

XIII. Method of Accounting:

- A.** For earnings calculations, investments will be carried at original purchase cost (plus purchased accrued interest, if applicable). Premiums or discounts acquired in the purchase of securities will be amortized or accreted over the life of the respective securities. For GASB purposes, investments will be carried at cost and marked to market.
- B.** Gains or losses from investment sales will be credited or charged to investment income at the time of sale. All interest income, gains/ losses are posted quarterly.
- C.** Premiums paid for callable securities will be amortized to the 1st call date after purchase.
- D.** Purchased accrued interest will be capitalized until the first interest payment is received. Upon receipt of the first interest payment, the funds will be used to reduce the investment to its principal cost with the remaining balance credited to investment income.
- E.** Yield is calculated on an accrual basis using a 365-day calendar year. Earnings are calculated as follows:

$$\frac{(\text{Earnings}^* + \text{Capital Gains}) - (\text{Banking Cost} + \text{Fees} + \text{Amortized Premiums} + \text{Capital Losses})}{\text{Average Daily Pool Balance}}$$

* Earnings equal net interest payments + accrued interest + accreted discounts.

- F.** The County Pool is operated as a single investment pool in which the banking and reporting services, required by the participant, will determine level of charges assigned to the account. Funds that generate specific volume of related banking charges such as payroll, extra reporting, etc. (variable costs) will be charged both fixed and variable banking costs as well as administrative fees before interest allocation and will be designated as Pool 1. Those funds that do not generate excessive banking cost but utilize the basic banking services (fixed costs) will be designated as Pool 2 and charged fixed banking costs and administrative fees. The final classification is designated as Pool 3 and represents those funds that

have only an incidental use of the County banking system and therefore only pay administrative fees.

- G.** Effective July 1, 2014, the 3-pool accounting methodology will be eliminated. The County Pool will be operated as a single investment pool. Banking and reporting services required by a participant will be charged directly to the participant. All participants will be charged an administrative fee.
- F.** The administrative fee is 11.5 basis points and will be evaluated annually.