
POLICY TITLE: Accounts Receivable Policy
POLICY NUMBER: 2100

2100.1 It is the policy of the District that accounts receivable be reviewed monthly, as it is critical to the cash flow of the District and requires continued follow-up and attention.

2100.2 Procedures:

- a) The accounts receivable balances are reviewed monthly by General Manager along with assigned staff.
- b) Notices are sent for all accounts 30 or more days past their due date.
- c) Finance charges of [x] percent per month are assessed on all accounts past due as provided by District [identify the ordinance or resolution imposing late payment charges].
- d) Credit memos are limited to control of the [position title], after consulting with the General Manager or his or her designee.
- e) At month-end closing, an accounts receivable schedule is prepared, reviewed, and reconciled to the General Ledger. The trial balance report is compared to the General Ledger for accuracy.
- f) An appropriate allowance for bad debt is carried on the Balance Sheet. Every attempt is made for collection. At year-end it is determined if there are uncollectible items and, if so, those are written off by the [position title], upon approval by the General Manager or his or her designee. Any amount over the approved allowance for bad debt must be approved by the Board of Directors prior to write off.

POLICY TITLE: Credit Card Use
POLICY NUMBER: 2115

2115.1 Purpose: The purpose of this policy is to prescribe the internal controls for management of District credit cards.

2115.2 Scope: This policy applies to all individuals who are authorized to use District credit cards and/or who are responsible for managing credit card accounts and/or paying credit card bills.

2115.3 Implementation: A credit card shall be issued to the General Manager and [position title]. Credit cards shall not be issued or used by members of the Board of Directors. Directors will use their personal credit cards for lawful expenses of the District and seek reimbursement on a form provided by the District for that purpose.

- a) All credit card bills shall be paid timely to avoid late fees and finance charges.
- b) All credit card expenses shall be reasonable and necessary to the furtherance of District business. No personal expenses shall be charged on a District credit card. If a transaction involves both personal and District business, the employee shall pay for the transaction personally and request reimbursement by the District of the appropriate portion of the expense.
- c) All credit card transactions shall have third-party documents (receipts) attached and the District purpose annotated by the cardholder.
- d) The [position title] shall review and approve credit card transactions by the General Manager. The General Manager shall review and approve credit-card transactions by the [position title].
- e) All records of the District involving credit card use, including receipts, invoices, and requests for reimbursement are disclosable public records to be maintained consistently with the District's records management policy.

POLICY TITLE: Employment of Outside Contractors and Consultants
POLICY NUMBER: 2120

2120.1 The District employs outside contractors or consultants for construction, engineering, planning, and environmental review projects, auditing, and other purposes approved by the Board of Directors. The District's procedure is as follows:

- a) Construction projects will be advertised for bid in at least one local newspaper of general circulation and

the local contractors bidding news if available. The bid opening is open to the public and will be specified in the bid documents.

- b) If public bidding requirements apply under law or the terms of any grant contract, those requirements shall be complied with to the exclusion of the previous paragraph.

2120.2 Consultants will be approved by the Board of Directors on the recommendation of the General Manager. The General Manager and/or Board of Directors will make their decision based on the consultant's experience and qualifications. The consultant will also be required to provide an explanation of scope of work, hours to complete, and applicable cost estimate for their services that will be used in their evaluation in the selection process. Consultants for engineering, architectural, and other professional services shall be evaluated based upon qualification and not on cost of services per state law.

2120.3 Every person involved in the solicitation, selection, and approval of consultants shall comply with applicable conflicts of interest laws, including Government Code section 1090, the Political Reform Act of 1974, and the District's conflict of interests code.

POLICY TITLE: Expense Authorization
POLICY NUMBER: 2125

2125.1 All purchases made for the District by staff shall be authorized by the General Manager [FINANCE DIRECTOR or other responsible managing employee], and shall be in conformance with the approved District budget.

2125.2 Any commitment of District funds for a purchase or expense greater than \$20,000.00 [or other appropriate amount] shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations.

2125.3 A "petty cash" fund shall be maintained in the District office having a balance-on-hand maximum of \$200.00 [or other appropriate amount].

- a) Petty cash may be advanced to District staff or Directors upon their request and the execution of a receipt for same, for the purpose of procuring item(s) or service(s) appropriately relating to District business. After said item(s) or service(s) have been obtained, a receipt for same shall be submitted to the District **Treasurer [FINANCE DIRECTOR, or other responsible managing employee]**, and any remaining advanced funds shall be returned. The maximum petty cash advance shall be \$50.00 [or other appropriate amount].
- b) No personal checks shall be cashed in the petty cash fund.
- c) The petty cash fund shall be included in the District's annual independent accounting audit.

2125.4 Whenever employees or Directors of the District incur "out-of-pocket" expenses for item(s) or service(s) appropriately relating to District business as verified by valid receipts, said expended cash shall be reimbursed upon request from the District's petty cash fund or by warrant request if needed. In those instances when a receipt is not obtainable, the requested reimbursement shall be approved by the General **Manager [DISTRICT TREASURER, FINANCE DIRECTOR or other responsible managing employee]** before remuneration. The District may establish a reimbursement request form and, if it does, no reimbursement will be made without submission of a request on that form.

2125.5 Requests for reimbursement to the District must have a good faith basis. Submission of a request for a reimbursement without such a basis shall subject the requestor to appropriate sanctions, up to and including termination of employment and referral to an appropriate law enforcement agency for prosecution.

POLICY TITLE: Purchasing
POLICY NUMBER: 2135

2135.1 To purchase small items — such as office supplies, auto parts, and other miscellaneous items costing less than \$500 — vendors will be asked to submit pricing information by telephone or written quotation. District accounts are then awarded to those firms that provide the best prices, discounts, etc. Acquisitions are processed on purchase order forms that list instructions to vendors.

2135.2 To purchase items costing more than \$500 and up to \$25,000, quotations will be solicited from vendors and received by telephone or written quotation, preferably from two or more sources, before selecting a supplier and processing a purchase order. The General Manager and [position title] must approve purchase orders.

2135.3 For items over \$25,000 or orders of large quantities, the District will provide suppliers with a list of items to be purchased. Suppliers will provide written quotes for consideration and recommendation to the Board

of Directors for award of contract. Items on the list will be purchased from the supplier quoting the lowest prices and having an acceptable delivery date.

~~2135.4 Vehicles will be purchased through the State's Vehicle Procurement Program, unless they can be acquired at the same cost or less expensively from local sources by competitive quotation bids in accordance with section 2135.2.~~

2135.5 This policy covers the purchase of goods, not services and not public works construction services. Those matters are addressed in other policies of the District: **[identify the policies.]**

POLICY TITLE: Reserve Policy
POLICY NUMBER: 2150

2150.1 Purpose: The CVPCSD (the District) shall maintain reserve funds from existing unrestricted funds as designated by the District's Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund replacement and major repairs for the District's physical assets.
- b) Fund regular replacement of computer hardware and software.
- c) Fund designated conservation projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support;
- d) Fund capital improvements; and
- e) Maintain minimal operational sustainability in periods of economic uncertainty.

The District shall account for reserves as required by Governmental Accounting Standards Board Statement No. 54, which distinguishes reserves as among these classes: non-spendable, restricted, committed, assigned and unassigned. The reserves stated by this policy, unless otherwise required by law, contract, or District policy shall be deemed "assigned" reserves.

2150.2 Policy: Use of District Reserves is limited to available "Unrestricted" Funds (not obligated by law, contract or agreement), including donations, interest earned, fees for service or other non-grant earnings. All special

use funds will be designated by formal action of the Board of Directors. [The following reserves reflect common purposes of many Districts for cash reserves; the listed purposes and reserve amounts should be tailored to the needs of your District.]

a) Vehicle Fleet Reserve:

Vehicle Fleet Reserves will accumulate from existing unrestricted funds, at a rate of [\$10,000] annually. The maximum amount of Vehicle Fleet Reserves will be [\$50,000]. When the annual accumulation would increase the Reserve beyond [\$50,000], only the amount required to reach the maximum will be reserved.

b) Technology Reserve:

Technology Reserves will accumulate from existing unrestricted funds at a rate of [\$4,000] annually. The maximum amount of Technology Reserves will be [\$20,000]. When the annual accumulation would increase the Reserve beyond [\$20,000], only the amount required to reach the maximum will be reserved.

c) Designated Project/Special Use Reserve:

Designated Project/Special Use Reserves will accumulate from existing unrestricted funds at a rate of [\$10,000] annually. The maximum amount of Designated Project/Special Use Reserve will be [\$50,000]. When the annual accumulation would increase the Reserve beyond [\$50,000], only the amount required to reach the maximum will be reserved.



- d) **Capital Improvement Reserve:** Capital Improvements Reserve will accumulate from existing unrestricted funds at a rate of [\$25,000] annually. Designated Capital Improvement Funds may be used to cover major facility improvements (construction, installation of new doors or windows, replacing doors and windows, roof replacement, HVAC replacement, alarm system installation, parking lot and outside lighting improvements, etc.). The maximum amount of Capital Improvement Reserves will be [\$100,000]. When the annual accumulation would increase the Reserve beyond [\$100,000], only the amount required to reach the maximum will be reserved.
- e) **Repair/Operations & Administrative Operations Reserve:** Facility & Administrative Operations Reserves will accumulate from existing unrestricted funds at a rate of [\$260,000] annually. The maximum amount of Facility & Administrative Operations Reserves will be [\$780,000]. When the annual accumulation would increase the Reserve beyond [\$780,000] (equivalent of three years of Operations Reserves), only the amount required to reach the maximum will be reserved.
- f) **Total All Reserve Funds:** The total amount of Reserves designated annually from all funds shall be [\$309,000] with a cumulative accrual cap of [\$1,000,000].

2150.3 Using Reserve Funds:

- a) **Vehicle Fleet Reserve:** Vehicle Fleet Reserves will be used exclusively for the purchase of new vehicles to support District operations, or to make major repairs to existing vehicles.
- b) **Technology Reserve:** Technology Reserves will be used to purchase hardware and software in support of District operations, with the intent of maintaining a modern technology for employees.
- c) **Designated Project/Special Use Reserve:** Projects, programs or special uses will be identified by the General Manager and/or the Board of Directors and approved by the Board. Uses must further the mission of the District and will be evaluated for designation according to value to the District and the people it serves.
- d) **Capital Improvements Reserve:** Capital Improvements Reserves shall be limited to costs related to making changes to improve capital assets, increase their useful life, or add to the value of these assets.
- Operations/Repair & Administrative Operations Reserve:**
 - e) **Operational Reserves shall be accrued to ensure three years of minimal facility and administrative functions, at a rate of \$260,000. Reserve funds shall be utilized to support:**
 - 1) Administrative operational functions, including minimal staffing levels and administrative/office expenses;
 - 2) facility operations;
 - 3) facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).

2150.4 **Monitoring Reserve Levels:** The General Manager, in collaboration with the [position title], shall perform a reserve status analysis annually, to be provided to the Board of Directors' annual deliberation/approval of Budget and Reserve Funds.



Additional information may be provided to the Board of Directors upon the occurrence of the following events:

- a) When a major change in conditions threatens the reserve levels established by this policy or calls into question the effectiveness of this policy;
- b) Upon General Manager and/or Board request.

POLICY TITLE: Debt Management

POLICY NUMBER: 2155

This Debt Policy is intended to comply with Government Code Section 8855(i), and shall govern all debt issued by the District. The District hereby recognizes that a fiscally prudent debt policy is required to:

- a) Maintain the District's sound financial position.
- b) Ensure the District has the flexibility to respond to changes in future service priorities, revenues, and operating expenses.



- c) Protect the District's credit-worthiness.
- d) Ensure that all debt is structured to protect current and future taxpayers, ratepayers and constituents of the District.
- e) Ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement program or budget, as applicable.

2155.1. Purposes for Which Debt May Be Issued

2155.1.1 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. Long-term debt financings are appropriate:

- a) When a project to be financed is necessary to provide District services.
- b) When the project to be financed will benefit constituents over several years.
- c) When total debt does not constitute an unreasonable burden to the District and its taxpayers or ratepayers.
- d) When the debt is used to refinance outstanding debt to reduce the total cost of the debt or to realize other benefits of a debt restructuring, such as increased flexibility in the use of cash and reserves.

2155.1.1.2 Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses. The District may use long-term debt financings subject to the following conditions:

- a) The project to be financed must be approved by the District Board.
- b) 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%.
- c) The District estimates that sufficient revenues will be available to service the debt through its maturity.
- d) The District determines that the issuance of the debt will comply with the applicable state and federal law.

2155.1.2 Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows to maintain a steady and even cash flow balance as in anticipation of periodic receipts of



property taxes and other revenues. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment consistently with debt limit requirements of article XVI of the California Constitution, article XVI, § 18.

2155.1.3 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 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 this policy.

2155.2. Types of Debt - The following types of debt are allowable under this Debt Policy:

- a) General obligation bonds (GO Bonds)
- b) Bond or grant anticipation notes (BANs)
- c) Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions
- d) Other revenue bonds and COPs
- e) Tax and other revenue anticipation notes (TRANS)
- f) 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
- g) Tax increment financing to the extent permitted under State law
- h) Refunding Obligations
- i) State Revolving Loan Funds
- j) Lines of Credit

2155.2.1 The District Board 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.

2155.3. Relationship of Debt to Capital Improvement Program and Budget

2155.3.1 The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and capital improvement plan.

2155.3.2 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 ("pay as you go"). The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

2155.3.3 The District shall integrate 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.

2155.4. Policy Goals Related to Planning Goals and Objectives



2155.4.1 The District is committed to long-term financial planning, maintaining appropriate reserves and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's annual operations budgets.

2155.4.2 It is a policy goal of the District to protect taxpayers, ratepayers and constituents by using conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical total borrowing costs.

2155.4.3 The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

2155.4.4 When refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings approximately 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than any escrow fund negative arbitrage. The cost of refinancing will always be less than the savings.

2155.4.5 The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to temporarily reduce annual budgetary expenditures. Capital investments intended to reduce District operating costs indefinitely, as by improving the efficiency of its operations, are appropriate for long-term debt.

2155.4.6 The District shall seek to time debt issues to avoid need for unplanned general fund expenditures for capital improvements or equipment.

2155.5. Internal Control Procedures

2155.5.1 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 by the District in accordance with SEC Rule 15c2-12 (17 CFR § 240.15c2-12 "Municipal securities disclosure").
- b) Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- c) The District's investment policies as they relate to the use and investment of bond proceeds.

2155.5.2 Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the [position title] of the District (or his or her written designee), or (b) by the District, to be held and accounted for in a separate fund or account to ensure debt proceeds are expended only for the purposes for



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which the debt was issued, the expenditure of which will be carefully documented by the District in records compliance with current accounting standards and subject to the District's annual audit.

POLICY TITLE: Internal Controls
POLICY NUMBER: 2160

A policy of the board of directors or CVPCSD defining financial internal controls

Whereas, the district is a district created pursuant to [Principal Act]; and
Whereas, the Board of Directors may establish, policies for the conduct of the district's business; and
Whereas, the Board of Directors has previously reviewed and approved several policies which reference an established a program of "internal controls"; and
Whereas, the Board of Directors are cognizant of its duty to ensure that proper controls are established and implemented to ensure the financial integrity of district operations; and
Whereas, the Board of Directors desires to formalize a policy to define the internal financial controls that have been developed through various practices and procedures to date;



Now therefore, it is the policy of the Board of Directors of the district, until such policy shall is amended or rescinded:

2160.1 There will be established procedures for the adequate separation of duties, including at least the following:

- a) a receipt log of all cash/checks received will be prepared daily by an employee not in the Finance department;
- b) the Accounting Technician prepares or oversees the deposit and ensures it is made using the check scanning machine and software provided by agreement with [bank];
- c) the Finance Director confirms that the daily deposits agree with the original of the receipt log which he/she maintains;
- d) the bank reconciliation will be prepared promptly after month-end by an employee with no authority to prepare or sign checks or authorize other debits against the account;
- e) all invoices presented for payment must be approved by an authorized person;
- f) every check [above \$x] must be signed by two authorized signers;
- g) all paid invoices shall be so marked and filed for reference;
- h) the same employee cannot be responsible for authorizing transactions, collecting or paying bills, and maintaining accounting records,

2160.2 There will be an annual financial audit and any finding(s) shall be reported to the Board of Directors with simultaneous notice to the General Manager.

2160.3 There will be biennial audits of the Property/Liability and Workers' Compensation Program claims paid by the district and those report(s) will be promptly presented to the Board of Directors.



2160.4 In regard to district's cash reserve account in the Local Agency Investment Fund (LAIF), the district will maintain a balance for all programs, not to exceed the amount as currently authorized by LAIF guidelines, and that transfers out of LAIF may only be made to district's [Property/Liability General Account, Workers' Compensation General Account or Health Benefits Account] and must have the approval of one of the following individuals: 1) President, 2) Vice President, 3) Secretary of the Board, 4) General Manager, 5) Finance Director. The requests for such transfers out of LAIF shall be signed by one of the five individuals above and be supported by detailed information which shall be maintained by district's Finance Director.

2160.5 That other excess funds shall be deposited in or transferred to such long-term investment accounts as the Board may, from time to time designate by resolution; and

2160.6 That funds in the investment account(s) shall only be withdrawn upon approval of the Board's President, Vice-President, or Secretary. Such withdrawals must then be remitted only to one of the checking accounts referenced above in Section 2160.4 of this policy. The requests for such transfers shall be signed by the General Manager and be supported by detailed information which shall be provided to the Director approving the transfer. Such information shall be maintained by district's Finance Director.

2160.7 To maximize interest earnings and manage district's cash flow needs, the Finance Director will strive to maintain a reasonable balance in the checking accounts to off-set monthly bank charges, but at the same time recognizing that surplus funds should be transferred as appropriate to LAIF or the long-term investment accounts. [However, the Workers' Compensation Program - Claims Account will maintain a higher balance to ensure funds are available for timely payment of claims and projected growth of the program.]

2160.8 Templates for Fed-wire or Automated-Clearing House (ACH) Transfers out of the district's bank accounts may only be established by the Finance Director. Subsequent use of these Fed-wire or ACH templates shall require two staff – an initiator and an approving staff person.

2160.9 The signing of any checks written on the accounts of the district will be in accordance with the district's [procurement policy]. All "fed wires" or ACH transfers that exceed \$50,000 (other than to/from LAIF or from the [Health Benefits Account]) shall be considered similar to a "large check" and be disclosed quarterly to the Board.

2160.10 Any payment of funds for claims and/or allocated loss adjustment expenses will be made in accordance with the district's [Claim Settlement Policy].

2160.11 The Board of Directors confirms that the Board will review these internal control policies upon completion of each year's audit with input from its external auditor.

This Policy No. 2160 supersedes any policy inconsistent with the provisions included above.