be used to finance operating expenditures.
- C. All bonds, notes, Contracts, accounts payable, and other monetary liabilities will be paid when due and shall have the most superior lien position during the allocation of resources in budget planning, as set forth in OJRSA's bond documents.
- D. Capital Projects, financed through the issuance of bonds or other means, shall be financed for a period not to exceed the expected useful life of the financed property.
- E. OJRSA will consider the use of lease-purchase financing for capital outlay of equipment and heavy vehicles having a useful life of at least three (3) years or more.¹
- F. OJRSA shall maintain and collect rates and charges so that the income therefrom is reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of the annual Debt Service requirements for all parity bonds outstanding. To assure that this requirement and the overall financial goals and objectives of OJRSA are met, the desired minimum targeted Debt Service Coverage Ratio for any given Fiscal Year shall exceed one hundred twenty percent (120%).
- G. OJRSA will establish an appropriate mix of bonded debt and pay-as-you-go financing in the funding of its Capital Projects.
- H. OJRSA seeks to minimize the protection from optional redemption given to bondholders, consistent with its desire to obtain the lowest possible interest rates on its debt. OJRSA bonds shall generally be subject to optional redemption. OJRSA seeks early calls at low or no premiums because such features have allowed it in the past to refinance debt more easily for Debt Service savings when interest rates dropped. OJRSA will annually evaluate optional redemption provisions for each issue to assure that OJRSA does not pay unacceptably higher interest rates to obtain such advantageous calls.
- I. OJRSA acknowledges its responsibility to meet its continuing disclosure obligations on a timely basis. The Executive Director and shall be authorized to provide any continuing disclosure materials on the OJRSA's behalf to the Municipal Securities Rulemaking Board's EMMA system or any other information repository; continuing disclosure materials include, but are not limited to, audits, annual financial reporting, event notices, voluntary events and third-party information. To the extent OJRSA is not in compliance with its continuing disclosure requirements, it will immediately undertake actions to become compliant.
- J. OJRSA may employ outside financial specialists to assist it in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. The key players in the OJRSA's financing transactions include Bond Counsel, financial advisor, underwriter(s) and OJRSA representatives (the Executive Director and other OJRSA representatives as may be appointed by the Executive Director). Other outside firms, such as those providing paying agent/registrars, trustee, credit enhancement, auditing, or printing services, are retained as required. The financing team will meet periodically or when necessary to review the overall financing strategy of the OJRSA and make recommendations to the Executive Director.
- K. Lease purchase financings may be considered before the use of Capital Improvement Fund (as described in SECTION 2.9 below) balance for capital equipment and fleet in conformance with governance documents.²
- L. As applicable, OJRSA may enter into Contracts with terms exceeding one (1) year so long as the Contract is subject to appropriation of available funds by OJRSA during its annual budget process.

¹ Leases are subject to requirements established the Joint Authority Act. OJRSA to consult with legal counsel prior to entering into any lease agreement as it may be considered as a debt that must be approved by the councils of the Member Cities.

² Leases are subject to requirements established in the Joint Authority Act. OJRSA to consult with legal counsel prior to entering into any lease agreement as it may be considered as a debt that must be approved by the councils of the Member Cities.

2.9 CAPITAL IMPROVEMENT PROGRAM

- A. OJRSA desires to create a ten (10) year financial forecast that will include projections for annual growth plus allowances for operating costs of new capital facilities. The forecast should be updated annually as part of the Annual Budget process. The forecast will provide the financial health of all major funds and assess the financial implications of current and proposed policies, programs, and assumptions. The forecast will include potential alternatives to improving the long-term financial health of the agency.
- B. The Board will establish a Capital Improvement Fund (a.k.a. the "Projects & Contingency Fund," as well as others that may be created in accordance with SECTION 2.4) and designate said funds for the implementation of Capital Projects. OJRSA will prepare and adopt a ten (10) year Capital Improvement Plan, which shall be reviewed annually with the Annual Budget and revised, as necessary, that will detail each Capital Project, the estimated cost, and funding source.
- C. Operating expenditures will be programmed to include the cost of implementing the Capital Improvement Plan as required.
- D. Capital Projects shall be completed and purchased on a regular schedule.
- E. Pursuant to South Carolina law and OJRSA's bond documents, and within the constraints of operating budgets, debt, including bonds and leases in compliance with SECTION 2.8 above, may be issued for the purchase of Capital Projects, including major renovations.
- F. An amount determined annually by the Board may be deposited into the Capital Improvement Fund from the Annual Budget.
- G. Facilities whose construction or acquisition results in new or substantially increased operating costs will be considered only after an assessment indicates a clear need for the project and resources for funding the increased operating costs are available.
- H. All proposals for the expenditure of capital funds will be formulated and presented to the Board within the framework of a general capital budget. Except in circumstances of any emergency nature, no consideration is given to the commitment of any capital funds in without a prior general review of all capital budget requirements.

2.10 DEPOSITORY AND INVESTMENT POLICY

- A. This Policy mandates pursuit of the following overall goals and objectives: all aspects of cash management operations shall be designed to ensure the absolute safety and integrity of OJRSA's financial assets; and the overall financial objective is to provide the highest possible income support to the OJRSA and present a very low risk of loss of principal. OJRSA's banking and investment policy is in conformance with all federal, state, and local governing legislation, the GFOA best practices and other legal requirements and applies to the depositing and investment of all funds, excluding the investment of Employees' retirement funds.
- B. When allowed, OJRSA will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration.
- C. The Board may elect to participate in the LGIP to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions through the South Carolina Treasurer's Office as permitted by the Code. **INVESTMENTS SOURCED OUTSIDE OF LGIP SHALL BE PROPERLY COLLATERALIZED IN ACCORDANCE WITH SOUTH CAROLINA LAW WITH DOMESTICALLY OWNED SECURITIES.**
- D. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
- E. All investments shall be consistent with this Policy and consistent with GFOA policies and statements.
- F. The investment portfolio shall remain sufficiently liquid to meet all operating and accounts payable requirements that may be reasonably anticipated.
- G. At all times, OJRSA shall remain sufficiently liquid to meet cash flow requirements by matching investment maturities with forecasted cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification. Reserves and funds not required for the maintenance of a positive cash flow position within the next six (6) months (time deposits held in savings accounts or as certificates of deposits) will be maintained in accounts bearing the highest interest rates available to OJRSA, taking

into account potential interest rate and credit risk, provided that such accounts are secured from risk as provided by law. Where practicable, such accounts will be structured to ensure availability of funds without incurring unnecessary penalties upon withdrawal. Where practicable, accounts should be structured to maximize FDIC coverage, and where FDIC coverage is not available, such excess funds shall be appropriately collateralized.

- H. The minimum balances have been established as follows:
1. Wholesale Operations and Maintenance Fund: One hundred twenty (120) days cash on hand;
 2. Retail Operations and Maintenance Fund: One hundred twenty (120) Days Operating Cash On Hand.
 3. "Days Operating Cash on Hand" shall be determined under the following formula:

$$= \frac{\text{Cash and Cash Equivalents} + \text{Nonrestricted Investments}}{((\text{Annual Operating Expense} - \text{Depreciation}) \div 365 \text{ Days})}$$
- I. To the extent FDIC insurance is not available, collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.
- J. 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.
- K. Officers and Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
- L. The Executive Director or his/her designee is authorized to manage the investment portfolio.
- M. A list will be maintained by the Office Manager and Board Secretary/Treasurer of all financial institutions and depositories authorized to provide investment services for OJRSA.
- N. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:
1. Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to certificate of deposit counterparties).
 2. Proof of state registration.
 3. Certification of having read and understood and agreeing to comply with SECTION 2.10 herein.
 4. Evidence of adequate insurance coverage.

2.11 SURPLUS PROPERTY

- A. Surplus Property, which have little or no salvage value, considering the cost of disposing of same, such as older model computers and printers, may be offered to employees at nominal prices, as established by the department head upon the approval of the Executive Director, before other means of disposition are considered.
- B. Surplus Property with salvage value, but which are likely to bring little at a conventional auction, may be sold through an internet site such as www.govdeals.com or any other reputable internet site or auction service which the Executive Director or designated department head has determined will offer the most exposure to potential interested buyers, or which will likely result in the highest return for OJRSA.
- C. Surplus Property with trade-in value may also be traded-in to a dealer or vendor in exchange for, or toward the purchase of, items needed by a Department of OJRSA.
- D. Surplus Property may also be sold to, traded with or donated to other governmental entities, if such arrangement is determined by the Executive Director to be in the best interests of OJRSA.

SECTION 3– INTERNAL CONTROLS

3.1 ORGANIZATION REVIEW AND APPROVAL OF FINANCES

- A. The F&A Committee is tasked with reviewing and approving monthly and year-to-date financial reports. If the F&A Committee fails to meet to review, discuss, and approve reports, this function shall be performed by the full Board.
- B. Discussions regarding financial matters should be documented in the appropriate meeting's minutes.

3.2 FINANCIAL

- A. Comparisons of budgeted and actual revenues and expenditures are made in monthly and year-to-date financial reports.
- B. When practical, compare results with actual year-to-date results from the same period in the prior year.
- C. Checks and payments made should have accompanying documentation when reviewed and signed.
- D. Invoices should be approved and signed off on (or initialed) before payment in accordance with the OJRSA Procurement Policy.
- E. Only original invoices should be paid to avoid duplication of payment.
- F. Have fidelity bond coverage to protect against losses caused by acts of fraud or dishonesty.

3.3 RECONCILIATION

- A. OJRSA shall utilize an independent firm knowledgeable in accounting to conduct monthly reconciliations of all OJRSA accounts.
- B. All reconciliations should be reviewed by the Executive Director.
- C. Reconciliation reports shall be presented by the Board Secretary/Treasurer to the F&A Committee or Board at a scheduled monthly meeting as stated in SECTION 3.1 above.

3.4 AUTHORIZED SIGNATORIES

Signatory authority and powers shall be limited to the individuals included in Table 1 below:

Table 1: Authorized signers for financial transactions and documents

Authority	Authorized Signers	Limited Signers	Financial Signer
Sign checks ³	Yes	Yes	No
Initiate stop payment orders ⁴	Yes	Yes	Yes
Make deposits at a bank branch	Yes	Yes	Yes
Withdraw cash and obtain cashier's checks ⁵	Yes	No	No
Perform bank branch and online transactions, including payments and wires	Yes	No	Yes
Perform bank account maintenance	Yes	No	Yes
Open and close bank accounts, and sign deposits and other legal financial documents	Yes	No	No
Other banking responsibilities not defined within this Table ⁶	Yes	No	Yes
Execute contracts and binding documents	Yes	No	No
Requisition and Purchase Order authorization	As stated in <i>OJRSA Procurement and Disposal of Property Policy</i>		
Purchase vehicles or equipment	As stated in <i>OJRSA Procurement and Disposal of Property Policy</i>		

3.5 PROCESSES AND PROCEDURES

- A. OJRSA should use prenumbered documents for easier tracking, such as purchase orders, invoices, and checks.
- B. Policies should be communicated throughout the staff and Board. Training should be conducted for all staff upon hiring and as policies change.
- C. OJRSA will establish and maintain accounting systems according to the Generally Accepted Accounting Principles (GAAP) and standards of the Government Accounting Standards Board (GASB).

³ Requires two signatures.

⁴ Requires two signatures.

⁵ Requires two signatures.

⁶ Until defined as policy by the Board.

- D. An annual audit will be performed and completed no longer than six (6) months from the end of the prior Fiscal Year by an independent public accounting firm selected by the Board that will issue an official opinion on the Annual Comprehensive Financial Report (ACFR) with a management letter detailing areas that need improvement, if required.
- E. Full disclosure will be provided in the financial statements and bond representations.
- F. A management letter, the byproduct of an annual audit, shall be presented by the independent certified public accounting firm no later than sixty (60) days from issuance of OJRSA's ACFR.
- G. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis with a thorough analysis and adjustment quarterly, if required.
- H. All revenue collections are the responsibility of the Executive Director or his/her designee.
- I. OJRSA will maintain an internal control system that safeguard assets and provide reasonable assurances (e.g., noting any changes in finance statements) for the proper recording of the financial transactions of OJRSA.

3.6 FINANCIAL SIGNER AUTHORITY

In addition to the signatory authority for the Financial Signer provided in Section 3.4 above, the Financial Signer shall have the authority to perform the following duties in regard to banking activities on a daily basis without prior or separate approval from an Authorized Signer or Limited Signer: (i) initiate stop payment orders; (ii) make deposits at a bank branch, including delegation of such function to records clerk, as needed or convenient; (iii) creating online payments, which are approved for payment online by the Authorized Signer; (iv) paying credit card bills online, includes transfer of funds. However, all such payments shall be approved via "OJRSA Electronic Payment Summary & Authorization" transmittal signed/approved by Authorized Signer; (v) selection, purchase, trade-in, and cancellation of legally authorized investments, as described and authorized herein, for all bank accounts; (vi) transfer of credit card payments to appropriate account due to software limitations of credit card service merchant; and (vii) segregation and distribution of fees to proper accounts when paid by a customer in a lump sum (e.g. payment of engineering, inspection, and connection fees with one (1) check. Payment is initially deposited into the permitting account (WIF), but requires segregation and further disbursement to Wholesale Operations & Maintenance Fund). Notwithstanding the foregoing, the Financial Signer shall inform an Authorized Signer of any of the foregoing actions in writing (include electronic mail) within one (1) business day of any of the authorized banking activities described herein.

SECTION 4 – TAX COMPLIANCE

4.1 TAX POLICIES

SECTION 4 establishes the policies and procedures (the "Tax Policies") in connection with the issuance of tax-exempt and tax-advantaged obligations of OJRSA ("Bonds" or "Bond Issue") in order to maximize the likelihood that all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or tax-advantaged status of such Bonds are satisfied. Capitalized terms used herein and not otherwise defined are intended to have the meanings given to such terms in the Internal Revenue Code of 1986, as amended (the "IRS Code") and the Treasury Regulations promulgated thereunder (the "Regulations").

SECTION 4 is intended to supplement the specific representations and covenants of OJRSA set forth in the tax certificate, tax regulatory agreement, or similar tax document ("Tax Agreement") executed by OJRSA in connection with the issuance of a particular issue of Bonds. The individual(s) identified below as responsible for particular compliance duties shall have read, and shall periodically review, the applicable provisions of each Tax Agreement that relate to such duties, and shall consult with Bond Counsel to the extent that the tax law requirements set forth in a Tax Agreement, or their application to the facts, are not clear. (The Board, in connection with Bond Counsel, may supplement this SECTION 4 from time to time with Exhibits setting forth specific timing requirements and other summary checklists relating to the compliance requirements of particular Bond issues.)

4.2 RESPONSIBILITY

The Responsible Official shall provide a copy of these Tax Policies to OJRSA's auditors and shall instruct such auditors to report to the Responsible Official from time to time any matters the auditors believe relevant to the matters addressed herein.

4.3 TRAINING

OJRSA shall provide appropriate training to the Responsible Official and any other individuals responsible for carrying out compliance duties under SECTION 4 sufficient to enable such individuals to perform those duties. Training may include conference calls or meetings with Bond Counsel to report on issues and questions that arise from time to time in connection with SECTION 4 and for Bond Counsel to report on developments affecting the IRS Code and Regulations and their enforcement that may be relevant to the development and implementation of SECTION 4.

4.4 EXPENDITURE OF BOND PROCEEDS

Until all of the proceeds of a Bond issue have been spent (other than any proceeds deposited in a reserve fund or debt service fund), the Responsible Official shall periodically prepare a written record of the expenditures to date of all proceeds of the Bonds (an "Interim Expenditure Report"), noting any material departures in either timing or use from the original expectations for such expenditures set forth in the applicable Tax Agreement, as well as whether or not any applicable spending targets for arbitrage rebate exceptions have been met. The Responsible Official shall prepare the first such Interim Expenditure Report within six (6) months of the issuance of the Bond issue and at least every six (6) months thereafter until the delivery of the Final Expenditure Report described further below. In preparing such Interim Expenditure Reports, the Responsible Official shall consult as appropriate with Bond Counsel (including, among other things, as to the appropriate level of detail to be used in describing expenditures).

The Responsible Official shall be responsible for determining when all the proceeds of any Bond issue have been spent (other than those held in a reserve fund or debt service fund) and shall take steps to close out with reasonable promptness all project and similar funds holding proceeds of Bonds. If any proceeds together with investment earnings thereon (together, "Remaining Proceeds") remain after paying all expected costs of the projects financed, the Responsible Official shall consult with Bond Counsel as to possible ways to apply such proceeds and their investment and use, with the goal of spending all Remaining Proceeds as promptly as is required by law. Within sixty (60) days of the final expenditure or other disposition of all Remaining Proceeds, the Responsible Official shall prepare a written report (the "Final Expenditure Report") on the expenditure of all proceeds of the Bonds (inclusive of investment earnings), including the use of such proceeds and the schedule of such expenditures, together with any allocations or elections made in connection therewith. Such report also shall address whether rebatable arbitrage must be calculated and paid and on what schedule.

If a particular facility or improvement is only partially financed with proceeds of Bonds, the Responsible Official shall indicate in the report the percentages of each such facility or improvement attributable to equity, the proceeds of Bonds or other sources, including any permitted allocations or reallocations (which, to be valid, must be made within eighteen (18) months following the date the facility or improvement is first "placed in service" and in no event any later than the date sixty (60) days after the fifth (5th) anniversary of the issue date of the Bond issue in question).

4.5 REIMBURSEMENTS

The Responsible Official shall ensure that any use of Bond proceeds to reimburse OJRSA for expenditures made by OJRSA before the issue date of the Bonds in question either satisfies the following timing requirements or is covered by one of the exceptions described below:

- A. Date of Payment being Reimbursed. The expenditure being reimbursed was made no earlier than sixty (60) days before OJRSA adopted a reimbursement resolution that generally described the project to which the expenditure relates and that stated the maximum expected principal amount of the anticipated Bond issue. If no reimbursement resolution was adopted, the expenditure was made no earlier than sixty (60) days before the

adoption of the bond resolution authorizing the issuance of the Bond issue in question.

- B. Date of Reimbursement. The reimbursement is made no later than eighteen (18) months after the date the related project is “placed in service,”⁷ and in any event no later than three (3) years after the date the expenditure that is being reimbursed was made.
- C. Exception for “Preliminary Expenditures.” The preceding timing restrictions do not apply to the reimbursement of “preliminary expenditures,” up to an amount that does not exceed twenty percent (20%) of the issue price of the Bond issue in question. “Preliminary expenditures” include architectural, engineering, surveying, soil testing, bond issuance costs, and similar “soft” costs incurred prior to the commencement of acquisition, construction, or rehabilitation of a project, but do not include land acquisition, site preparation, and similar costs incident to the commencement of construction.
- D. De Minimis Exception. The timing restrictions described above do not apply to the reimbursement of other costs that do not exceed the lesser of five percent (5%) of the proceeds of the Bond issue or one hundred thousand dollars (\$100,000). (This exception is in addition to the exception for “preliminary expenditures.”)

In addition, the Responsible Official shall ensure that moneys paid to OJRSA to reimburse prior expenditures are not used to create a Sinking Fund within a year of the reimbursement and shall consult with Bond Counsel as to any use of reimbursement payments to create any Sinking Fund.

4.6 USE OF BOND-FINANCED FACILITIES; LIMITS ON PRIVATE BUSINESS USE

OJRSA shall ensure that there is no threat to the tax-exempt or tax-advantaged status of any Bond issue resulting from impermissible “private business uses” of Bond-financed property. Such a threat could arise if more than ten percent (10%)⁸ of the property financed with the proceeds of a Bond issue is used in the trade or business of any person – including the federal government – that is not a state or local governmental entity. (Use by the general public does not constitute private business use.) “Use” for this purpose could result from the ownership or lease of Bond-financed property, from certain contracts to manage the property, from contracts to purchase the output of the property, or from arrangements that give a private party special legal entitlements with respect to the property (e.g., priority rights or other legal rights to control the use of the property).

The Responsible Official shall maintain accurate records of the property financed with the proceeds of each Bond issue, which records shall be updated at least once a year to reflect any conveyances or leases of any part of such property, as well as any management contracts with respect to the property, and any other arrangements involving any special legal rights with respect to the property (e.g., output contracts or naming rights). Such records shall determine at least once a year whether the aggregate level of private business use of the property financed with each outstanding Bond issue is within the applicable ten percent (10%) (or five percent (5%)) percent limitation, and whether there is a foreseeable risk that such limitation may be exceeded in the future. The Responsible Official shall consult with Bond Counsel as appropriate to determine whether particular arrangements (such as leases, output contracts, and management agreements) involve “private business use” (whenever possible, before entering into such arrangements), to consider steps that may be taken to limit potential private business use (such as modifications to the terms of management contracts and output contracts), and as to a determination of the overall level of private business use.

In the event any arrangement or disposition of property results in excessive private business use of Bond-financed property, OJRSA will, to the extent possible, take such remedial steps as may be permitted under Section 1.141-12 of the Regulations, including a redemption of a portion of the outstanding Bond issue, in order to maintain the intended tax treatment of the Bonds; and the Responsible Official will consult with Bond Counsel concerning such remedial actions.

⁷ An asset is “placed in service” when (1.) it has reached a degree of completion which would permit its operation at substantially its design level and (2.) the asset is, in fact, operating at such level.

⁸ This limitation is reduced to five percent (5%) if the private use is either “unrelated” or “disproportionate” to the governmental (including general public) use of the property in question, as those terms are defined in the Regulations. Private use is “disproportionate” only if it exceeds the governmental use of the property. Bond Counsel should be consulted as to whether a particular use would be treated as “unrelated” to the governmental use of the property.

4.7 ARBITRAGE AND REBATE

OJRSA shall have covenanted in the Tax Agreement entered into with respect to each Bond issue (1) that proceeds of the Bond issue will be invested in accordance with the applicable arbitrage yield-restriction requirements under section 148(a) of the IRS Code and (2) that OJRSA will on a timely basis (a) determine the amount of any rebate liability accrued with respect to the Bond issue under section 148(f) of the IRS Code and (b) make the requisite payments (if any) of that rebate liability to the federal government.

- A. **Yield Restriction.** The Responsible Official shall monitor the investment of Bond proceeds to ensure that no proceeds that are subject to yield restriction are invested at a yield that is “materially higher”⁹ than the yield on the Bond issue in question and shall maintain accurate records (including applicable bank and trust account statements) as to the investment of all Bond proceeds. The Bond proceeds, if any, that are subject to yield restriction will generally be identified as such in the applicable Tax Agreement.
- B. **Rebate.** Any rebate liability with respect to a Bond issue must be reported and paid (at least in part) no later than sixty (60) days following the fifth (5th) anniversary of the issue date of the Bond issue, every five (5) years thereafter while the Bond issue is outstanding, and within sixty (60) days following the final maturity of the Bond issue.

The Responsible Official shall determine at least annually whether the services of a rebate analyst¹⁰ (“Rebate Analyst”) are required with respect to each outstanding Bond issue and, if such services are required, shall provide the Rebate Analyst with all investment and other records necessary for the Rebate Analyst to determine the amount of rebate that is payable or accrued with respect to a Bond issue. (In some cases, the relevant Bond documents may provide that periodic reports from a Rebate Analyst are mandatory.)

At least every six (6) months while there are any unspent Bond proceeds of an issue (other than proceeds in a reserve fund or debt service fund), the Responsible Official shall record the amount of such unspent proceeds as of the relevant target dates (generally, the date every six (6) months following the issue date of the Bond issue in question) in order to monitor whether any spend-down exception to the arbitrage rebate rules is available. (Such information may be incorporated in the Interim and Final Expenditures Reports described in SECTION 4.4 above.) With respect to each Bond issue, the applicable dates and required spend-down amounts will typically be set forth in the Tax Agreement for that Bond issue.

- C. **Reserve Funds.** Even if a Bond issue otherwise qualified for a spend-down exception to rebate, amounts held in a debt service reserve fund will generally remain subject to the arbitrage rebate requirements. With respect to any Bond issue that has a debt service reserve fund, the Responsible Official shall, at least once a year, make a determination and record (1.) the current balance held in any reserve fund, (2.) whether that balance exceeds the amount excluded from yield restriction under Section 1.148-2(f) of the Regulations, and (3.) the amount, if any, of arbitrage earnings on such fund as of each such date. The Responsible Official shall consult with Bond Counsel as to the proper disposition amounts held in a reserve fund in excess of the amount permitted under Section 1.148-2(f) of the Regulations described in the preceding sentence.
- D. **Other Transactions.** Because the following transactions may have arbitrage or rebate consequences (or, in some cases, may result in the “reissuance” of a Bond issue), the Responsible Official shall consult with Bond Counsel before:
1. Investing any Bond proceeds in a guaranteed investment contract (with respect to which certain “3-bid” and other procedural requirements may apply);
 2. Pledging any funds as collateral security for the payment of debt service on the Bond issue;
 3. Entering into any swap or other hedging transaction with respect to the Bonds; or

⁹ Generally, one-eighth of a percent (0.125%) above the Bond yield.

¹⁰ The Rebate Analyst may be an accounting or law firm with experience calculating arbitrage rebate or a financial service firm that specializes in such calculations.

4. Modifying the interest rate on a Bond issue (other than the periodic modifications resulting automatically under a specified variable interest rate) or extending the timing of required principal payments on a Bond issue.

4.8 AVAILABILITY OF VCAP AS REMEDIAL ACTION

In the event OJRSA's periodic reviews of the matters set forth in SECTION 4 indicate at any time that the use of Bond proceeds or of Bond-financed property has not complied with the applicable requirements of the IRS Code (e.g., with respect to arbitrage yield-restriction, arbitrage rebate payments, permitted expenditures of Bond proceeds, or limitations on the "private business use" of Bond-financed property, among other requirements outlined herein), OJRSA will consult with Bond Counsel as to whether use of the Internal Revenue Service's Voluntary Closing Agreement Program (VCAP), described in *IRS Notice 2008-31* and SECTION 7.2.3 of the *Internal Revenue Manual* (and any subsequent guidance) may be an appropriate means of resolving the problem.

4.9 RECORDS TO BE MAINTAINED

OJRSA will maintain (either in paper or electronic form, or both) copies of all relevant records relating to each Bond issue until at least three (3) years after the latter of: (1) the final maturity of the Bond issue or (2) the final maturity of any tax-exempt obligations issued to refund the Bond issue.

Such records shall include the following for each Bond issue:

- A. The Bond transcript, including copies of the Tax Agreement and 8038-G (or other) form filed with the IRS in connection with the Bond issue;
- B. Records of the investment and expenditure of Bond proceeds, including applicable bank and trust account statements, the Interim Expenditure Reports and Final Expenditure Report described above in SECTION 4.4 of these Tax Policies, and supporting records showing the purpose of particular expenditures (such as draw requests, purchase orders, invoices, and the like);
- C. Contracts and other records documenting any swaps, investment contracts, guarantees, and other financial transactions entered into with respect to the Bond issue;
- D. Copies of rebate calculations (or determinations that an exception to rebate was available), together with supporting workpapers, any reports of a Rebate Analyst, and copies of any and all filings (on form 8038-T or otherwise) and payments to the IRS with respect to rebate;
- E. Copies of any correspondence with the IRS concerning the Bond issue (including but not limited to correspondence relating to an audit or other examination by the IRS of the Bond issue); and
- F. Copies of any and all leases, management contracts, output contracts, and other arrangements involving potential "private business use" of the Bond-financed property (the scope of which should be discussed with Bond Counsel).

4.10 CERTAIN QUALIFICATIONS.

OJRSA reserves the right to use its discretion as necessary and appropriate, in consultation with Bond Counsel, to amend or supplement SECTION 4 as situations warrant. Nothing herein shall authorize the Responsible Official or anyone else to consult with any lawyer unless such consultation is protected by the attorney-client privilege.

SECTION 5 – ACCOUNTING

5.1 ACCOUNTING METHODOLOGY

The method of accounting used by OJRSA on an annual basis is the Full Accrual Basis of Accounting.

5.2 ELECTRONIC ACCOUNTS PAYABLE AND RECEIVABLES

- A. OJRSA shall pay all vendors that receive electronic payments either directly through the vendor's website, via ACH payments using the OJRSA banking institution's website, which offers fraud protection, or other electronic means as approved by the Executive Director.
- B. All electronic payments will be documented in a manner that shall include the following where applicable: vendor's name, purchase order, invoice number, summary of service or items purchased, purchase cost, and

general ledger code chargeable against. This documentation will be signed by two individuals with either authorized or limited signatory power in accordance with SECTION 3.4.

- C. Purchase orders shall be required for all goods and non-contracted services received by OJRSA and shall comply with the *OJRSA Procurement and Property Disposal Policy*.
- D. Any vendor that does not accept electronic payments will continue to be paid via paper check through the using the current policies for payments.
- E. The OJRSA will provide all vendors that want to make electronic payments with the OJRSA’s bank account information as necessary to complete the deposit.

5.3 CAPITAL ASSETS AND DEPRECIATION

- A. OJRSA capital assets are stated at historical cost.
- B. The agency capitalizes purchases of assets greater than five thousand dollars (\$5,000).
- C. Donated capital assets are recorded at acquisition value at the date of donation.
- D. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the respective assets as stated in Table 2.

Table 2: Types and descriptions of capital assets

Asset Types	Asset Categories	Asset Life (in years)	Examples
Buildings	General Structures	40	Offices, pump stations, workshops
	Water Reclamation Facility	40	Structures, piping
	Other Substantial Aboveground Structures or Enclosures	40	Covered storage, tanks, vaults, basins
Conveyance System	Inflow & Infiltration <u>Repairs</u>	20	Grout injection, manhole rehabilitation
	Inflow & Infiltration <u>Replacement</u>	40	Replacement of line segments, CIPP, manhole replacement
	Pipelines	40	Gravity sewer, force mains, manholes
	Sewer Appurtenances	40	Manholes, ARVs
	Tanks and Vaults	40	Wet wells, valve pits, reservoirs
Equipment	Control Systems and SCADA	10	Programming, meters, telemetry, specific electrical for system, control panels, PLCs
	Electrical Equipment	20	Motors, generators, motor control centers, lighting, conduit
	General Mechanical Equipment	20	HVAC
	Heavy Construction and Off-Road Equipment	10	Backhoes, excavators, utility tractors, forklifts
	Mechanical Equipment	20	Pumps, chains, fans, valves, etc.
	Sewer Inspection and Maintenance Equipment	7	CCTV, cleaning, and testing
Land and Easements	Land	Infinite	Real estate
	Easements and Rights-of-Way (intangible assets)	Infinite ¹¹	
Services	Other General Consultation and Engineering Studies	5	Master planning
	Specific Project Consultation Services and Engineering (if implemented or constructed)	20	

¹¹ Intangible assets consisting of rights-of-way and easements are recorded as capital assets at cost and considered to have an indefinite useful life; therefore, they are not amortized. If changes in factors and conditions result in the useful life of an intangible asset and it is no longer indefinite (e.g., abandon an easement), then the asset is evaluated for impairment because the change in the expected duration of use of the asset has occurred. The carrying value of the intangible asset, if any, following the recognition of any impairment loss, is amortized over the remaining estimated useful life of the asset.

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Asset Types	Asset Categories	Asset Life (in years)	Examples
	Specific Project Consultation Services and Engineering (if <u>not</u> implemented or constructed)	5	
Vehicles	Light-Duty Off-Road Vehicles	7	UTVs, golf carts
	On-Road Commercial Vehicle	10	Dump truck, road tractor, pump truck
	On-Road Vehicles	7	Trucks, SUVs, cars
Other Assets	Furniture and Fixtures	7	Desks, chairs, cubicles
	Leasehold Assets and Improvements	Term of Lease	
	Office Equipment and Machines	4	Computers, servers, plotters, software systems

- E. Assets that have been donated, transferred, sold, junked, or abandoned-in-place in accordance with the *OJRSA Procurement and Disposal Policy* shall be accounted for during the fiscal year in which they are removed at selling price or book value or as directed by OJRSA auditor or accountant.
- F. The cost of fully depreciated assets and the related accumulated depreciation amounts are eliminated from the accounts, whether the assets are retired or continue in service.
- G. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

5.4 INSURANCE AND DAMAGE REIMBURSEMENTS

- A. It is the policy of the OJRSA to reimburse the general ledger line items in the funds associated with the expense(s) incurred as a result of the damage.
- B. If an Insurance and Damage Reimbursement for damages is received during the same Accounting Period during which the expenses were incurred, the proper amount will be credited to each fund and general ledger line item that paid for the expense and will not be considered revenue. Examples include:
 - 1. If an insured vehicle is involved in a wreck and the OJRSA paid for repairs using funds designated to the Repair and Maintenance of Rolling Stock and Equipment in the budget, then the Reimbursement received from the insurance company will be credited to that general ledger line item.
 - 2. Natural Disaster or Third-Party Damage Affecting Pump Station: If damage occurs at an insured pump station, then any insurance or FEMA reimbursements received for expenses incurred by the OJRSA will be credited to the general ledger line item(s) in the fund(s) that paid the expenses. This could include a credit for Payroll Salary and Wages and Overtime for labor, Conveyance System Repair & Maintenance for equipment replacement, etc.
- C. If the Insurance and Damage Reimbursement is received after the end of the Accounting Period in which the expenses were paid, then the amount received will be considered Other Revenue in the fund(s) which paid the expense(s).

5.5 CONSUMABLES, INVENTORY, AND CHEMICAL ACCOUNTING SYSTEM.

- A. It is the policy of the OJRSA to maintain accountability over all tangible items that may have the likelihood of disappearing without being noticed or accounted for.
- B. Any item with a per unit cost of less than five hundred dollars (\$500) and a combined maximum value of five thousand dollars (\$5,000) is not considered Inventory unless it is deemed a “Vital” or “Essential” Inventory, including:
 - 1. Consumables – Items not included in the definition of Inventory and are not replaced or are finished in a process, such as janitorial items, toilet paper, batteries, light bulbs, and gloves. Consumables are usually scrapped when they have failed. Consumables do not include fuels, oils, or lubricants purchased or stored in any size vessel.
 - 2. Desirable Inventory – An item that would not cause any problems if not on hand in the moment and are typically stocked by or can easily be fabricated by vendors. Examples include bearings, gauges, and belts.

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3. Process Chemicals – Items not included in the definition of Inventory and are liquid or gaseous chemicals used solely for the purpose of treating wastewater and biosolids that is purchased in individual bulk quantities greater than fifty (50) gallons or one hundred (100) pounds, such as chlorine gas, sodium hypochlorite, sodium bisulfite, peracetic acid, and liquid polymer. Process Chemicals do not include chemicals purchased in bags (such as lime or dry polymer) or fuels, oils, or lubricants purchased or stored in any size vessel.
 4. Lab Chemicals – Items not included in the definition of Inventory and are solid, liquid, or gaseous chemicals and associated labware used for compliance monitoring or process control in the OJRSA laboratory, such as pH solution, acids, sodium hydroxide, and *E. coli* bottles.
 5. Other – Items such as bushings, ball valves, electrical relays, and basic plumbing parts.
- C. Any Employee who purchases an Inventory stock item must follow the standard *OJRSA Procurement and Property Disposal Policy* and use a purchase order as established by the Executive Director.
 - D. When an Employee is required to use an Inventory stock item, the Employee shall document the removal of such item through the work order maintenance software system (WOMSS). If the WOMSS is unavailable, the Employee shall use the Parts Room Checkout Sheet. This documentation shall provide the name of the Employee removing the item; the date removed; the Part Identification Number, description, and quantity removed; and the location where the part will be used.
 - E. At the beginning of each month, the Office Manager or their designee will gather the documented information to verify the monetary value of all Inventory removed. This information will then be submitted to the Office Manager for entry into the accounting software system.
 - F. The Office Manager or their designee shall conduct a physical Inventory verification twice a year, once at the end of the first six (6) months of the Fiscal Year (on or around December 31) and at the end of the Fiscal Year (on or around June 30). The results of the physical Inventory verification will be updated by the Office Manager in the accounting software system.

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REVISION HISTORY

This and previous editions must be maintained in accordance with the *OJRSA Records Retention Policy*.

Table 3: OJRSA Financial and Accounting Policy revision history

Revision Number	Date	Description of Changes
General	11/03/2008	<i>OJRSA Resolution 2008/36</i> regarding investments.
General	02/02/2009	<i>OJRSA Resolution 2009/3</i> regarding receivables.
General	04/05/2010	<i>OJRSA Resolution 2010/17</i> regarding Capital Projects Fund.
General	06/07/2010	<i>OJRSA Resolution 2010/24</i> regarding GASB 45.
General	12/02/2013	<i>OJRSA Resolution 2013-22</i> regarding request to Member Cities to agree or disagree to Rescind the Revenue Sharing Agreement dated 11/18/2008 and filed with the Oconee County Register of Deeds in Book 1709 at page 5 (see page 92 of 139).
General	05/07/2018	<i>OJRSA Resolution 2018-01</i> regarding grant-in-aid program for Member Cities.
General	03/04/2020	<i>OJRSA Resolution 2020-01</i> regarding spare parts, consumables, and process chemicals inventory accounting system.
General	03/04/2020	<i>OJRSA Resolution 2020-02</i> regarding Insurance and Damage Reimbursements.
General	09/14/2020	<i>OJRSA Resolution 2021-04</i> regarding electronic accounts payables and receivables.
General	06/07/2021	<i>OJRSA Resolution 2021-13</i> regarding capital assets and depreciation.
0000	08/07/2023	Initial issue of comprehensive <i>OJRSA Financial and Accounting Policy</i> by <i>OJRSA Resolution 2024-01</i>
0001	02/03/2025	Limited revisions to add authority for Financial Signer and Budget functions by <i>OJRSA Resolution 2025-01</i>