

SALTON COMMUNITY SERVICES DISTRICT
Finance Committee Meeting Agenda
May 20, 2022

Closed Session 9:30 a.m.

Open Session 11:30 a.m.

1209 Van Buren Ave.

Salton City, CA 92275

www.saltoncsd.ca.gov

COMMITTEE MEMBERS:

Ms. Lidia A. Sierra, Director and Vice President of the Board

Ms. Michelle Gilmore, Director

Ms. Elizabeth Flowers, Member

Ms. Kimberly White, Member

Ms. Roxana Chavez, Member

1. CALL TO ORDER: 9:30 a.m.

2. ROLL CALL:

3. PUBLIC COMMENTS:

Pursuant to California Government Code Section 54954.3, the public has the right to address the board regarding any agenda closed session items prior to the board adjourning into closed session. Anyone who wishes to address the Board, please come to the microphone. Public comments are limited to (3) minutes each person.

4. CLOSED SESSION:

5. PLEDGE OF ALLEGIANCE: Michelle Gilmore, President

6. OPEN SESSION: 9:30a.m.

7. ANNOUNCEMENT OF CLOSED SESSION ACTIONS:

8. PUBLIC COMMENTS:

Pursuant to California Government Code Section 54954.3 members of the public may address the Board at this time on any items of public interest that are within the Board's subject matter jurisdiction. The Ralph M. Brown Act, however, prohibits the Board from taking action on any matter not appearing on the agenda. Personal attacks on individuals, slanderous comments or comments, which may invade an individual's personal privacy, are prohibited. Those who wish to address the Board should come to the microphone. Members of the public will be given three (3) minutes to address the board on any items of public interest. Public comments will be limited to a maximum of (30) thirty minutes per meeting.

9. NEW BUSINESS:

- i. Review, comment and make recommendations to the Board of Directors regarding the draft proposed new SCSD Consolidated Fiscal Policies as prepared by Urban Futures, Inc.

The following documents are necessary for researching the SCSD Financial Reports. The purpose of the meeting is to review these documents and report to the Board of Directors regarding this review. No formal action will be taken on these items.

- ii. Revenue List –January 1, 2022 to present.
- iii. Check Register & copies of cancelled checks.
- iv. Gas Receipts for all District vehicles used, including diesel and regular workvehicles.
- v. Mileage logs for each SCSD vehicles, bi-weekly mileage reports.
- vi. Bank Statements – for all banks.
- vii. Credit card Statements – list of all employees with credit cards.
- viii. Petty cash & receipts.
- ix. Utility bills being paid by District
- x. Architectural Committee Payments – records of payments amounts & payee.
- xi. All financial reports compiled by Christopher Murillo.
- xii. Account Payable & Receivable Reports – **January 1, 2022 to present.**

10. ADJOURNMENT:

Interim Board Secretary, Christopher Murillo

5/16/2022 7:48 PM

Upon written request, this agenda will be made in appropriate alternative format to persons with disabilities as required by Section 202 of the American with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the Secretary of the Board at least 72 hours before the meeting. Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection at 1209 Van Buren St, Suite 1, Salton City, California 92275



Salton Community Services District Consolidated Fiscal Policies

**Adopted by the Board of Directors
Resolution No. XX-XX_
May____, 2022**

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II. INTRODUCTION

A. Purpose and Scope of Consolidated Fiscal Policies

The purpose of the consolidated fiscal policies is to guide the District's financial planning to meet financial obligations while providing high quality services.

Approving Authority – Salton Community Services District Board of Directors

B. Consolidated Fiscal Policies Overview

This set of Consolidated Fiscal Policies are intended to establish guidelines for the District's overall fiscal planning and management. These policies are intended to foster and support the continued financial strength and stability of the District as reflected in its financial goals. The District seeks to attain the following financial goals:

- Deliver quality services in an affordable, efficient and cost-effective manner;
- Maintain an adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in the Salton Community Services District;
- Provide essential public facilities and prevent deterioration of the District's public facilities and its capital assets;
- Have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the District's residents;
- Protect and enhance the District's credit rating in the financial community to assure the District's taxpayers the District government is well managed and financially sound;
- Ensure the legal use of all District funds through adherence to the highest accounting and management practices as set by the Government Finance Officers' Association standards for financial reporting and budgeting, by the Governmental Accounting Standards Board other professional standards, and by adherence to State Law; and
- Provide transparency in the financial operations of the District.

To achieve these goals, it is important to regularly engage in the process of financial planning, including reaffirming and updating these financial policies. Policy changes will be needed as the organization continues to change along with the services and service level it provides to its citizens.

This consolidated policy document is designed and structured to develop principles that guide the financial administration of the District so that taxpayers can look forward to stable, equitable and affordable service delivery. This document includes the following fiscal policies:

1. Fiscal Operations
 - a. Budget Adoption and Administration
 - b. Purchasing and Contracting
 - c. Cash Management
 - d. Accounting, Auditing and Financial Reporting
 - e. Risk Management
2. Fund Balance
3. Capital Asset Management
4. Debt Management
5. Investments
6. Disposition of Surplus Property
7. Fraud, Waste and Abuse

III. FISCAL OPERATIONS

The purpose fiscal operations policies are to provide staff guidance on achieving balanced budgets, budget preparation and ongoing administration, expenditure and revenue controls, user fee and service cost recovery, optimized staffing, cash management, and accurate financial reporting that is consistent with professional standards.

A. Budget Adoption and Administration

1. Budgeting Philosophy

The operating budget will be based on the principle that current operating expenditures, including debt service, will be funded with current revenues creating a balanced budget. The District will not balance the current budget at the expense of meeting future years' expenditures. For example, accruing future years' revenues or rolling over short-term debt to avoid planned debt retirement.

The District's annual budget will include a contingency reserve to provide for unanticipated increases in service delivery costs and needs that may arise throughout the fiscal year. Expenditures from this contingency appropriation can only be undertaken with approval of the General Manager.

2. Budget Process

- a) The Salton Community Services District operates on an annual budget cycle. The one-year operating budget is adopted each June and becomes effective July 1st. The District annually reviews and revises a Five-Year Capital Improvement Program. This approach to financial planning gives the District the opportunity to set policy and provide direction for operational and capital budgets in an efficient and productive manner. The General Manager must submit to the Board of Directors a proposed budget at least 30 days prior to the beginning of the fiscal year. It further requires the District set a time for a public hearing and that a notice of such hearing be published in a local newspaper no less than two weeks prior to the hearing date. In the event the budget is not adopted prior to the first day of the fiscal year (July 1), the amounts appropriated for current operations for the prior fiscal year will be deemed adopted for the current fiscal year on a month-to-month basis until such time as the new budget is adopted.
- b) On an annual basis, the Finance Officer shall establish a budget schedule outlining the preparation timelines for the proposed budget. Budget instructions and forms for the preparation of the budget, including forms and instructions, shall be distributed to all staff responsible for developing the budget. Staff shall prepare the budget as required in the budget preparation schedule.
- c) The District will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program. The proposed budget will contain the following:

- 1) Revenue estimates by major category, by major fund;
 - 2) Expenditure estimates by program levels and major expenditure category, by major fund;
 - 3) Estimated fund balance by major fund;
 - 4) Debt service by issue detailing principal and interest amounts by fund;
 - 5) Proposed personnel staffing levels;
 - 6) A detailed schedule of capital projects; and
 - 7) Any additional information, data, or analysis requested of management by the District .
- d) One-time revenue sources or unexpected revenue should be placed in reserves and not used for operating expenses. Once the reserve balance exceeds the set policy amount, one-time revenue may be used for one-time expenses. If the one-time expense results in ongoing operating costs, funding for the ongoing costs must be determined before the one-time funds are allocated.
- e) At no time shall the number of regular full-time employees on the payroll exceed the total number of positions authorized by the District unless the position is related to a long-term absence of the incumbent and temporarily filled on a 'limited-term' basis. All personnel actions shall be in conformance with applicable federal and state law and all District ordinances and policies.
- f) Although alternatives for improving the efficiency and effectiveness of the District's programs and the productivity of its employees will be considered on a continuous basis, a more formal review shall be performed during the budget process. Duplication of services and inefficiency in service delivery should be eliminated wherever they are identified. Where practical, this will be accomplished by conducting performance audits of department operations on a rotating basis.
- g) New services or enhancements to existing services will be funded by one or a combination of the following:
- 1) A reduction in the cost of existing services. This may include a reallocation of resources from one area to another
 - 2) An increase in ongoing revenues once defined Fund Balance levels and contributions to Capital Improvement efforts and equipment replacement have been met.

3. Staffing

- a) A listing of current authorized staffing shall be reviewed annually by the General Manager and submitted with the annual budget.
- b) Prior to requesting additional personnel, the General Manager shall explore the viability of the following alternatives:

- 1) Use available technology that provides for self-service without a loss of internal controls or increase to fraud opportunities;
 - 2) Reduce existing support positions and replace with front line service delivery positions; and
 - 3) Consider outsourcing.
- c) Requests for new positions that increase the authorized full-time equivalent budgeted position list must be submitted as supplemental budget requests during the budget preparation process along with a proposed funding source for the new position.
- d) Under the direction of the General Manager, a position may remain vacant and unfunded for two years. If a position is vacant and or unfunded for two years, it shall be deleted from the authorized staffing list with the adoption of the annual budget.

4. Financial Plan

- a) Strategic planning begins with determining the District's fiscal capacity based upon a five-year financial plan of recurring available revenues and future financial obligations. Prior to the adoption of the annual budget, the General Manager will prepare and present to the Board of Directors a financial plan that evaluates known internal and external issues impacting the District's financial condition. The financial plan is intended to help the District achieve the following:
- 1) Attain and maintain financial sustainability;
 - 2) Obtain sufficient long-term information to guide financial decisions;
 - 3) Identify sufficient resources to provide programs and services for the stakeholders;
 - 4) Identify potential risks to on-going operations in the long-term financial planning process and communicate these risks on an annual basis;
 - 5) Establish mechanisms to identify early warning indicators; and
 - 6) Identify changes in expenditure or revenue structures needed to deliver services or to meet the goals adopted by the District .
- b) The financial plan will forecast revenues, expenditures, and the financial position of all reserves at least five years into the future or longer where specific issues call for a longer time horizon. The financial plan will identify issues that may challenge the continued financial health of the District, and the plan will identify possible solutions to those challenges. Planning decisions shall be made primarily from a long-term perspective and structural balance is the goal of the planning process.
- c) If a deficit is projected during any fiscal year, the District will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using Fund Balance, to the extent necessary to ensure a balanced budget at the close of the fiscal year. The General Manager may institute a cessation during the fiscal year on hiring, promotions, transfers, and capital equipment purchases. Such action will not be taken arbitrarily and without knowledge of the Board of Directors.

5. Administration of the Annual Budget

Revenues and Collections

The District will maximize and diversify its revenue base to raise sufficient revenue to support essential District services and to maintain services during periods of declining economic activity. District services providing private benefits should be paid for by fees and charges as much as possible to maximize flexibility in the use of District general revenue sources to meet the cost for services of broader public benefit. Revenue collection efforts that produce positive net income for District service delivery will be the highest budget priority.

a) The District will maintain a diversified and stable revenue base to shelter it from economic changes or short-term fluctuations in any one revenue source by doing the following:

- 1) Establishing new charges and fees as needed and as permitted by law;
- 2) Pursuing legislative change, when necessary, to permit changes or establishment of user charges and fees;
- 3) Aggressively collecting all revenues, late penalties and related interest as authorized by the California Statutes; and
- 4) Setting and maintaining fees with a goal of full cost recovery.

b) The District will monitor all taxes to ensure they are equitably administered and collections are timely and accurate.

c) The Finance Officer is responsible for the administration of District revenue sources including collection, regular monitoring, and fee updates. Revenue should be monitored no less than monthly.

d) **User Fee and Service Charge Cost Recovery**

User fees and charges are payments for purchased, publicly provided services that benefit specific individuals. The District relies on user fees and charges to supplement other revenue sources to provide public services.

- 1) All user fees will be established in compliance with Propositions 218 (1996), Proposition 26 (2011), and any succeeding laws that governs the establishment of fees for services.
- 2) The District may establish user fees and charges for certain services provided to users receiving a specific benefit.
- 3) The District will attempt to recalculate the full costs of activities supported by user fees to identify the impact of inflation and other attendant costs on a yearly basis in conjunction with the budget process.

e) **Self-Financed Programs**

The District has self-financed programs such as Channel Maintenance and Sewer Maintenance. The costs for self-financed programs should be fully funded by user fees. The District's self-financed programs are to be fully funded by user fees including

overhead, equipment replacement, debt financing, transfers to reserves and capital expenditures.

Expenditures

- a) Expenditures will be controlled by an annual budget at the fund level. There shall be no transfer of appropriations between funds without the approval of the Board of Directors. The District shall establish appropriations through the budget process. The Board of Directors may increase/decrease these appropriations as necessary through the budget amendment process.
- b) The District will maintain a purchasing system that provides needed materials in a timely manner to avoid interruptions in the delivery of services. All purchases shall be made in accordance with the District's purchasing policies and procedures. The District will endeavor to obtain supplies, equipment and services as economically as possible.
- c) Expenditures will be controlled through appropriate internal controls and procedures in processing invoices for payment.
- d) During the budget year, the General Manager and his/her designated representatives may authorize only those expenditures that are based on appropriations previously approved by Board of Directors action, and only from accounts under their organizational responsibility. Any unexpended appropriations, except valid encumbrances such as commitments already made, expire at fiscal year-end unless specifically reappropriated by the Board of Directors for expenditure during the ensuing fiscal year. The General Manager and his/her designated representatives shall not authorize expenditures above budget appropriations within their purview, without additional appropriation or transfer as specified below. Appropriations may be transferred, amended or reduced subject to the following limitations:
 - e) New Appropriations. During the Budget Year, the District may appropriate additional funds, as it deems appropriate, by a Board of Directors Budget Amendment. The General Manager has authority to approve requests for budget increases not to exceed \$2,000 in any Budget line item or activity or Capital Project. The ability of the General Manager to approve such requests must be specifically included in each year's Budget Resolution to remain valid.
 - f) Transfers. Any reprogramming of funds (i.e. movement) of funds among expenditure accounts requires the General Manager's approval. Any budget revision that changes the total amount budgeted for any fund must be approved by the Board of Directors.
 - g) All proposed budget amendments and transfers will be submitted to the Finance Officer for review and processing prior to General Manager or authorization.

- h) All unexpended and unencumbered appropriations for the operating budget will be canceled on June 30 of each fiscal year. All appropriations in the Capital Improvement Budget for projects currently underway and remaining unexpended at June 30th, as approved by the General Manager, will be appropriated to those projects in the following fiscal year CIP Budget. Incomplete projects may be reappropriated by the Board of Directors during the Budget process or by separate action.
- i) A monthly report on the budget to actual status of the major funds budgets by functional area will be prepared by the Finance Officer and presented to the Board of Directors.

Management Authorization and Responsibilities

Managers are required to monitor and control expenditures to prevent exceeding their total assigned expenditure budget as well as monitor their functional area revenues. It is the responsibility of Department Directors to immediately notify the General Manager of any exceptional circumstances that could cause a departmental expenditure budget to be exceeded or revenue estimates not be reached.

Management must ensure compliance with the legally adopted budget. In addition, purchases and expenditures must comply with legal requirements.

The General Manager shall present a Certification of Warrants and a Warrant Register to the District Board of Directors no less than twice monthly (See Attachment 1 for the Salton Community Services District Certification of Warrants Template).

The Warrant Register shall contain the following District disbursement information:

1. Check#
2. Date
3. Vendor Name and Number
4. Invoice#
5. Invoice Date
6. Description
7. Amount Paid
8. Check Total

ATTACHMENT 1

**SALTON COMMUNITY SERVICES DISTRICT
CERTIFICATION OF WARRANTS**

I HEREBY SUBMIT THE ATTACHED
WARRANT REGISTER FOR AUDIT AND
APPROVAL BY THE SALTON
COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS

APPROVED AND ORDERED PAID AT
THE MEETING OF THE BOARD OF
DIRECTORS HELD _____

IN THE AMOUNT OF:

\$ _____

GENERAL MANAGER

PRESIDENT, BOARD OF
DIRECTORS

I HEREBY CERTIFY TO THE
ACCURACY OF THE FOREGOING
DEMANDS AND THAT FUNDS ARE
AVAILABLE FOR PAYMENT THEREOF:

PAID BY WARRANTS SIGNED BY
LEGALLY DESIGNATED PERSONS
IN ACCORDANCE WITH THE STATE
OF CALIFORNIA GOVERNMENT
CODE, SECTION-41003

GENERAL MANAGER

FINANCIAL OFFICER

FINANCIAL OFFICER

B. Purchasing and Contracting

1. Purpose

The purposes of this policy are to standardize the purchasing procedures of the Salton Community Services District, thereby securing for the District the advantages of a centralized and uniform purchasing policy saving the taxpayers and ratepayers money and increasing public confidence in the procedures for District purchasing; to promote the fair and equitable treatment of all consumers and suppliers of goods and services; and to set forth the duties and responsibilities of the General Manager and District staff.

2. Applicability

This policy shall apply to all Purchases made by the District, except as otherwise specified herein. In implementing this policy, District employees or representatives are prohibited from Splitting Purchases from one supplier, vendor or contractor.

3. Purchase of Construction Supplies

The District must comply with the following Competitive Bidding requirements with respect to the Purchase of Supplies, construction or completion of any building, structure, or improvement when the cost exceeds Twenty-Five Thousand Dollars (\$25,000):

a) Formal Bids

Contracts for Purchase of Supplies, construction, road work or completion of any building, structure, or improvement when the cost exceeds Twenty-Five Thousand Dollars (\$25,000) shall be contracted for and let to the Bid Most Advantageous to the District after notice. If two or more bids are the same and the quality is equal, then the Board may accept the one it chooses.

b) Notice

The District shall publish a notice inviting bids for any contract for which Competitive Bidding is required at least one time in a newspaper of general circulation in the District at least ten (10) days before the time specified for receiving bids. The notice inviting bids shall set a date for opening the bids and distinctly state the supplies to be purchased.

c) Alternate Publication

If the District's General Manager recommends, and the Board determines, that the publication of advertisements of the notice in trade journals and webpage, or papers in lieu of publication in a newspaper of general circulation will increase the number of business enterprises receiving the notice, the Board may by resolution declare that those notices shall be published in trade journals, webpages or papers at least ten days prior to the time specified for receiving bids.

d) Rejection of Bids

At its discretion, the Board may reject any bids presented and readvertise. The Board may also waive a minor bid irregularity that does not give an unfair advantage to another bidder. However, the Board is under no obligation to waive bid irregularities.

e) Emergencies

In the case of an emergency, the District may proceed in accordance with Section 6 below.

4. Construction Contracts

The District must comply with the following Competitive Bidding requirements with respect to the construction or completion of any building, structure, or improvement when the cost exceeds Twenty-Five Thousand Dollars (\$25,000.00):

a) **Formal Bids**

All contracts for the construction or completion of any road work or completion of any building, structure, or improvement when the cost exceeds Twenty-Five Thousand Dollars (\$25,000.00), shall be contracted for and let to the Bid Most Advantageous to the District after notice. If two or more bids are the same and the quality is equal, the Board may accept the one it chooses.

b) **Notice**

The District shall publish a notice inviting bids for any contract for which Competitive Bidding is required at least one time in a newspaper of general circulation in the District at least ten (10) days before the time specified for receiving bids. The notice inviting bids shall set a date for opening the bids and distinctly state the work to be done.

c) **Alternate Publication**

If the District's General Manager recommends, and the Board determines, that the publication of advertisements of the notice in trade journals and webpage, or papers in lieu of publication in a newspaper of general circulation will increase the number of business enterprises receiving the notice, the Board may by resolution declare that those notices shall be published in trade journals, webpages or papers at least ten days prior to the time specified for receiving bids.

d) **Plans and Specifications**

If Plans and Specifications are prepared describing the work, all bidders shall be afforded an opportunity to examine the Plans and Specifications, and the Plans and Specifications shall be attached to and become a part of the contract, if one is awarded.

e) **Bid Security**

All bids for construction work shall be presented under sealed cover and shall be accompanied by bidder's security in the form of either cash, a cashier's check made payable to the District, a certified check made payable to the District, or a bidder's bond executed by an admitted surety insurer made payable to the District. Upon an award to the bidder, the security of an unsuccessful bidder shall be returned in a reasonable period of time, but in no event shall that security be held by the District beyond 60 days from the time the award is made.

f) **Rejection of Bids**

At its discretion, the Board may reject any bids presented and readvertise. The Board may also waive a minor bid irregularity that does not give an unfair advantage to another bidder. However, the Board is under no obligation to waive bid irregularities.

g) Emergencies

In the case of an emergency, the District may proceed in accordance with Section 8 below.

h) Bonds

The Board may require the posting of those bonds it deems desirable as a condition to the filing of a bid or the letting of a contract.

i) Record

The District shall keep cost records of the work in the manner provided in Government Code Section 4000 et seq.

5. Purchasing Limits for Other Contracts

The District must comply with the following requirements with respect to Purchases that are not subject to the provisions of Sections 3 and 4 above:

a) Formal Bids

Purchases shall be made by Formal Bid whenever such method is required pursuant to the Public Contracts Code.

b) Record of Bids

The District's General Manager shall keep a record of all bids submitted, and such record shall be open to proper inspection by any interested party within a reasonable amount of time.

c) Approval

- 1) No Purchase of Supplies or Services exceeding Five Thousand Dollars (\$5,000.00) shall be made without the approval of the General Manager.
- 2) No single Purchase of Supplies or Services exceeding Twenty-Five Thousand Dollars (\$25,000.00) shall be made by the District's General Manager without the approval of the Board.

d) Exemptions to Competitive Bidding

Notwithstanding the basic policy that the procurement of Services and Supplies shall be on a Competitive Bidding basis to the maximum practical extent, Purchases may be negotiated when one of the following circumstances is present:

- 1) When the total dollar value of the Purchase does not exceed Twenty-Five Thousand Dollars (\$25,000.00).

- 2) When an emergency exists, the District may proceed in accordance with Section 6 below.
- 3) When a Sole Source Contractor has been designated.
- 4) When Competitive Bidding would fail to produce an advantage and/or when the advertisement for Competitive Bidding would be undesirable, impractical, or impossible.
- 5) When the Purchase is for Professional Services.

e) Purchasing Procedures & Policies

The Purchase of Services, Equipment and Non-construction Supplies shall be on the basis of competitive pricing to the maximum practical extent. However, whenever Supplies or Services are procured by competitive pricing, negotiation, price quotations or other evidence of reasonable prices and other vital matters deemed necessary by the District's General Manager they shall be solicited to the maximum number of qualified sources of Supplies or Services consistent with the nature of and requirements for the Supplies or Services to be Purchased, in accordance with the basic policies set forth below:

- 1) Purchases - Not to Exceed \$5,000
When the General Manager considers prices to be fair and reasonable and when the total amount of the Purchase does not exceed Five Thousand Dollars (\$5,000.00) and does not exceed the District budget. Purchase procedures and documentation will be simplified to the maximum degree possible. The General Manager shall establish such rules of procedures for such purchases as he or she feels necessary to insure against abuse of the public interest and trust.
- 2) Purchases - \$5,000 to \$25,000
Purchases exceeding Five Thousand Dollars (\$5,000.00) but not exceeding Twenty Five Thousand Dollars (\$25,000.00) in total cost will be supported by a record of price quotations from three (3) different sources or a reasonable and convincing explanation justifying the absence of such alternate quotes. Such quotations may be obtained in writing, verbally or by such other means as may be prescribed by the General Manager as appropriate to the circumstances. Prior District Board approval of the purchase shall be required. General Manager recommendations shall be written and become part of the supporting documentation for the Purchase.
- 3) Purchases Exceeding \$25,000
Purchases exceeding Twenty Five Thousand Dollars (\$25,000.00) in value must be approved by the Board prior to award. Bids shall be solicited by the General Manager in a manner intended to obtain the most favorable pricing for the District. Bids shall be submitted closed and shall be opened at the same time. Bid Awards

shall be based on price and quality of products. Request for such approval will be accompanied by a full statement of facts justifying the recommendation for award.

4) Rejection of Bids

The Board shall have the authority to reject any and all bids received in response to invitations for bids. The Board may also waive a minor bid irregularity that does not give an unfair advantage to another bidder. However, the Board is under no obligation to waive bid irregularities.

5) Requisitions

Purchases involving the immediate encumbrance of District funds shall be made only based on an invoice. The General Manager may issue a District check made payable to the vendor for the materials and supplies or services requested based on bids and quotes provided pursuant to this policy. For purchases pursuant to this policy where a credit account is necessary the General Manager shall have the authority to apply for credit based the District's approved budget.

6. Emergencies

a) Vote

In the case of an emergency, the District, pursuant to a four-fifths vote of the Board, may repair or replace a public facility, take any directly related and immediate action required by that emergency, and procure the necessary Services and Supplies for those purposes, without giving notice for bids to let contracts.

b) Findings

Before the Board takes any action pursuant to paragraph a) above, it shall make a finding, based on substantial evidence set forth in the minutes of its meeting, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency.

c) Delegation

The Board, by four-fifths vote, may delegate, by resolution or ordinance, to the District's General Manager the authority to order any action pursuant to paragraph a) above. The Board may delegate to the District's General Manager the authority to repair or replace a public facility, or take any other related and immediate action, that is necessary to respond to an "emergency situation" as defined in Government Code Section 54956.5(a), and to procure the necessary services and supplies for those purposes without giving notice for bids to let contracts. Government Code Section 54956.5(a) defines an emergency situation as a work stoppage, crippling activity, or other activity that severely impairs public health, safety, or both, as determined by a majority of the members of the legislative body or a dire emergency, which shall be defined as a crippling disaster, mass destruction, terrorist act, or threatened terrorist activity that poses peril so immediate and significant that requiring a legislative body to provide one-hour notice before holding an emergency meeting under may endanger the public health, safety, or both, as determined by a majority of the members of the legislative body.

d) Report

If the District's General Manager, pursuant to the authority delegated by the Board under paragraph c) above, orders any action specified in paragraph a) above, that person shall report to the Board, at its next meeting, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency.

e) Review

- 1) If the Board orders any action specified in paragraph a) above, the Board shall review the emergency action at its next regularly scheduled meeting and, except as specified below, at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue this action.
- 2) If the District's General Manager, pursuant to the authority delegated by the Board under paragraph c) above, orders any action specified in paragraph a) above, the Board shall initially review the emergency action not later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not later than 14 days after the action, and at least at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action, unless the District's General Manager has terminated that action prior to the Board reviewing the emergency action and making a determination pursuant to this paragraph.
- 3) When the Board reviews the emergency action pursuant to paragraph e)1) or e)2) above, it shall terminate the action at the earliest possible date completed by giving notice for bids to let contracts.

7. Scope of General Manager's Authority

The District's General Manager shall purchase or contract for all Supplies, Services, and Capital Equipment needed in accordance with procedures prescribed by this adopted policy and such additional lawful rules, not inconsistent herewith, as the District General Manger shall employ for the efficient internal management and operation of the District.

a) Exceptions

- 1) **Exceptions Prohibited.** The authority of the General Manager to make all purchases for the District shall not be abridged unless, by order of the Board, such exception is granted for a specific purpose and does not violate state law.
- 2) **Temporary Absences.** During periods of temporary absences of the General Manager, the authority to implement the provisions of these regulations will be held by a District staff member so appointed by the General Manager and approved by the Board for the period of the absence.

b) Tax Exemptions

The General Manager shall act to procure for the District all Federal and State tax exemptions to which the District is entitled.

c) Cooperative Purchasing

The General Manager shall have the authority to join other units of government including Federal, State, County, Municipal and Municipal sub-divisions, such as Water Districts, Sewer Districts, School Districts, Special Districts and s of Government in cooperative purchasing plans when the best interests of the District would be served thereby and when such action is in accordance with and pursuant to law.

d) Other Duties

The District's General Manager shall perform such other duties related to the functions, duties, and authorities set forth herein, as may be prescribed by the Board and by any applicable state or local laws or ordinances.

8. Miscellaneous

a) Local Purchases

The District will make every effort to Purchase from businesses located within the District's service area if the Purchase provides the best overall value for the District.

b) Conflict of Interest

No District employee or Board member authorized to act on behalf of the District shall enter into any agreement, contract, or solicit bids with any individual, firm, corporation, or organization in which said employee, Board member, or relative of same has a financial interest. This shall also include the acceptance of any gift or gratuity, directly or indirectly, from any person, firm, corporation, or organization to which any purchase or contract is, or might be, awarded, any rebate, gift, or anything of value whatsoever, except where given for the express use or benefit of the District.

c) Non-collusion Affidavit

The Bidder declares, by signing and submitting a formal bid proposal, that the proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the proposal is genuine and not collusive or sham; that the vendor has not directly or indirectly induced or solicited any other vendor to put in a false or sham proposal, and has not directly or indirectly colluded, conspired, connived, or agreed with any vendor or anyone else to put in a sham proposal, or that anyone shall refrain from bidding; that the vendor has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the proposal price of the vendor or any other bidder, or to fix any overhead, profit, or cost element of the proposal price, or of that of any other vendor, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract; that all statements contained in the proposal are true; and, further, that the vendor has not, directly or indirectly, submitted his or her proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid,

and will not pay, any fee to any corporation, partnership, company association, organization, proposal depository, or to any member or agent thereof to effectuate a collusive or sham proposal.

d) Supersedes Other Policies

This purchasing policy and procedures supersedes any inconsistent prior policies adopted by the Board. No individual contract or group of contracts shall encumber the District beyond available cash on hand minus a reserve for emergencies.

e) Contract Content

Contracts awarded pursuant to this policy shall be executed by the President of the District Board as the legally binding authority of the District and Attested to by the District Secretary. Contract shall include provision which protect the interests of the District and shall include the following:

- 1) A detailed scope of work that clearly describes the work to be performed by contractors in such a way that multiple contractors can completely and competently perform required work even if new to projects. The scope of work shall use to maximum extent practical standard construction industry terminology and specifications. The scope of work shall identify the specific part of the district where work will be performed.
- 2) Contract wording that limits the District's liability for project work.
- 3) Contract wording that require the contractor to maintain liability insurance coverage and for contracts to specifically name the District as additional insured.
- 4) Contract wording requiring contractors to indemnify, defend and hold harmless the District and its officers, officials, employees, agent and volunteers from any and all liabilities, claims, demands, damages, losses and expense (including without limitation defense costs and attorney fees of litigation) which may arise or which the District may incur as a consequence of any occurrence arising out of the contract, except such loss or damage which was caused by the sole negligence or willful misconduct of the District or its officers, officials, employees, agents, and volunteers.
- 5) Precise compensation wording for specific job, scope of work, or unit of work. The compensation description shall limit to the maximum extent practicable open ended cost and cost overruns.
- 6) Contract wording that describes the effective period of the contract and termination provisions

C. Cash Management

This policy sets forth procedures that govern the handling, deposit and safekeeping of District cash. Furthermore, this policy is intended to supplement other District personnel policies that govern rules of conduct and performance in the workplace.

1. Applicability

The Finance Officer is responsible for providing an accurate accounting of all District cash, including revenues and expenses. Professional financial and accounting practices dictate that all funds received by the District be promptly deposited in a District bank or investment account. This ensures that District cash is accounted for and available for investment or an authorized expenditure. The term "District Cash" applies to currency, coin, checks, money orders, credit, charge and debit card payments, other electronic payment media and other negotiable instruments payable in money to the District.

Employees that have been authorized to receive District cash share the stewardship of financial assets for the District across departmental divisions.

2. Authority of the Finance Officer

By this policy, the duties of the Finance Officer shall include coordinating, reviewing, evaluating, and recommending improvements to administrative and financial internal control systems and procedures to ensure audit compliance; directing and participating in the preparation of a variety of records and reports ensuring timeliness, accuracy, and compliance with appropriate laws, ordinances, and regulations. With respect to cash Handling, this shall include the following:

- a) Receipt, handling and deposit by District officers and employees of District cash into the District Treasury;
- b) Method of documentation on all such transactions;
- c) Inspection of departmental cash records, including overages or shortages;
- d) Inspection of departmental practices and procedures in handling District cash; and
- e) Contracting with agents to collect District cash and their collection procedures.

The Finance Officer may enforce these rules through on-site inspections; inspection of transaction records, or any other means deemed appropriate to protect District assets. In the event of noncompliance by a department or office, require that payments to the District be receipted at his/her office.

3. General Cash Controls

- a) The number of employees with access to cash funds shall be limited to assure internal control. The Finance Officer shall grant access authority by completing a cash handling authorization form.

- b) To the extent staffing levels permit, separation of duties from the function of custodian of cash balances and the accounting and record keeping of the same shall be maintained.
- c) Where staffing levels do not permit separation of duties, compensating controls such as strict individual accountability and thorough management review and supervision shall exist. Authorized personnel not assigned the custodial responsibility shall periodically examine, count or perform other reviews of cash funds.
- d) Physical protection of funds through the use of bank facilities and locked cash boxes or drawers shall be practiced at all times.
- e) District Cash on the premises will be held to an absolute minimum to ensure safety and maximize return on investments.
- f) The general operating bank account, payroll bank account, payables bank account and any other various other bank accounts shall be reconciled within 10 working days of the following month by staff that have no check preparation duties.

4. Cash Receipting

- a) The Districts main administrative office performs the central cashing function therefore all evidence of deposits, i.e. deposit slips and department revenue summaries, shall be forwarded to the administrative office as soon as possible to assure timely and proper credit in the receipting process.
- b) All functioning operational units receiving District cash shall have a permanent collection record, such as a cash register tape, that has the record of transactions including voids, refunds, or cancellations. All revenues collected over the counter shall have a receipt issued at the point of sale or collection whether handwritten or electronically generated
- c) All handwritten receipts shall be pre-numbered and issued from receipt books issued by the Finance Officer to account for lapsed sequence.
- d) All currency in the amount of fifty (50) dollars and above shall be checked with a counterfeit money detector pen prior to acceptance to verify the bills are not counterfeit.
- e) The receipt of checks as payments shall require the maker of the check to make it payable to "Salton Community Services District". Under no circumstances shall a check for the District be made payable to an individual or left blank.

- f) All checks shall be endorsed (stamped with a Salton Community Services District deposit stamp) immediately upon receipt.
- g) Each check shall be inspected to ensure the following:
 - i. Current date (post dated checks shall not be accepted);
 - ii. Proper signature;
 - iii. No alterations;
 - iv. Bank name and routing number printed on check;
 - v. If temporary check, payer's name and address written on check;
 - vi. Not a third-party check; and
 - vii. Written amount matches numeric amount.
- h) No checks shall be cashed.

All steps of each counter transaction must be completed, including steps to enter the transaction in the accounting system and to place the receipts in a secured location before a new transaction is started.

5. Overages and Shortages

- a) It is the responsibility of the cash handler to ensure cash on hand equals the change fund plus actual receipts at all times.
- b) All shortages and overages shall be reported to the Finance Officer immediately.
- c) All cash overages and shortages, as well as any known circumstances surrounding the overage/shortage, shall be documented in a memorandum to General Manager within one (1) business day as well kept on file by the reporting department.

6. Theft or Loss

- a) Once a theft or loss has been identified, it shall be immediately reported to the Police Department. Do not conduct any type of investigation or discuss with other staff prior to notification of the proper authority.
- b) All theft or loss shall be documented by the Finance Officer within one (1) business day as well as kept on file.

7. Deposits

- a) The general operating standard for deposits of District cash to the bank shall be within twenty-four (24) hours or the next business day of receipt of those funds. The District shall weigh reasonableness and practicality versus security in determining the timing

for the deposit of small amounts. All deposits not made daily shall be held in a secured location such as a safe.

- b) All receipts of District cash must be deposited in accordance with this Policy and the cash handling procedures that have been approved by the General Manager.
- c) All security and bid deposits or escrow funds received in cash shall be treated as District cash and deposited accordingly.
- d) Departmental receipts shall never be used to replenish petty cash, other funds, or for the purchasing of items.

8. Petty Cash

- a) Petty cash funds shall be approved by the General Manager and established by the issuance of a check from the District's **Accounts Payable** function **[CONFIRM]** restricted to a level appropriate to conduct District business in an efficient and responsible manner.
- b) Petty cash transactions shall be subject to the same authorized expenditure controls as any other invoice presented for payment through accounts payable.
- c) Once established, petty cash funds shall be maintained on an imprest basis, that is, the amount of the fund will remain constant with the custodian of the fund requesting a reimbursement check from the **Accounts Payable** function **[CONFIRM]** for amounts disbursed.
- d) Any funds taken from petty cash must have a completed authorized petty cash voucher. A check will be issued only upon the presentation and surrender of satisfactory evidence of such disbursements. The amount of the reimbursement will always be the exact amount of the aggregated disbursements made from the fund.
- e) Reconciliation and reimbursements will be made as frequently as the fund requires replenishment, but no less than monthly.
- f) When replenishing petty cash, put a copy of the petty cash recap in the petty cash box as backup for the vouchers that have been sent to the Finance Department.
- g) No checks shall be cashed from petty cash funds.
- h) Personnel authorized by the General Manager can make unannounced counts of petty cash and /or change funds at any time.

9. Change Funds

- a) Change funds shall be established and controlled in the same manner as petty cash funds; however, change funds are strictly used for making change for customers and as such are revolving funds that require no replenishment.
- b) There shall be no commingling of petty cash or cash receipts with change or other working funds.
- c) When change funds are no longer needed to conduct the business for which they were established, the funds shall be deposited with the administrative office as soon as possible.
- d) Change funds established for any reason shall be used only for the purposes of conducting legitimate District business and not for personal use even if reimbursed.
- e) No checks shall be cashed from change funds.

10. Check Cashing Policy

No checks shall be cashed.

11. Returned Checks

- a) Occasionally a deposited check may not clear the bank for one or several reasons; such as non-sufficient funds, account closed, stop payment, funds held, stolen checks, forgery, endorsement, or signature. The General Manager assumes responsibility for collections.
- b) The District Treasurer has the authority to refuse the acceptance of checks as deemed necessary.

12. Refunds

- a) Refunds will only be made to the original entity (person or company) that submitted the original payment to the District.
- b) Refunds of payments that were originally paid by credit card will be credited back to the credit card in which the payment was made from.

13. Foreign and Mutilated Currency

- a) Foreign currency and coin shall not be accepted. Only currency and coins issued by the United States Federal Reserve Board are legal tender. Traveler's checks must state "U.S. Dollars".
- b) No mutilated currency or coin, including bent coins, shall be accepted.

14. Banking Services and Account Opening Policy

- a) The Finance Officer is responsible for the Salton Community Services District's banking relationships.
- b) Opening new or closing bank accounts must be approved by the Finance Officer and the General Manager.

15. Written Procedures

- a) It is required that written procedures be developed and maintained by each functional area associated with the District that handles District cash. Procedures must be approved by the Finance Officer.
- b) Written procedures shall be consistent with this policy and minimally include:
 - 1) Authorization of person(s) to collect District cash;
 - 2) Off-site cash collection procedures;
 - 3) Maintenance of receipt logs;
 - 4) Security and reconciliation of District cash;
 - 5) Individual cash drawers for each cash handler;
 - 6) Cash handlers must only accept and receipt funds using their individual cash drawer;
 - 7) Processing of District Cash received in the mail;
 - 8) Preparation, approval, and transmittal of District cash to the Finance Department;
 - 9) Over/short procedures consistent with this policy;
 - 10) Procedure to notify the appropriate District authority in the event of loss or theft; and
 - 11) District cash must never be left out in the open or unattended.

16. Training

- a) All staff shall be familiar with this cash handling policy and must acknowledge receipt of the policy using the attached form (See Attachment 1).
- b) All staff that handles District cash shall be trained on the Cash Handling Policy.

17. Credit Cards

All credit card transactions will be compliant with the Payment Card Industry, which include the following safeguards:

a) Security

- 1) Credit card information can only be taken in person, by phone, or by fax.
- 2) Credit card information must be treated as confidential and paper containing credit card data must be physically secured (e.g. locked in a locker, cabinet, desk, storage bin).
- 3) If credit card information is taken by fax, the fax machine must be in a secured and locked area with only limited access.
- 4) Credit card information shall not be taken over email at any time.

b) Storage

- 1) Credit card information should not be stored on the computer or on a memory drive at any time.
- 2) Printed reports containing cardholder data are to be physically retained, stored or archived only within secure District of Brentwood office environments, and only for the minimum time deemed necessary for their use.

c) Destruction

Credit card information may only be destroyed by shredding and in accordance with the Records Retention Policy.

18. Violations

Any employee found to have violated this policy may have his/her cash handling authorization limited or revoked completely and may be subject to formal disciplinary action up to and including termination from District employment in accordance Personnel Rules and Regulations.

19. Policy Review

- a) The Finance Officer shall perform a review of all District cash handling policies, procedures, functions and processes on a regular basis, but at minimum of every two years.
- b) The District's independent auditors shall review the District's cash management controls through the course of their annual audits as needed.

20. Liability for Loss

The Finance Officer has primary responsibility for care and liability for loss of District Cash in its custody until deposited in the District Treasury.

Compliance with the rules and procedures of this policy, approved by the Board of Directors, establishes a presumption that administrative staff have exercised due diligence in its custody and care of District cash.

ATTACHMENT 1

**SALTON COMMUNITY SERVICES DISTRICT
CASH HANDLING POLICY
ACKNOWLEDGEMENT OF RECEIPT**

My signature below is confirmation that I have received a copy of Salton Community Services District Cash Handling Policy and that I understand that it sets forth the District's policy regarding the handling of District cash. I understand that this policy is intended to supplement other District personnel policies that govern rules of conduct and performance in the workplace. I further understand and agree that it is my responsibility to read and familiarize myself with the provisions of this policy and to contact the Finance Officer in the event that I have questions or need clarification of the Cash Handling Policy.

I understand that the District reserves the right to revise and update the Cash Handling Policy by District Resolution at any time.

Employee's signature

Employee's name – Please Print

Date of Receipt

D. Accounting, Auditing and Financial Reporting

Accounting, auditing and financial reporting form the informational infrastructure for public finance. Internal and external financial reports provide important information to the District's legislative body, management, citizens, and creditors.

- 1) The District will comply with generally accepted accounting principles (GAAP) in its accounting and financial reporting, as contained in the following publications:
 - a) Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standard Board (GASB)
 - b) Pronouncements of the Financial Accounting Standards Board, (FASB)
 - c) Governmental Accounting, Auditing, and Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada
 - d) Audits of State and Local Governmental Units, an industry audit guide published by the American Institute of Certified Public Accounts (AICPA)
 - e) Government Accounting Standards (GAS), issued by the Controller General of the United States
 - f) U.S. Office of Management and Budget (OMB) Circular A-133, issued by the U.S. Office of Management and Budget
- 2) A system of internal accounting controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions of the District and compliance with applicable laws and regulations.
- 3) In accordance with State law, a comprehensive financial audit, including an audit of federal grants according to the Single Audit Act of 1984 and the OMB Circular A-133, will be performed annually by an independent public accounting firm, with the objective of expressing an opinion on the District's financial statements. The District will prepare its financial statements in accordance with applicable standards and will account for its operations in a manner consistent with the goal of obtaining an unqualified opinion from its auditors.
- 4) The District will prepare an Annual Comprehensive Financial Report (ACFR) in accordance with the principles and guidelines established by the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program.
- 5) Annually, the Finance Officer will solicit updates from all operational areas of the District to provide notice of all significant events and financial and related matters for the District's annual disclosures, as required by the SEC Regulation 15-C-2-12, to the municipal markets, financial statements and bond representations. The Finance Officer will notify the auditors and agencies as appropriate.

- 6) The ACFR will include the bond related on-going disclosure requirements and will fully disclose all significant events and financial and related issues as provided by the departments to the Finance Officer. The District will post the ACFR on the District's website.
- 7) The District will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP).
- 8) The accounting system will be maintained to monitor expenditures and revenues on a monthly basis with analysis and adjustment of the annual budget as appropriate.
- 9) The accounting system will provide monthly information about cash position and investment performance.
- 10) An independent annual audit will be performed by a certified public accounting firm that will issue an official opinion on the annual financial statements and a management letter detailing areas that need improvement. After audit results have been communicated to the District, the General Manager is then responsible for responding to all findings within six months to the Board of Directors and appropriate regulatory agencies, if applicable.

11) Selection of Independent Audit Firm

- a) After soliciting and receiving written proposals from qualified independent accounting firms, the General Manager shall submit a recommendation to the Board of Directors. Under the premise that multiyear audit agreements are more cost efficient, allow for greater continuity and reduce audit disruption, the City may engage auditors in multi-year contracts, but the term of each contract shall not exceed five years.
- b) Generally, the District will request proposals for audit services every five years. However, the Board of Directors may make an exception to the competitive proposal requirement if extraordinary circumstances exist and a change in auditors may not be prudent.
- c) If the Board of Directors is satisfied with the performance of the auditors, the independent accountant firm may submit additional proposals through a competitive selection process, but it is the District's policy to require mandatory audit firm rotation after ten years of consecutive service.

E. Risk Management

Risk management has become increasingly important in guarding against economic loss and in ensuring public safety in a time of increasing public liability and litigation. Risk management is involved in the identification, evaluation, and treatment of the District's risk.

- a) The District shall make diligent efforts to prevent or mitigate the loss of District assets and to reduce the District's exposure to liability through training, safety, risk financing and the transfer of risk when cost effective.
- b) The District shall manage its exposure to risk through cost effective methods such as self-insurance and/or the purchase of traditional third-party insurance in the following areas: general liability, automobile liability, public officials' errors and omissions, police professional liability, property loss and workers' compensation.
- c) The District will further control its exposure to risk through the use of "hold harmless" agreements in District contracts and by requiring contractors to carry liability insurance which shall name the District, its elected officials and employees as additional insured's.
- d) Insurance reserves shall be maintained at a level which, together with any purchased insurance, will adequately protect the District's assets and its elected officials, officers and directors against loss. A regular study will be conducted for potential liability areas and shall be used as a basis for determining self-insurance reserves based on historical loss data.
- e) Managers shall be notified of current claims and in order to ensure that loss of District assets and exposure to litigation are mitigated, Managers will be responsible for implementing operational changes in their department as a result of those claims/cases that are filed.
- f) The District will disclose material contingent liabilities in the District's Annual Comprehensive Financial Report (ACFR).

IV. FUND BALANCE POLICY

This Fund Balance Policy establishes the accounting and financial reporting standards for Salton Community Services District that reports governmental funds as directed by the Government Accounting Standards Board Statement 54.

At the end of each fiscal year, in accordance with this policy, the Finance Officer shall work with the District's auditor to classify the fund balances in its governmental funds using the following classifications: restricted, committed, assigned, and unassigned.

With the adoption of each year's budget and any updates thereto, the Finance Officer shall present the estimated fund balance for all funds and the amounts allocated to reserves. The total amount allocated to reserves shall be sufficient to satisfy any debt service coverage requirement obligations for the current fiscal year.

This Governmental Fund Balance Policy establishes the accounting and financial reporting standards for all governments that reports governmental funds as directed by the Government Accounting Standards Board Statement 54. In February 2009, the Government Accounting Standards Board published Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications:

- Non-spendable. Funds that cannot be spent because they are either: (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment. Examples of non-spendable funds include a reserve for prepaid assets. This reserve represents resources that have been paid to another entity in advance of the accounting period in which the resource is deducted from fund balance. A common example is an insurance premium, which is typically payable in advance of the coverage period.
- Restricted. Funds that have constraints placed on use that are either: (a) externally imposed by creditor (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Examples of restricted funds include a pension trust or unused grant funds.
- Committed. Funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors and remain binding unless removed in the same manner. Examples of committed funds included District reserves created for economic contingencies, cash flow requirements or catastrophic events.
- Assigned: Funds that are constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established either by the Board of Directors or by an authorized District official. Examples of assigned funds include unspent funds from prior fiscal years

designated for certain programs, services or functions (e.g., authorized encumbrances or carryovers).

- Unassigned: Any amount in the fund balance that has not been classified as non-spendable, restricted, committed or assigned. The general fund is the only fund that reports this classification of fund balance. For all other governmental funds, any amounts in excess of what those classified as non-spendable, restricted, or committed are classified as assigned (constrained to the purposes of the governmental fund).

V. CAPITAL ASSET MANAGEMENT

A. Purpose

The purpose of this policy is to describe the policies and procedures utilized in the Salton Community Services District's capital asset management system and to put in place guidelines to account for and depreciate the District's capital assets.

The primary goals of this policy are to:

- Ensure that capital assets are accounted for in conformance with generally accepted accounting principles; and
- Establish a consistent and cost-effective method for accounting of the capital assets.

A. Authority

This policy applies to all Salton Community Services District functional area managers. The General Manager shall be responsible for implementation of this policy.

B. Policy

1. General Provisions

This capital asset policy is in accordance with generally accepted accounting principles and closely conforms to capital asset accounting practices as recommended by the Government Finance Officers Association. The Government Finance Officers Association (GFOA) recommends that every state and local government consider the following applicable guidelines in establishing capitalization thresholds for capital assets:

- Capital assets should be capitalized only if they have an estimated useful life of at least two years following the date of acquisition.
- Capitalization thresholds should be applied to individual assets rather than to groups of similar items (e.g., desks, tables). (For assets that qualify for capitalization and depreciation under the "group method" however, see third paragraph under the heading "THRESHOLD" for discussion of the appropriate threshold application).
- In no case should a government establish a capitalization threshold of less than \$5,000 for any individual item.
- Governments should exercise control over their non-capitalized capital assets by establishing and maintaining adequate internal control procedures at the department level.

2. Threshold

The District will capitalize individual assets other than Buildings, Building Improvements and Land Improvements, and Infrastructure that cost **[\$5,000]** or more and have an estimated useful life of at least **two (2)** years. The capitalization threshold for Buildings and Building Improvements shall be **[\$50,000]** and for Land Improvements the capitalization threshold shall be **[\$25,000]**. However, assets acquired with debt proceeds may be capitalized regardless of cost. In addition, assets acquired prior to January 1,

2021 and capitalized at a lower threshold, may continue to be depreciated on the basis of past practice. Effective January 1, 2022, infrastructure projects and improvements shall be capitalized so as to substantially account for the investment in infrastructure and consider related debt. Individual assets that cost less than **[\$5,000]**, but that operates as part of a network system may be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is at least two years. A network is determined to be where individual components may be below **[\$5,000]** but are interdependent and the overriding value to the District is on the entire network and not the individual assets (e.g. computer systems and telephone systems).

3. Valuation

In accordance with generally accepted accounting principles, the District will value its capital assets at historical cost. Historical cost includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs. If a capital asset is donated to the District, the asset will be valued based on the fair market value at the time the asset is donated.

4. Capital Assets Inventory Report

As part of the financial audit, the Finance Officer shall submit a capital asset report to the external auditor on an annual basis. This report will include the following information:

- Type of asset (i.e. land, building, infrastructure);
- Date of acquisition;
- Acquisition cost;
- Estimated useful life;
- Annual depreciation; and
- Accumulated depreciation.

5. Depreciation

The District will use the Straight-Line Method as its “basic approach” (standard approach) to depreciate capital assets. The Modified Approach, which does not require depreciation, may be used on infrastructure assets whenever applicable.

6. Estimated Useful Lives

[THE FOLLOWING RANGES ARE GUIDELINES IN SETTING ESTIMATED USEFUL LIVES FOR DEPRECIATING ASSETS. ENTER DESIRED RANGES FOR SALTON COMMUNITY SERVICES.]

- Building and Structures 20-50 Years;
- Vehicles 04-15 Years;
- Other Equipment 03-25 Years; and
- Infrastructure 20-100 Years .

7. Capital vs. Repair and Maintenance Expense

The following criteria are the basis for distinguishing costs as either capital or repair and maintenance expense:

- a) With respect to improvements on non-infrastructure and infrastructure capital assets, under the Basic Approach, costs should be capitalized if the useful life of the asset is substantially extended, or the cost results in a substantial increase in the capacity or efficiency of the assets.

Otherwise, the cost should be expensed as repair and maintenance.

- b) With respect to improvements on infrastructure capital assets under the Modified Approach, costs should be capitalized if expenditures substantially increase the capacity or efficiency of an infrastructure.

Otherwise, costs, including those that preserve the useful life of an infrastructure asset, are expensed.

8. Inventory

For internal control purposes, the District may maintain an inventory listing of certain assets (controlled equipment) that do not meet the above reference capitalization amounts. Controlled equipment includes items that should be specifically accounted for and inventoried periodically due to the high re-sale value of the equipment and potential risk of theft. Controlled equipment may include items such as computers, construction equipment, and other office equipment. Each Department Head is responsible for all controlled equipment within their areas of responsibility.

9. Disposal and Transfer of Assets

Disposition of District assets will be performed in accordance "Disposition of Surplus Property" Policy.

VI. DEBT MANAGEMENT

The purpose of this Debt Management Policy (“Policy”) is to establish guidelines and parameters for the effective governance, management and administration of the debt of the Salton Community Services District (“District”). This Policy is intended to comply with California Government Code Section 8855(i), and any successor statute, and shall govern all debt which is contemplated or incurred by the District.

A. Background

This policy documents the District’s goals for the use of debt instruments and provides guidelines for the use of debt for financing the District infrastructure and project needs. The District’s overriding goal in issuing debt is to respond to and provide for the infrastructure and capital project needs of its customers while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments, administers District-held debt proceeds and makes debt service payments, acting with prudence, diligence, and attention to prevailing economic conditions.

The District will endeavor to pay for all infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt. The District believes that debt can provide an equitable means of financing projects for the District’s customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to finance projects if it (i) meets the District’s goal of equitable treatment of all customers, both current and future, (ii) is the most cost- effective means available to the District, and (iii) is fiscally prudent, responsible, and diligent under the prevailing economic conditions.

The General Manager shall consider using the services of a qualified Independent Registered Municipal Advisor (“IRMA”) to assist the District with conforming to all aspects of this policy including but not limited to assessing and selecting an appropriate financing mechanism and debt structure, performing calculations for all District bond issuances, and preparing reports and necessary filing documents as necessary.

Relationship of Debt to Capital Improvement Program and Budget

The District has established plans for replacing aging physical infrastructure. The District strives to maintain a level funding plan that will minimize the peaks and valleys in General Fund support levels and allows the funding of projects over time. The District utilizes debt obligations only after giving due consideration to all available funding sources, including but not limited to available cash reserves, other strategic savings programs, available current revenues, potential future revenue sources, existing and potential grants, and all other financial sources legally available to be used for such purposes. When and if deemed an appropriate alternative, the District may issue debt for the purposes stated in

this Policy to implement policy decisions incorporated in the Capital Improvement Program.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. To the extent practicable in the circumstances, the District will avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear. Rather, those readily anticipated infrastructure and facility repairs and replacements should be funded through reserve policies.

The District shall coordinate its debt issuances with the goals of its Capital Improvement Program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes. The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its General Fund.

Policy Goals Related To Planning Goals and Objectives

The District is committed to long-term financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. The District intends to issue debt only for the purposes stated in this Policy and to implement policy decisions incorporated in the Capital Improvement Program. Adoption of this Policy will help ensure that debt is issued and managed in a manner that protects the public interest.

It is a policy goal of the District to protect taxpayers, ratepayers (if applicable) and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District shall comply with applicable state and federal law as it pertains to debt and the procedures for levying and imposing related taxes, assessments, rates, or charges.

When refinancing debt, it shall be the policy goal of the District to do so either for the purpose of realizing debt service savings or for the purpose of restructuring debt in a manner which is in the best financial interests of the District.

B. Conditions and Purposes of Debt Issuance

1. Acceptable Conditions for the Use of Debt

The District believes that prudent amounts of debt can be an effective means of financing major infrastructure and capital project needs of the District. Debt will be considered to finance such projects if:

- a) It meets the District's goal of distributing costs of the asset over its useful life so that benefits more closely match costs for both current and future residents.

- b) It is the most cost-effective funding means available to the District, taking into account cash flow needs, maintenance of prudent reserves and other funding alternatives.
- c) It is fiscally prudent and meets the guidelines of this Policy and the District's Articles of Incorporation. Any consideration of debt financing shall consider financial alternatives, including pay-as-you-go funding, proceeds derived from development or redevelopment of existing land and capital assets owned by the District, and use of existing or future cash reserves, or any combination thereof.

2. Purposes for Which Debt May Be Issued

- a) **Long-Term Debt.** Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District.
 - 1) Long-term debt financings are appropriate when the following conditions exist:
 - When the project to be financed is necessary to provide basic services.
 - When the project to be financed will provide benefit to constituents over multiple years.
 - When total debt does not constitute an unreasonable burden to the District and its ratepayers.
 - When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.
 - 2) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.
 - 3) The District may use long-term debt financings subject to the following conditions:
 - The project to be financed must be approved by the Board of Directors.
 - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
 - The District estimates that sufficient revenues will be available to service the debt through its maturity.
 - The District determines that the issuance of the debt will comply with the applicable state and federal law.

- b) **Short-term debt.** Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment.

- c) **Financings on Behalf of Other Entities.** The District may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of District. In such cases, the District shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

3. Types of Debt Allowed

For purposes of this Debt Policy, "debt" shall be interpreted broadly to mean loans, bonds, notes, certificates of participation, financing leases, or other financing obligations, but the use of such term in this Debt Policy shall be solely for convenience and shall not be interpreted to characterize any such obligation as an indebtedness or debt within the meaning of any statutory or constitutional debt limitation where the substance and terms of the obligation comport with exceptions thereto.

The following types of debt are allowable under this Debt Policy:

- State or Federal loans, including Revolving Fund loans;
- Loans and lines of credit with banks and other financial institutions;
- General obligation bonds;
- Bond or grant anticipation notes;
- Lease revenue bonds, certificates of participation and lease-purchase transactions;
- Other revenue bonds and certificates of participation;
- Tax and revenue anticipation notes;
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes; and
- Refunding bonds, notes, loans and other obligations.

The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

4. Approval Process for the Issuance of Debt

Any issuance of debt is subject to the formal approval of the Board of Directors as a non-consent item on a District agenda. As part of the Board of Directors approval, a formal resolution authorizing the issuance of a specific form of debt shall be required as part of the authorizing documents. The resolution shall include, at a minimum, the following:

- a) The specific project(s) for which the debt is being incurred;
- b) The maximum principal amount to be borrowed;
- c) The maximum term, which will be no greater than the useful life of the project(s), equipment, or capital asset, whichever is applicable and longer;
- d) The maximum interest rate or true interest cost;
- e) The maximum annual debt service;
- f) Call provisions, including specifically identifying any deviation from Section C (i) below;
- g) Estimated Costs of Issuance;
- h) Maximum Underwriter's Discount; and
- i) A list of all consultants hired for the issuance including, at a minimum, bond counsel, disclosure counsel, municipal advisor and underwriter(s).

In addition to the authorizing resolution, the Board of Directors shall be provided copies of the various financing documents including indentures, purchase agreements and preliminary official statements. For any sale of securities, the District shall be required to retain an IRMA to serve as the District's fiduciary on every sale. The IRMA will provide independent analysis of all financing scenarios considered with a specific recommendation to the District supported by the analysis. The written recommendation of the IRMA shall be provided to Board of Directors as an attachment to the District's Staff Report.

C. Refunding Guidelines

The Finance Officer shall monitor at least annually all outstanding District debt obligations for potential refinancing opportunities. The District should consider refinancing of outstanding debt to achieve annual savings. Absent a compelling economic reason or financial benefit to the District, any refinancing should not result in any increase to the weighted average life of the refinanced debt.

Consideration of this method of refinancing shall place greater emphasis on determining whether an alternative refinancing opportunity with higher savings is reasonably expected in the future.

D. Communication, Reporting and Debt Administration

1. Rating Agency Relations and Annual or Ongoing Surveillance

- a) **Rating Agencies.** If rated, the District shall maintain its strong ratings through prudent fiscal management and consistent communications with the rating analysts. The General Manager shall manage relationships with the rating analysts assigned to the District's credit, using both informal and formal methods to disseminate information.
- b) **Bond Insurers.** The General Manager shall manage relationships with the analyst at the bond insurers assigned to the District's credit, if any.
- c) **Disclosure Procedures.** The District shall comply with SEC regulations on disclosure, which require municipal debt issuers to provide specified financial and operating information at the time of new bond issuance (Official Statement) and during the life of the bonds (Continuing Disclosure Annual Report).
- d) **Trustee.** The General Manager shall procure the services of a Trustee for the creation and maintenance of District debt related funds dictated by bond documents.

2. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

- a) Any continuing disclosure undertakings entered into in accordance with SEC Rule 15c2-12;
- b) Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance; and
- c) Investment policies as they relate to the use and investment of bond proceeds.

It is the policy of the District to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the District will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the General Manager. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the person performing the function of chief financial officer of the District shall retain records of all expenditures of proceeds through the final payment date for the debt.

VII. INVESTMENTS

It is the policy of the Salton Community Services District (“District”) to invest public funds in a manner that will provide maximum security, adequate liquidity and sufficient yield, while meeting the daily cash flow demands of the District and conforming to all statutes and regulations governing the investment of public funds.

B. Overview

The Salton Community Services District investment program will conform to federal, state, and other legal requirements, including California Government Code Sections 16429.1-16429.4, 53600-53609 and 53630-53686. The following investment policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the District’s funds. This investment policy applies to all financial assets of the District’s general and enterprise funds that include:

1. Idle operating cash;
2. Short-term deposits held by fiscal agents; and
3. Restricted reserve funds.

B. General Objectives

The primary objectives, in priority order, of the District’s investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital.
2. Liquidity: The District’s investment portfolio will remain sufficiently liquid to meet all operating requirements.
3. Yield: The investment portfolio shall be designed with the objective of attaining a rate of return commensurate with the District’s investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above.

C. Authorized Investments

The following investments shall be permitted by this policy and are authorized by the California Government Code:

1. The Local Agency Investment Fund (LAIF) managed by the Treasurer of the State of California.

2. Certificates of Deposit insured by the Federal Deposit Insurance Corporation. Maturities are not to exceed five years from the date of purchase. Purchases may not exceed 30 percent of the District's designated reserves.
3. United States Treasury Securities for which the full faith and credit of the United States are pledged for the payment of principal and interest. Maturities are not to exceed two years from the date of purchase.
4. Triple-A rated money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of United States Treasury Securities.

D. Delegation of Authority

Management responsibility for the investment program is hereby delegated to the District Finance Officer, who may invest the District's funds consistent with this investment policy and who shall establish procedures and a system of controls for the operation of the investment program consistent with this investment policy.

E. Reporting

The Finance Officer shall render an investment report to the General Manager and Board of Directors of the District on a quarterly basis.

1. The investment report shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and money held by the District, and shall additionally include a description of any of the District's funds, investments or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the District, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report.
2. The investment report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.
3. The investment report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months or an explanation as to why sufficient money will not or may not be available.

F. Standards of Care

1. Prudence

The Board of Directors, General Manager and Finance Officer of the District are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

2. Ethics and Conflicts of Interest

In the manner required by applicable law, 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.

G. Policy Adoption

The District's investment policy shall be adopted by the Board of Directors on an annual basis at a public meeting. Any modifications to the policy shall also be considered at a public meeting.

VIII. DISPOSITION OF SURPLUS PROPERTY

A. Purpose

The purpose of this policy is to establish an effective District surplus property disposal program. This program is established in the interest of efficiency, to assure the best possible sales price and to assure members of the public that where appropriate members of the public have notice and an opportunity to bid on surplus property.

B. Authority

The General Manager, or designee, is authorized to dispose of surplus property when the estimated value is less than \$500.00 and lacks minimal public interest.

Disposal of surplus property with an estimated value of \$500 or greater, requires the General Manager's approval and must comply with the other requirements of this policy.

C. Definition of Surplus Property

1. Personal property not needed for District service or not fit for its intended purpose.
2. Usable material, equipment, vehicles, or parts, including capitalized equipment, that exceed the normal maintenance, repair, and operating requirements of the District.
3. Obsolete material and equipment that cannot be used in the service for which it was purchased and cannot be utilized safely or economically for any other purpose.
4. Scrap metal and waste material such as metal, paper, rags, rubber, and wood.

D. Methods of Disposition

Surplus property may only be disposed in the following manner:

1. **Trade-in-** surplus, property may be exchanged as trade-in value on the acquisition of new property upon approval of the Board of Directors.
2. **Return to the Manufacturer** - Surplus items may be returned to the manufacturer for buy-back or credit upon approval of the Board of Directors.
3. **Auctions** - District surplus property may be sold at auction approved in advance by action of the Board of Directors. Prior to any auction a notice announcing the auction and the items to be auctioned including serial numbers condition and miles or hours of service shall be posted at three places within the District at least thirty

(30) days prior to the date of the auction. The notice shall specify the time, place, manner and other requirements of bidding and that bidders must present cash or cashier's checks in sufficient amounts no later than 24 hours after the time of the bidding or the sale will be void.

4. **Competitive Sealed Bids/Proposals** - Bids must be in a marked, sealed envelope, and must be received in the District office before the time and date specified. Items will be sold to the highest responsible bidder to be announced publicly at the auction.
5. **Sell for Scrap** - Subject to the approval of the Board of Directors, scrap sales shall be made by the most efficient and economic means available provided that the General Manager or his designee obtains at least three quotes from licensed scrap dealers to be preserved in writing and the scrap is then sold to the scrap dealer offering the highest price subject to a single sale document to be maintained by the District.
6. **Dispose as Junk** - When District surplus property is damaged or unsafe, and/or when the cost of locating a buyer is estimated to exceed the projected revenue of the item, the property may be destroyed or disposed of as junk subject to the approval of the Board of Directors.
7. **Gift** - District surplus property may be given away to any organization not organized for profit and qualified as a charity under Internal Revenue Code Section 501(c)(3) for a purpose within the legally established and exercisable powers of the District or to any other public agency upon the approval of the Board of Directors.
8. **Negotiated Sale** - Surplus property may be negotiated and sold outright if no more than one buyer is available, if negotiated sale is in the best interest of the District and upon approval of the Board of Directors.

E. "As Is"

Surplus property shall be sold "as is" and 'where is." The District does not make any warranty, guarantee, or representation of any kind, expressed or implied, as to the condition, utility, or usability of the property offered for sale.

F. Revenues from The Sale Of Surplus Property

Revenue from the sale of surplus property will be returned to the appropriate revenue fund.

G. Procedures for Disposing Of Surplus Property

Once a determination is made by the General Manager and approved by the Board of

Directors to purge surplus property, a written directive to that effect shall be delivered to a staff member designated by the General Manager who will coordinate the disposal of the property in accordance with this policy and the General Manager's directive.

H. Employees and Others Prohibited From Participating in the Purchase of Surplus Property

The General Manager, District Employees, District General Counsel, and members of the District Board of Directors shall not participate in the purchase of District surplus property.

IX. FRAUD, WASTE AND ABUSE

A. Purpose and Scope

The Salton Community Services District is committed to protecting District revenue, property and other assets against the risk of loss or misuse and establishes a no tolerance policy for Fraud, Waste, or Abuse (hereinafter collectively referred to as “FWA” and as each are defined below). Accordingly, it is District policy to identify and promptly investigate any FWA and to pursue legal remedies when appropriate.

The purpose of this policy is to provide communication and guidance for the detection, reporting and prevention of FWA. A violation of this policy may be grounds for disciplinary action in conformance with the District’s personnel policies and procedures. Disciplinary action can include termination, and referral of the case to an appropriate law enforcement agency or District Attorney’s Office for possible arrest and/or prosecution.

This policy defines acts that constitute FWA, describes the steps to be taken when FWA is suspected, provides the procedure for how FWA is investigated, and establishes the process for handling substantiated findings of FWA. This policy applies to any suspected FWA committed by District Employees or any other person or entity that has agreed in writing to abide by this policy. Any exception to this policy must be approved in writing by the General Manager or his or her designee. Subjects of active investigations being conducted per this policy may not authorize exceptions to this policy applicable to such investigations.

All FWA investigations will be conducted in an objective and impartial manner without regard to the subject’s length of service, position, title, or relationship to the District.

All District Employees shall receive and review this policy and may be asked to sign a document attesting to the fact that they received, reviewed, and understood the contents of this policy.

B. Definitions

Fraud – the intentional false representation or concealment of fact for the purpose of personal gain for oneself or others; or inducing another to act similarly. Examples of Fraud include but is not limited to the following:

- Submitting requests for unauthorized expenditures, forging or falsifying financial, electronic, or other documents for personal gain, and theft of District funds or fixtures.
- Stealing, misappropriation of funds, supplies, etc.;
- Forgery or unauthorized alteration of any document;
- Intentional misrepresentation by District personnel regarding payroll records or the payroll records of others;
- Making, presenting, or using any record, document, or thing with the knowledge that it is false;

- Intentional destruction, concealment, removal or other impairing to the verity, legibility, or availability of a government record
- Processing, selling, or offering to sell a governmental record or a blank record form with the intent that be used unlawfully, or with the knowledge that it was obtained unlawfully
- Using or claiming to hold an education degree that is fraudulent, fictitious, or has been revoked, with the intent to obtain employment, promotion, or other benefit;
- Credit or debit card abuse or falsification of transaction;
- Making a false statement to obtain property, credit, or services;
- Fraudulent transfer of a motor vehicle;
- Securing execution of a document by deception;
- Fraudulent use or possession of identifying information without that person's consent; and
- Stealing an unsigned check or receiving an unsigned check with the intent to use it or sell it.

Waste – any needless, careless, or unnecessary expenditure of District resources or property that has a significant financial impact on the District through negligent or willful misconduct. Examples of Waste include but are not limited to the following:

- The purchase of supplies for no District purpose or benefit;
- Creating work tasks for the sole purpose of overtime compensation;
- Willfully incurring expenditures in violation of the District's Travel Policy, and discarding District equipment in violation of existing policies;
- Damaging, destroying, or ruining materials or equipment;
- Improper maintenance or intentional mistreatment of equipment;
- Purchase of goods at inflated prices; and
- Failure to reuse or recycle major resources or reduce waste generation.

Abuse – the intentional destruction, manipulation, misapplication, or misuse of District resources. Examples of Abuse include but not limited to the following:

- The use of District staff or District agents to perform personal errands or work unrelated to District business;
- Exercising undue influence based on position with District over District personnel for personal gain;
- Accepting bribes from District vendors or proposed vendors;
- Failing to report significant damage inflicted upon District property;
- Using District equipment or suppliers to conduct non-District business
- An employee using non-confidential taxpayer information to get new customers for his/her outside business
- Improper handling or reporting of money or financial transaction;
- Profiting by self or others as a result of inside knowledge;
- Destruction or intentional disappearance of records, furniture, fixtures or equipment;

- Accepting or seeking anything of material value from vendors or persons providing services or material to the County for personal benefit • Unauthorized use of District resources (computers, software, databases, other information) for non-County purposes;
- Abuse of purchase order authority;
- Accepting or seeking anything of material value from vendors or persons providing services or materials to the District

Employee – any full- or part-time employee of the District, including the employees appointed by the Board of Directors (the District Clerk, District Attorney, and District General Manager). The term Employee does not apply to an Appointed or Elected Official.

Management – any administrator, manager, director, supervisor, or other individual who manages or supervises an Employee. The term Management does not apply to an Appointed or Elected Official.

Investigator – any person assigned to investigate FWA, including external investigators, independent auditors, forensic auditors, Fraud examiners, or other appropriate professional investigators. The Investigator, in consultation with the Human Resources Director or District Attorney, has the primary responsibility for the investigation of FWA.

Appointed or Elected Official – any member of the official District Board of Directors, Commission, or Committee that advises, coordinates, represents and/or advocates a position on behalf of the Salton Community Services District.

C. Deterrence

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposures if fraud does occur. Elected Officials/Department Heads are responsible for the implementation and maintenance of effective internal controls. The internal audit division is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of internal controls. Fraud occurs for the following reasons:

1. Poor internal controls, especially disregarded for set policies and procedures;
2. Management override of internal controls;
3. Collusion between employees and/or third parties;
4. Poor or non-existing ethical standards; and
5. Lack of control over staff by their supervisors.

D. “Red Flags”

The most frequently cited “red flags” of fraud are:

1. Changes in an employee's lifestyle, spending habits or behavior;
2. Poorly written or poorly enforced internal controls, procedures, policies or security;
3. Irregular/unexplained variances in financial information;
4. Inventory shortages;
5. Failure to take action on results of internal/external audits or reviews;
6. Unusually high expenses or purchases;
7. Frequent complaints from customers;
8. Missing files;
9. Ignored employee comments concerning possible fraud;
10. Refusal to leave custody of records during the day by the employee; and
11. Working excessive overtime and refusing to take vacation time off.

E. Fraud Prevention Measures

District management shall implement the following internal controls to minimize risk and help prevent fraud:

1. Detailed written policies and procedures and adherence to all policies and procedures, especially those concerning documentation and authorization of transactions;
2. Physical security and controlled access over assets such as locking doors and restricting access to certain areas;
3. Proper training of employees;
4. Independent review and monitoring of tasks by the department supervisor, such as approval processing of financial transaction workflow items;
5. Separation of duties so that no one employee is responsible for a transaction from start to finish;
6. Clear lines of authority;
7. Rotation of duties in positions more susceptible to fraud;
8. Ensuring that employees take regular vacations; and
9. Regular independent audits of areas susceptible to fraud.

F. Management Responsibilities

1. Management is responsible for reporting actual or suspected FWA regardless of whether it originates in their department or area of responsibility.
2. Management must be familiar with the types of improprieties that might occur in their areas of responsibility and is responsible for instituting and maintaining a system of internal controls designed to prevent and detect FWA.
3. Management shall not conduct individual investigations, interviews, or interrogations into actual or suspected FWA. However, once the reported activity has been fully investigated, Management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of policy violations. This section does not prevent Management from asking

questions to help Management determine if there is actual or suspected FWA that is reportable.

4. Management shall cooperate fully in the detection, reporting, and investigation of FWA, including the prosecution of offenders.
5. Subject to consultation with the District Attorney's Office, Management shall give full and unrestricted access to all necessary records, desks, computers, and personnel as necessary to allow a full and complete investigation of FWA. All District furniture and contents, including desks and computers, are open to inspection at any time in accordance with all applicable laws and privacy interests.
6. Management should avoid the following whenever possible:
 - a) Encouraging unsubstantiated FWA accusations;
 - b) Alerting suspected individuals that an investigation for a violation of this policy is underway, unless required by law or District policy;
 - c) Treating Employees suspected of FWA or Employees that report FWA unfairly; and
 - d) Making statements that could lead to false accusations of FWA.
7. In handling complaints of FWA, Management shall:
 - a) Make no contact (unless requested by the Investigator or District Attorney's Office) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did," "the crime," "the Fraud," "the misappropriation," etc.;
 - b) Avoid discussing the case, facts, suspicions, or allegations with anyone other than individuals who have a need to know, such as the Investigator, Human Resource Director, District Attorney or law enforcement personnel, unless specifically directed to do so by the District Attorney's Office;
 - c) Direct all inquiries made by the suspected individual, or his or her representative, to Human Resources or the District Attorney's Office. All inquiries by an attorney for the suspected individual shall be directed to the District Attorney. All inquiries from the media shall be directed to the General Manager; and
 - d) In consultation with the Human Resources Director, take appropriate corrective action in conformance with the District's policies and procedures or the appropriate Memorandum of Understanding.

G. Employee Responsibilities

1. Employees are required to immediately report suspected FWA to any of the following:
 - a) Human Resources Director;
 - b) District General Manager;
 - c) District Attorney; or
 - d) Fraud, Waste, or Abuse Telephone Hotline (xxx-xxx-xxxx).
2. Employees are not required to follow "the chain of command" when reporting potential FWA and must report concerns to any of the individuals or reporting mechanisms listed above.

3. Employees will be granted confidentiality when reporting FWA in accordance with this policy and applicable laws. When informed of a suspected impropriety, neither the District nor any person acting on behalf of the District may, during the pendency of the investigation into the reported FWA, retaliate, dismiss, discipline, suspend, intimidate, coerce, penalize, or threaten any of these actions upon the reporting Employee as a result of the Employee's reporting of FWA. Violations of the confidentiality protection may result in discipline up to and including dismissal.
4. Employees who report FWA shall refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with any one, unless requested by the General Manager, District Attorney, Human Resources Director, or law enforcement personnel.
5. Any Employee who makes a report under this policy which the Employee knows or should know is false may be subject to disciplinary action, up to and including termination.
8. All existing and future employees shall sign the Salton Community Services District Fraud Waste and Abuse Policy Acknowledgement Form (See Attachment 1).

H. Investigation Procedure & Investigator Responsibilities

1. Investigations of reported FWA shall be organized as follows:
 - a) For complaints primarily regarding the District General Manager, the Human Resources Director will lead the investigation.
 - b) For complaints primarily regarding all other Employees other than the District General Manager, Human Resources will lead the investigation. If complaints are primarily about Human Resources, the District General Manager will lead the investigation. If complaints are primarily about Human Resources and the General Manager, the District Attorney will make the decision on who leads the investigation.
2. Notwithstanding paragraphs 1.a) and 1.b), complaints regarding suspected criminal activity may, in addition to being investigated per this policy, be forwarded to the Police Department.
3. In consultation with the Human Resource Director, District Attorney and/or the Police Department, the Investigator may disclose particulars of the investigation with potential witnesses if such disclosure will further the investigation.
4. If the Investigator is contacted by the media regarding an investigation into alleged FWA, the Investigator should refer the media to the District General Manager for response.
5. Throughout the investigation, the Investigator will inform the person leading the investigation of pertinent investigative findings.
6. After the investigation is completed:
 - a) For all investigations, the Investigator will document the results in a confidential memorandum report to the District General Manager, Human Resources Director and District Attorney, any of which may be excluded from receiving the report if he or she is the primary focus of the investigation. The report shall include recommendations to the appropriate Management personnel for assistance in the prevention of future similar occurrences. The District General

- Manager and/or District Attorney may choose to forward any such report to the Police Department or other appropriate law enforcement agency or, if a finding of FWA is made as to actions of the District Attorney, the District General Manager may choose to forward any such report to the Police Department or other appropriate law enforcement agency. Similarly, if a finding of FWA is made as to actions of the District General Manager, the District Attorney may choose to forward any such report to the Police Department or other appropriate law enforcement agency
- b) Unless exceptional circumstances exist or a Memorandum of Understanding or other law requires different procedures, all persons who were investigated for committing FWA will be given written notice of the essential particulars of the allegations and the Investigator's conclusions within ten (10) calendar days of the Investigator's findings. Such persons may submit a written explanation of their role in the allegations to the Investigator no later than the latest of: ten (10) calendar days after notice is received, the time frame established in the applicable Memorandum of Understanding, or the time frame in any other applicable law.
7. The District retains the right to pursue every reasonable effort, including court ordered restitution, to obtain recovery of District losses from the offender(s) of this policy, or other appropriate.

Attachment 1

**SALTON COMMUNITY SERVICES DISTRICT
FRAUD WASTE AND ABUSE POLICY EMPLOYEE ACKNOWLEDGEMENT FORM**

Fraud is a common risk that should not be ignored. Any organization that fails to protect itself appropriately faces increased vulnerability to fraud. Strong fraud prevention processes help increase the confidence that the Board of Directors, the District's outside auditors and the general public have in the integrity of the District's operations and business dealings. In summary, having an FWA policy is a good risk management practice and such policies are becoming increasingly common among governmental agencies today. It is also considered a best practice by the Government Financial Officers Association.

The purpose of this policy is to:

1. Make clear the District's no (zero) tolerance policy for Fraud, Waste, or Abuse (FWA);
2. Provide communication and guidance for the detection, reporting and prevention of FWA;
3. Define acts that constitute FWA, describe the steps to be taken when FWA is suspected, provide the procedure for how FWA is investigated, and establish the process for handling substantiated findings of FWA; and
4. To act as an effective deterrent to FWA.

All employees are required to acknowledge with signature that they have read the FWA policy.

I, (write first and last name): _____, have read, fully understand, and will abide the Salton Community Services District Fraud, Waste and Abuse Policy on (enter date): _____.

Employee signature: _____

X. Glossary of Terms

Appropriation. A legal authorization to incur obligations and to make expenditures for specific purposes.

Arbitrage. Generally, tax-exempt bond issues are subject to arbitrage rebate requirements, which require that any profit or “arbitrage” be “rebated” to the Federal government in the amount of the excess of the amount earned on investments purchased with gross proceeds of the bonds over the amount which would have been earned if such investments were invested at a rate equal to the yield on the bonds. A rebate computation and payment, if applicable, is generally required to be made every five (5) years and upon final redemption or maturity of the bonds. Failure to comply with these requirements could lead to substantial late filing penalties and interest and/or the loss of tax-exempt status for the bonds.

Assessed Valuation. The valuation set upon real estate and certain personal property by the Assessor as a basis for levying property taxes.

Assets. Employer and member (employee) contributions, and the accumulated earnings from the investment of these contributions, pledged to pay the retirement benefits of retired employees.

Authorized Positions. Employee positions, which are authorized in the adopted budget, to be filled during the year.

Available (Undesignated) Fund Balance. This refers to the funds remaining from the prior year that are available for appropriation and expenditure in the current year.

Bid Most Advantageous To The District. The lowest responsible and responsive bidder on a District project that is subject to Competitive Bidding from among those bids that are deemed to be Responsive to the Specifications and capable of and Responsible for providing acceptable goods and services to the District.

Board. the Board of Directors of the District.

Budget Calendar. The schedule of key dates that a government follows in the preparation and adoption of the budget.

Budget. A plan of financial activity for a specified period of time indicating all planned revenues and expenses for the budget period.

Budgetary Basis. This refers to the basis of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: GAAP, cash, or modified accrual.

Budgetary Control. The control or management of a government in accordance with the adopted budget for the purpose of keeping expenditures within the limitations of available appropriations and resources.

California Public Employees Retirement System (CalPERS). The retirement system (and health insurance provider) for the majority of state, school, and public agency employers in California. CalPERS manages the largest public pension fund in the United States with nearly \$450 billion in assets.

Capital Assets. Capital assets include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, intangible assets (such as computer software), and works of art and historical treasures.

Capital Budget. The appropriation of bonds or operating revenue for improvements to facilities, and other infrastructure.

Capital Expenditure. All major expenditures of a non-recurring nature such as new buildings, major remodeling projects and major equipment Purchases that likely have surplus value after five years of --- purchase. Excluded from this definition shall be all in-house projects unless the cost of the materials alone exceeds \$5,000.

Capital Improvements Program (CIP). A plan for capital outlay to be incurred each year over a fixed number of years to meet capital needs arising from the government's long-term needs.

Capital Improvements. Expenditures related to the acquisition, expansion or rehabilitation of an element of the government's physical plant; sometimes referred to as infrastructure.

Capital Outlay. Fixed assets which have a value of \$500 or more and have a useful economic lifetime of more than one year; or, assets of any value if the nature of the item is such that it must be controlled for custody purposes as a fixed asset.

Capital Project Fund. Capital project funds are a type of governmental funds used to account for financial resources used for the acquisition or construction of major capital facilities, which are not financed by proprietary (enterprise) funds.

Capital Project. Major construction, acquisition, or renovation activities which add value to a government's physical assets or significantly increase their useful life. Also called capital improvements.

Capitalization. Capitalization of an asset occurs when the cost of the asset meets the "threshold" and the "estimated useful life" set in the organizational guidelines. Under capitalization, the cost of an item is initially recorded as an asset rather than an expense.

Capitalized Interest. Capitalized Interest is a portion of the proceeds of an issue which is set aside to pay interest on the bonds for a specified period of time. Interest is commonly capitalized during the construction period of a revenue-producing project or a project financed with the proceeds of lease revenue bonds whereby the facility securing the lease payments must be available for use and occupancy before lease payments may commence.

Cash Basis. A basis of accounting in which transactions are recognized only when cash is increased or decreased.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

Charges for Services. Those charges levied to individuals or organizations for the use or consumption of services provided by the District.

Collateral. Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Competitive Bidding. The process of obtaining the Bid Most Advantageous to the District for any Purchase conducted through a Formal Bid or Informal Bid.

Consumer Price Index (CPI). A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e., economic inflation).

Contingency. A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Debt Service. The cost of paying principal and interest on borrowed money according to a predetermined payment schedule.

Debt Service. The sum of principal and interest due on outstanding debt, including any required contributions to a sinking fund for term bonds. Debt Service may be computed on a bond year, fiscal year, or calendar year basis.

Deficit. The excess of an entity's liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period.

Department. The basic organizational unit of government which is functionally unique in its delivery of services.

Depreciation. Depreciation is the process of allocating the cost of property over a period of time, rather than recognizing the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal the original cost less salvage value.

Disbursement. The expenditure of moneys from an account.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without any additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

District. The Salton Community Services District.

Employee (or Fringe) Benefits. Contributions made by a government to meet commitments or obligations for employee fringe benefits. Included is the government's share of costs for various pensions, medical and life insurance plans, etc.

Encumbrance. The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a specified future expenditure.

Enterprise Fund. Used to account for District operations that are financed and operated in a manner similar to private business enterprises. The objective of segregating activities of this type is to identify the costs of providing the services, and to finance them through user charges.

Equipment. Non-construction related mechanical vehicles, loaders, or tools used in the course of maintaining district property or administrative activities.

Estimated Useful Life. Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was purchased. In determining useful life, consideration is given to the asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands.

Expenditure. The payment of cash on the transfer of property or services for the purpose of acquiring an asset, service, or settling a loss.

Expense. Charges incurred (whether paid immediately or unpaid) for operations, maintenance, interest, or other charges.

Fiscal Policy. A government's policies with respect to revenues, spending, and debt management as these relate to government services, programs, and capital investment. Fiscal policy provides an agreed upon set of principles for the planning and programming of government budgets and their funding.

Fiscal Year. A twelve-month period designated as the operating year for accounting and budgeting purposes in an organization. The Salton Community Services District's fiscal year is July 1 through June 30.

Formal Bid. A written quotation obtained in a sealed envelope or through online bid submittal webpage from a potential Vendor, or through District direct solicitation, public announcement, or published advertisement and opened at a specific day, place, and time. Notice inviting bids for any contract requiring Competitive Bidding shall be published at least one time in a local newspaper of general circulation within the District. It is required to have the bid opened publicly at a specified day, place and time.

Full-time Equivalent Position (FTE). A part-time position converted to the decimal equivalent of a full-time position based on 2080 hours per year. For example, a part-time fiscal clerk working 20 hours per week would be the equivalent to .5 of a full-time position.

Function. A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).

Fund Balance. The term fund balance is used to describe the resources that accumulate in governmental funds excluding long-term assets and liabilities. Fund Balance is similar to net working capital used for proprietary funds.

Fund. A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

GAAP. Generally Accepted Accounting Principles. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.

General Fund. The general fund is the general operating fund of the District. The general fund is a type of governmental fund used to account for all the general revenue of the District not specifically levied or collected for other District funds and for expenditures related to the rendering of general services by the District. The general fund is the largest operating fund in the District.

Goal. A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless.

Government Accounting Standards Board (GASB). A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Finance Officers Association (GFOA). An organization founded in 1906 that represents public finance officials throughout the United States and Canada. The organization's more than 20,000 members are federal, state/provincial, and local finance officials deeply involved in planning, financing, and implementing thousands of governmental operations in each of their jurisdictions. GFOA's mission is to advance excellence in public finance.

Government Securities. An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the

Governmental Accounting Standards Board (GASB) – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

Governmental Fund. Governmental funds have a short- term or current flow of financial resources, measurement focus and basis of accounting and therefore, exclude long-term assets and long-term liabilities. Governmental funds include the general fund, special revenue funds, capital project funds and debt service funds.

Grants. A contribution by a government or other organization to support a particular function. Grants may be classified as either operational or capital, depending upon the grantee.

Independent Registered Municipal Advisor (IRMA). A person (who is not a municipal entity or an employee of a municipal entity) that provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or undertakes a solicitation of a municipal entity or an obligated person.

Indirect Cost. A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to one service.

Informal Bid. A written or oral quotation obtained from a potential Vendor, but not required to be opened publicly at a specified day, place, and time.

Infrastructure Assets. Infrastructure assets are long-lived capital assets that normally can be preserved for a significant greater number of years than most capital assets (non-infrastructure assets). Infrastructure assets are normally stationary in nature and are of value only to the government entity. Examples include the [GOVERNMENT NAME drain system].

Infrastructure. The physical assets of a government (e.g., streets, water, sewer, public buildings, and parks).

Intergovernmental Revenue. Funds received from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes.

Internal Controls. An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points.

- **Control of Collusion** – Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
- **Separation of transaction authority from accounting and record keeping** – By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.

- **Custodial safekeeping** – Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
- **Avoidance of physical delivery securities** – Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- **Clear delegation of authority to subordinate staff members** – Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- **Written confirmation of transactions for investments and wire transfers** – Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
- **Development of a wire transfer agreement with the lead bank and third-party custodian** – The designated official should ensure that an agreement will be entered into and will address the following points. controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Lapsing Appropriation. An appropriation made for a certain period of time, generally for the budget year. At the end of the specified period any unexpected or unencumbered balance lapses or ends, unless otherwise provided by law.

Lease Revenue Bonds. Instead of issuing long-term debt, like general obligation bonds do, to finance improvements on a public facility, the municipality may enter into an arrangement that uses lease revenue bonds. Often a trust, not the municipality, issues bonds and generates revenues to pay the bonds back by leasing the facility to the municipality. The municipality will generally appropriate money during each budget session to meet the lease payment.

Liabilities. The obligations of a pension plan to pay amounts of money, either immediately or in the future, for the pension benefits earned by plan members. Liabilities whose payment is dependent on unpredictable future events (such as the death of a member) are called “contingent liabilities.”

Line of Credit. A commitment usually made by a commercial bank to provide liquidity support for issues of notes, Commercial Paper, or bonds if the issuer is unable to pay Debt Service. The timely payment of Debt Service is not guaranteed, and the agreement between the bank and the issuer of the debt may be terminated in the event of a payment default by the bond issuer, or under other certain specified events. Debt issued with a Line of Credit is assigned the short-term Credit Rating of the Line of Credit provider.

Line-item Budget – A budget prepared along departmental lines that focuses on what is to be bought.

Liquidity. A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Agency Investment Fund (LAIF). Chapter 730, Statutes of 1976 of the State of California, established the Local Agency Investment Fund. This fund enables local governmental agencies to remit money not required for immediate needs to the State General Manager for the purpose of investment. In order to derive the maximum rate of return possible, the State General Manager has elected to invest these monies with State monies as a part of the Pooled Money Investment Account. Each local governmental unit has the exclusive determination of the length of time its money will be on deposit with the State General Manager. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's costs of administering the program are deducted from the earnings.

Long-term Assets. Long-term assets are assets that will benefit the District for more than one year. Also known as non-current assets, long-term assets can include fixed assets such as the District's property, plant, and equipment, but can also include other assets such as long-term investments.

Long-term Debt – Debt with a maturity of more than one year after the date of issuance.

Long-term Liabilities. Long-term liabilities are financial obligations of a District that are due more than one year in the future.

Lowest. The smallest bid in monetary terms received by the District for the cost of a project subject to Competitive Bidding.

Maintenance and Operations – Expendable materials and operating supplies necessary to conduct departmental operations.

Make Whole Call. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Market Risk. The risk that the value of a security will raise or decline as a result of changes in market conditions.

Market Value or Valuation. The price that would be received to sell an asset or liability in an orderly transaction between market participants at the measurement date (sometimes referred to as fair value).

Market Value. The current price at which a security is trading and could presumably be purchased or sold at that particular point in time.

Net Working Capital. Similar to the term fund balance used for governmental funds, net working capital is used for proprietary funds to describe the resources that accumulate in proprietary funds excluding long-term assets and liabilities.

Non-construction Supplies. Goods used for activities other than construction related projects.

Normal Costs. The cost of pension benefits earned during the current fiscal year by current employees. Normal costs are determined by an actuary as a percentage of the employer's payroll.

Object of Expenditure – An expenditure classification, referring to the lowest and most detailed level of classification, such as electricity, office supplies, asphalt, etc.

Obligations – Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid.

Offer. An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Official Statement. A document published by the bond issuer, and often prepared by Disclosure Counsel, which discloses material information on a new bond issue, including the purpose of the issue, source of repayment, bond covenants, as well as financial, economic, demographic, and legal characteristics of the bond issuer. The Official Statement is used by investors to determine Debt Management Policy the credit quality of the bond issue. An Official Statement is deemed preliminary prior to the determination of the interest rates on the bond issue, but is final in all other respects at the time it is circulated in its preliminary form prior to the sale of the bonds.

One-time Expenses. Expense that does not recur and is typically outside the District's normal operation.

One-time Revenues. Revenue that does not recur and is typically outside the District's normal operation.

On-going Expenses. Out-of-pocket organizational and related fees and expenses for maintaining the existence and necessary operation of the District incurred in the ordinary course of business.

Ongoing Revenues. Recurring organizational revenue sources used for maintaining the existence and necessary operation of the District (examples: property and sales taxes).

Operating Expenses – The cost for personnel, materials, and equipment required for a department to function.

Operating Revenue – Funds that the government receives as income to pay for on-going operations. It includes such items as taxes, fees from specific services, interest earnings, and grant revenues. Operating revenues are used to pay for day-to-day services.

Other Post-Employment Benefits (OPEB). Other post-employment benefits (OPEB), principally involve retiree health care benefits, but also may include life insurance, disability, legal and other services.

Other Post-Employment Benefits (OPEB). Other post-employment employee benefits (OPEB), principally involve retiree health care benefits, but also may include life insurance, disability, legal and other services.

Plans. Drawings or diagrams made to scale showing the structure or arrangement of a construction project, or a method or program showing a level of service or benefit defined within a contract. Plans will become part of the awarded contract. All bidders will be afforded an opportunity to examine the Plans.

Performance Budget – A budget wherein expenditures are based primarily upon measurable performance of activities and work programs.

Portfolio. Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible.

Program Budget – A budget that allocates money to the functions or activities of a government rather than to specific items of cost or to specific departments.

Program Performance Budget – A method of budgeting whereby the services provided to the residents are broken down in identifiable service programs or performance units. A unit can be a department, a division, or a workgroup. Each program has an identifiable service or output and objectives to effectively provide the service. The effectiveness and efficiency of providing the service by the program is measured by performance indicators.

Program Revenue (Income). Revenues earned by a program, including fees for services, license and permit fees, and fines.

Purchase. Buying, renting, leasing or otherwise acquiring Supplies or Services for a price.

Proprietary Fund. Proprietary funds are used to account for government activities in which a government entity or unit sells goods or services to a person, business or other government entity/unit. In essence, proprietary funds are used when governments perform non-governmental activities that are more similar to private business activities. There are two basic types of proprietary funds for local governments: enterprise funds and internal service funds. The basis of accounting for proprietary funds is very similar to that used in private sector with some exceptions. For example, instead of retained earnings, the term net assets is used to describe the difference between fund assets and fund liabilities. See also “Net Working Capital.”

Prudent Person Rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as “Investments shall be managed with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, 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 to accomplish similar purposes.”

Purpose. A broad statement of the goals, in terms of meeting public service needs, that a department is organized to meet.

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

Reserve. An account used either to set aside budgeted revenues that are not required for expenditure in the current budget year or to earmark revenues for a specific future purpose.

Resolution. A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

Resources. Total amounts available for appropriation including estimated revenues, fund transfers, and beginning balances.

Responsible Bidder. The Lowest bidder who possesses the trustworthiness, quality, fitness, ability, capacity, and experience to satisfactorily perform a District project subject to Competitive Bidding. When the Lowest bidder is found not to be Responsible, the District must notify the bidder of this finding and the evidence upon which the finding was based, and the District must afford the bidder an opportunity to rebut such adverse evidence at a District Board Meeting, and permit the bidder to present evidence that the bidder is Responsible.

Responsive. A bid received by the District for a project subject to Competitive Bidding that substantially conforms to the bid Specifications and all applicable statutory

requirements. A bidder is not entitled to a hearing on the question of Responsiveness, but is entitled to notice and the right to submit materials to the Board or the District's General Manager before a decision is made.

Revenue Bond. A bond that is backed only by the revenues from a specific enterprise or project, such as a hospital or toll road.

Revenue. Sources of income financing the operations of government.

Reverse Repurchase Agreement. An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specific date.

RISK. Degree of uncertainty of return on an asset.

SEC Rule 15(c)2-12. A regulation of the SEC which requires Underwriters participating in primary offerings of municipal securities of \$1,000,000 or more (i) to obtain, review, and distribute to investors copies of the issuer's Disclosure documents; (ii) to obtain and review a copy of an Official Statement deemed final by an issuer of the securities, except for the omission of specified information; (iii) to make available upon request, in non-competitively bid offerings, the most recent preliminary Official Statement, if any; (iv) to contract with an issuer of the securities, or its agent, to receive, within specified time periods, sufficient copies of the issuer's final Official Statement, both to comply with this rule, and any rules of the MSRB; and (v) to provide, for a specified period of time, copies of final Official Statements to any potential customer upon request. The rule contains exemptions for Underwriters participating in certain offerings of municipal securities issued in large denominations that are sold to no more than thirty-five (35) sophisticated investors, have short-term maturities, or have short-term tender or put features. SEC Rule 15(c)2-12 also requires that Underwriters participating in a bond offering obtain from the issuer a written Continuing Disclosure Agreement to provide continuing disclosure with respect to those bonds.

Secured Property Tax. A tax levied on both real and personal property according to the property's valuation and the tax rate.

Services. All labor furnished to the District by persons, firms, individuals or corporations not part of or connected with the District.

Service Indicators. Specific quantitative and qualitative measures of work performed as an objective of specific departments or programs.

Short Term. Less than one (1) years' time.

Sole Source Contractor. A contractor or consultant that has been evaluated to provide unique or specialized Services or Supplies that cannot be obtained from other contractors or consultants. Such designation must be approved by the Board.

Source of Revenue. Revenues are classified according to their source or point of origin.

Special Revenue Fund. Special revenue funds are a type of governmental funds used to account for revenues derived from specific sources, which are required by law or administrative regulation to be accounted for in separate funds.

Specifications. Standards, including quality, set by the General Manager, supervisory staff or consultants as a guide and as a measure of that which successful vendors must achieve. Specifications shall be either technical specifications for bids, which shall state formulations as broadly as practicable, yet shall be specific enough to describe the requirements of the District or non-technical specification for bids, which shall state the

quality required in general terms. Specifications will become part of the awarded contract. All bidders will be afforded an opportunity to examine the specifications.

Splitting Purchases. The intentional separation of a District project into smaller portions in order to avoid any of the Purchasing limits established by this policy.

Straight-Line Method. The straight-line method is the simplest and most commonly used for calculating depreciation. It can be used for any depreciable property. Under the straight-line method, the basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life.

Supplies - All materials and equipment.

Surplus. See definition of "Unassigned Fund Balance" for governmental funds and "Net Working Capital" for proprietary funds.

Swap. Trading one asset for another.

Tax Levy. The resultant product when the tax rate per one hundred dollars is multiplied by the tax base.

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit of the people. This term does not include specific charges made against particular persons or property for current or permanent benefit, such as special assessments.

Unencumbered Balance. The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for future purposes.

Unfunded Actuarial Liability (UAL). The funding shortfall in a pension plan, as determined by the difference between the actuarial value of assets and the actuarial value of liabilities.

syndicates. Liquid capital includes cash and assets easily converted into cash.

User Charges. The payment of a fee for direct receipt of a public service by the party who benefits from the service.

Vendors. Those contractors and seller that provide goods and services to the District.