

# Scotia



## Community Services District

FINANCIAL MANAGEMENT POLICY  
OF THE  
SCOTIA COMMUNITY SERVICES DISTRICT

ADOPTED  
November 10, 2016

# FINANCIAL MANAGEMENT POLICY

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## 1. **GENERAL PURPOSE**

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the Scotia Community Services District (“SCSD” or “District”), and managing the District’s funds.

It is also intended to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Board's authorization and recorded properly.

The intent of the District is to control purchases before the District is obligated to pay for goods or services. This Financial Management Policy is designed to accomplish this goal while providing a clearly documented record of the entire process.

### *Purpose of Reserve Policy*

Adequate reserve funds are critical to the successful and stable, short and long-term operation of the District.

Adequate reserves for District operations, maintenance and capital improvements ensure that customers experience both stable rates for service and the security that the District can respond to emergencies, especially regarding water and wastewater quality issues. Adequate reserves ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations, together with future debt or capital obligations, as well as any unfunded mandates, including costly regulatory requirements.

The District manages its working capital in a manner that allows the District to fund costs consistent with its annually updated five-year capital improvement program and five-year rate study financial plan, and that avoids significant rate fluctuations due to changes in cash flow requirements. The ability of the District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength.

Adequate reserves directly affect the District’s bond rating and ultimately the ability to access debt markets at favorable interest rates, thereby ensuring the ability to finance and construct the infrastructure necessary to renew existing systems and expand service levels to meet future needs.

Annually during the budget adoption process, the District Board approves the appropriate levels and uses for reserve funds based upon the needs of the District.

The District’s reserve fund policy shall be periodically reviewed and adjusted to meet the needs of the District.

## 2. **FINANCIAL RESPONSIBILITIES**

It is the responsibility of the Board of Directors (Board) to formulate financial policies and review operations and activities on a periodic basis.

The Board delegates this oversight responsibility to the General Manager.

The General Manager acts as the primary fiscal agent, implementing all financial policies and procedures. The General Manager, with recommendations of the Board of Directors is responsible for the coordination of the following: Annual budget presentation, management of the funds and other fund investments, selection of the outside auditors, and approving revenue and expenditure objectives in accordance with the Board approved long-term plans.

The General Manager has the day-to-day operations responsibility for managing District funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliation review and approval.

The General Manager is responsible for the preparation of the Chart of Accounts, Reporting Formats, Accounts Payable Processing, Payroll input and Payroll processing, Cash Receipts input, Journal Entries for General Ledger, required tax reporting, as well as bank reconciliations. The General Manager may delegate or contract for these services.

**3. CONFLICT OF INTEREST**

Members of the Board of Directors are prohibited from activities that might present conflicts of interest. The powers of directorship may not be used to personally benefit the Director at the District's expense. If a Director has a financial interest in a District transaction, the Director must fully disclose the interest and abstain from voting. Loans to Directors are prohibited.

**4. BUDGETING PROCESS**

The District's General Manager shall be responsible for presenting to the Board an annual operating budget draft sixty (60) days prior to the end of the fiscal year.

The Board shall review and approve the final draft recommended fiscal year budget revenues, expenditures and cash flow.

**5. COMPENSATION AND PAYROLL**

Payroll is executed bi-monthly. Paychecks or direct deposits will be provided to each employee by the General Manager or designee.

Monthly payroll expenses shall be verified by the General Manager or designee against payroll reports and direct deposit reports and reconciled with checking account reports.

The compensation of the General Manager or designee shall be determined by the Board of Directors. Compensation is based on a board-approved process that considers comparable data and General Manager performance. The salaries of all other employees shall be determined by the District's General Manager. Compensation ranges for all staff positions shall be approved by the District's General Manager. No employee of the District may be compensated outside of the approved range, without the approval of the General Manager and Board of Directors.

**6. BANK ACCOUNTS AND INVESTMENT ACCOUNTS**

The General Manager, or designee shall maintain and oversee bank and investment accounts, and ensure the District's day-to-day financial operations. Several accounts may be maintained by the District which may include but are not limited to:

1. Checking Account
2. Local Agency Investment Fund (LAIF) Account
3. Certificates of Deposit
4. Brokerage Account
5. Loan Accounts

These accounts may be changed as the District's financial conditions and requirements change.

**7. INVESTMENTS REPORTS AND INVESTMENTS POLICY**

Investments shall be reported with the monthly financial statements at cost or market value. The General Manager shall review and determine the general investment strategy for all funds.

**8. CHECKING ACCOUNT**

All checks, cash, money orders, and credit card deposits, are reviewed by the General Manager and deposited in the appropriate accounts. Fund raising events, and miscellaneous contributions, shall be deposited into the accounts. Monies shall be transferred from the checking account into the investment account when necessary, by the General Manager. Checks are written weekly to meet obligations, or ongoing operational expenditures.

Checks shall be issued only after the purchase order has been approved and signed by the designated staff person, and reviewed and initialed by the General Manager.

Checks shall be issued as needed to meet deadlines and take advantage of discounts. Check writing shall be batched and done weekly where possible.

**9. RESERVE FUND**

The District shall maintain a reserve fund, with the minimum amount of the annual operating expenses as set by the Board annually by resolution. When the fund balance falls below this minimum, the General Manager and the Board shall develop a plan and budget for rebuilding it, within the next fiscal year.

*Capital Reserve Fund*

The Capital Reserve is intended for general use on Capital projects. The funds come from contributions from other agencies or from funds that were budgeted on capital projects in prior years but unspent. This fund is spent directly on capital expenditures over the current or future year's normal capital budget and is not held in reserve for some other purpose.

Included in this fund are the connection fees collected from developers to pay for the new

facilities necessary to deliver water and wastewater service to newly developed property. These fees include, but are not limited to, offsite improvements such as the development's fair share cost of wells, reservoirs, transmission mains, treatment plant capacity, wastewater facilities and other necessary facilities. The fees are collected at rates established by the Board of Directors based upon specific financial rate studies. The rates charged are based on a project's equivalent dwelling unit (EDU) or equivalent basis. These funds are restricted to the design and construction of capital facilities.

This Capital Reserve Fund is drawn down annually as planned capital expenditures amounts are made. At the end of each fiscal year any unspent budgeted capital amount will be reallocated to this fund and will be used in the following year's capital budget.

#### *Debt Service Reserve Fund*

Debt Service Reserve Funds required to be maintained at a level sufficient to fund maximum annual debt service payments. These funds are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Reserve funds will be used to make the last two semi-annual debt service payments. Annual interest earnings on reserve funds shall be applied to each year's debt service payments. Any reserve funds related to state revolving fund loans shall be treated identically to reserve funds as these loans are contractually defined as parity debt to the District's senior lien bonds.

#### ***Board Restricted Funds***

##### *Rate Stabilization Fund*

This fund is governed by legal covenants for the District's revenue bonds. The purpose of the fund is to assist in smoothing rates to pay SCSD debt service and to assure that minimum debt service coverage ratios required by the District's covenants would be met in the future. Funds deposited into this reserve are treated as operating revenues in the year of deposit and will be treated as operating revenues in years of use for the purposes of computing the District's debt service coverage ratio.

This fund is applied in the five-year financial plan and annual rate model along with other reserve funds to smooth future rate increases. This fund will provide a buffer should revenue estimates in any year not meet projections. The Rate Stabilization Fund will be drawn down to smooth rate increases. Specifically, they will be applied in any year where other revenues are not sufficient to meet the required debt service coverage ratio. They will also be applied if meeting only minimum coverage levels could result in the District's ratings being downgraded.

##### *O&M Operating Reserve Fund*

The O&M Operating Reserve will vary over time with a goal of maintaining three-months average operating expenses excluding depreciation. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers.

##### *Capital Replacement Reserve Fund*

This fund pays for the replacement of existing facilities and equipment as it reaches the end of its useful life or for major repairs that extend the useful life of facilities. The purpose of this policy is to "fund depreciation" at 100% in future.

*Unrestricted Reserves*

Unrestricted reserves also termed "General Reserves" represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

**10. SIGNATURE POLICY**

The General Manager and one designated signatory (two signatures) shall, unless otherwise decided by the Board, sign all checks, drafts, or orders for payment of money, contracts, and commitments for services issued in the District's name for all amounts greater than \$25,000. In the absence of either individual, the signature of the Board President must be obtained.

The District checking account shall require signatures by any two of the following persons:

- o General Manager (permanent and/or bonded)
- o Board Members designated as signatories

**11. REVENUE AND INCOME PROCEDURES**

The General Manager in conjunction with the Board, develops and proposes revenue goals and objectives and submits them for Board discussion and approval.

**12. RECORDING RECEIPTS**

*Checks and Payments*

The following procedures for payment received through the mail or given to a staff person shall be in place: Mail should be opened by Board Clerk or General Manager. All checks shall be endorsed with the District's official stamp, or signed by the General Manager. All checks and money orders received through the mail shall be recorded by date, name of company or individual, designation, and amount. Cash will not be accepted through the mail.

After recording checks, individual deposit ticket shall be prepared and scanned electronically. That record shall include date of deposit, name of sender, amount, and designation. A copy of the bank deposit slip is retained in chronological order with copies of the deposited checks. All checks and money orders shall be deposited the same business week if possible, and no later than the next business week into the District's Bank Account.

*Gifts and Donations*

Gifts received, such as donations, should be properly recorded. Transactions should be periodically rechecked by the General Manager.

*Goods and Shipments*

Goods received shall be initialed and dated on the receiving record (packing list). If only a partial shipment is received, the items received shall be clearly indicated and a photocopy given to the District Clerk. Upon receipt of all items, the person receiving the goods shall again initial and date the receiving record (packing list) indicating which goods were received

in the final shipment then given to the District Clerk.

### 13. **EXPENDITURES PROCEDURES**

All expenditures shall be approved by the General Manager. All expenditures shall be coded by account number using the District's Chart of Accounts.

The General Manager maintains standard accounting records containing all aspects of the District's financial operations electronically.

Invoices shall be approved by either the General Manager. Following the review and approval, check payment vouchers shall be prepared and the invoices shall be distributed to the District's County Account for check payment preparation. Upon payment of a bill, a copy of the check or duplicate of stub shall be stapled onto the bill and payment date and check number shall be printed on the invoice. The paid invoices shall be filed alphabetically according to company/individual name and shall be kept on a fiscal year basis on file. Record shall be kept for 3 years, or otherwise in accordance with the Record Retention Schedule.

#### *Expenditure Classification*

The control mechanism and method of documentation for purchases are determined by the type of expenditure. The District recognizes the following expenditure classifications:

- a. **Purchase Order**  
All purchases of goods which require a purchase order.
- b. **Contract**  
All formal contracts for services or goods and informal contracts for services.
- c. **Recurring**  
All utilities, payroll taxes & benefits, employee health insurance, monthly rental payments and cash transfers between accounts.
- d. **Debt Payments**  
All interest and principal payments on bond issues, lease-purchase payments (including those related to issuance of certificates of participation by other entities), transfers to fiscal or paying agents and any other long-term indebtedness.
- e. **Travel**  
All advances and reimbursements for travel, mileage reimbursement for use of personal automobiles and local meal expenses.
- f. **Petty Cash**  
All reimbursements of purchases from the petty cash fund and increases in petty cash or change funds.
- g. **Customer Refunds**  
All utility billing deposit refunds and overpayment refunds to customers.
- h. **Other**  
All other purchases which cannot be classified in one of the above categories.

#### *Control Procedures*

Purchasing shall be controlled according to their classification as indicated above by the following procedures:

- a. **Purchase Order**



The purchase of all supplies, materials and capital assets in excess of \$50.00 shall require a purchase order. Vendors from whom the District is likely to order several small items shall be issued blanket purchase orders.

**b. Contract**

Control procedures for non-budgeted contract purchases shall be further classified as: Contract Construction, Professional Services, or Other Services. For all classifications, contract purchases below \$5,000 require a purchase order, and will follow purchase order procedures. Contract purchases between \$5,000 and \$25,000 require a formal contract, approved and signed by the General Manager. Any purchase above \$25,000 requires a formal contract approved by the Board, and signed by the General Manager, and, if the contract purchase is a contract for construction, shall require formal bidding procedures. Sole source contracts shall require board determination and approval.

**c. Recurring**

These purchases shall be controlled by the budget. The Board shall adopt an annual budget which shall include, but is not limited to, line items for electricity/natural gas, telephone, telemetry, employer payroll taxes, retirement contributions, each type of employee benefit, insurance, each type of on-going rental, equipment and software maintenance and support contracts.

The General Manager shall monitor the relationship of year-to-date Purchases in these line items to the adopted budget. Purchases which exceed the budgeted amount but are not more than ten percent (10%) or \$5,000 greater, shall be approved by the General Manager.

Transfers of cash between accounts for recurring purchases exceeding \$5,000 shall be approved by the Board.

Monthly budget statements shall be presented to the Board detailing monthly and year-to-date purchases. Unusual or large variances will be explained to the Board.

All other recurring payments shall be approved by the General Manager.

**d. Debt Payments**

These purchases shall be controlled by the amortization schedules created by the debt instruments. All such payments shall be approved by the General Manager. Any demand for payments not contemplated in the debt instruments shall be approved by the Board.

**e. Travel**

These purchases shall be controlled as delineated in Section 16.

**f. Petty Cash**

A petty cash fund provides a systematic method for paying and recording out-of-pocket cash payments too small to be made by check. These purchases shall be approved by the General Manager. The General Manager shall maintain control of, and responsibility for, payments disbursed from the Petty Cash fund.

Total Petty Cash Fund shall be limited to \$250.00 per quarter. The amounts of the petty cash or change funds shall be changed only by Board action. No single expenditure from

the petty cash fund shall exceed \$50.00. Reimbursements shall be for the specific amount of payments made, and receipts must be kept as record.

Any overage or shortage in petty cash shall be taken into account in the reimbursement amount to insure that the balance of the fund does not exceed or fall below the amount as authorized by the Board. The General Manager shall monitor any overages/shortages on a continuing basis.

**g. Customer Refunds**

- (i). Utility Account Deposits - These purchases shall be controlled by the utility billing system. Normally, closing bills will be prepared which may show a balance due to the customer. Such refunds shall be approved by the General Manager.
- (ii). Inspection Deposit Refunds - These purchases shall be approved by a General Manager.
- (iii). Other Deposits - Occasionally other deposits will be refunded. These shall be approved by the General Manager.

**h. Credit Card Use**

Credit card purchases shall be classified in the expenditure category which best suits the type of goods or services procured. The Board shall approve application for any credit cards.

All credit cards shall be physically controlled by the General Manager who shall have custodial responsibility for them. All purchases on these cards shall be subject to the same controls which would apply if the District had a normal open account at specific stores (i.e. purchase order/blanket purchase order).

The fuel card is intended primarily for retail fuel purchases. It may be used from time to time for out-of-town personal automobile use while on District business. The General Manager shall physically control the card and have custodial responsibility for it. When used for out of town travel, all of the normal travel controls shall be observed.

Credit cards may be issued to any District employee as determined by the General Manager. The card will be in the District's name. The primary purpose of the credit card is as a payment method for staff travel, however, the card can be used to pay for any purchase when it is the most efficient method. Purchases made with a credit card must comply with all approval requirements set forth in this expenditure policy. Before receiving a credit card, employees must sign a "credit cardholder use agreement" setting forth their obligations under this program.

**i. Phone Orders**

Orders for goods or services placed by telephone, fax or other electronic media shall be subject to the normal purchase order or travel controls. Purchase orders or travel authorizations shall be prepared in advance of placing the order.

**j. Transfers Between Accounts**

Transfers between accounts, shall be authorized by the General Manager, are not to exceed \$5,000.00, and shall be approved in advance where possible. Approval shall be by

the Board or General Manager in accordance with the limits on approval of purchase orders. If it is not possible to obtain approval in advance, approval shall be upon receipt of goods or services.

## **14. PURCHASING**

Any expenditure in excess of an amount determined by the Board of Directors for the purchase of a single item should have bids from three (3) suppliers if possible. These bids are reviewed by the General Manager and the bid award must be specifically approved in advance by the District's General Manager.

Purchase of less than the approved amount may be made at the discretion of the District's General Manager without competitive bids. However, for fixed assets, reasonable diligence should be exercised to comparatively shop for available sources.

Any purchase made by a Board member on behalf of the District will require prior approval by the General Manager.

### *Purchase Order Procedures*

#### **1. Requisition and Preparation**

The General Manager will provide authorized users access to the purchasing software. The software system may require a vendor name, date, account number to be charged, quantity, description, and unit price. The software system may assign a consecutive number to the purchase order and print a working copy. The computer system shall print an original for signature.

#### **2. Approval**

Purchase orders for office supplies and equipment expected to be less than \$5,000 may be approved and signed by the General Manager. Purchase orders for field supplies and equipment expected to be less than \$5,000 may be approved and signed by the General Manager. Purchase Orders for engineering supplies and equipment expected to be less than \$5,000 may be approved and signed by the General Manager. The General Manager may approve and sign purchase orders expected to be \$25,000 or less without Board approval. Purchase orders expected to exceed \$25,000 must be approved in advance by the Board and signed by the General Manager.

In addition, the the General Manager, may designate additional field employees to approve and sign for purchase orders not expected to exceed \$750. Such designation shall be in writing to the General Manager.

#### **3. Issuance to Vendors**

The purchase order number shall be provided to the vendor and a copy sent to the vendor as needed.

The signed copy shall be given to the District Clerk to match with the receiving copy and invoice.

#### **4. Receipt of Goods**

See Section 12: Recording Receipts.

## **5. Blanket Purchase Orders**

Blanket purchase orders shall be prepared for vendors from whom several small purchases are expected to be made. The blanket purchase order shall be for a period not to exceed one year. The following additional information shall be included on all blanket purchase orders:

- Total cumulative purchases to be allowed
- Maximum amount of any one purchase
- List of persons authorized to make purchases
- Period covered by purchase order
- Notice of cancellation of previous blanket purchase orders

Cumulative purchases shall be tracked on the computer system as invoices are received. If cumulative purchases reach the maximum allowed prior to expiration of the blanket purchase order, the amount exceeding the maximum will be noted on the blanket purchase orders and approved by the General Manager.

Any change in terms or persons authorized to make purchases shall result in the issuance of a new blanket purchase order and the cancellation of the old one. Vendors shall be notified in writing of any change in the terms of a currently valid blanket purchase order.

## **6. Approval for Payment**

The District Clerk shall match the invoice, the purchase order copy, and the receiving record of the purchase order prior to submitting the purchase order for approval. If the invoice exceeds the amount indicated on the purchase order by more than 10%, the District Clerk shall so indicate on the purchase order and the person approving the purchase order shall initial such notation indicating approval to pay the higher amount.

## **7. Other Purchases**

It is recognized that circumstances may arise which require personnel to purchase supplies immediately while physically distant from the District office. If possible, such supplies shall be purchased from vendors to whom blanket purchase orders have been issued. When necessary, verbal approval shall be obtained from a person authorized to sign a purchase order for the anticipated amount. The purchase shall then be documented with a vendor invoice and a standard purchase order from the employee making the purchase.

The invoice and purchase order shall be given to the person who made the verbal authorization as soon as possible. That person shall review the invoice and purchase order and counter-sign the purchase order.

### *Purchase Order Documentation System*

#### **a. General**

Documentation of compliance with the Financial Management Policy shall be summarized on a purchase order form. The classification of the expenditure shall be clearly indicated on the purchase order form. The purchase order shall list all invoices or

statements to be paid with one check. No payments shall be made without a properly approved purchase order form.

**b. Preparation of Purchase Order**

Purchase orders shall be numbered consecutively as prepared. The purchase order number shall be entered in the computer software system when the account payable is entered.

All required supporting documents shall be attached to the purchase order form prior to approval.

**c. Supporting Documents Required**

Required supporting documents are determined by the classification of expenditure as follows:

(i). Purchase Orders:

- Vendor invoice or statement
- Copy of purchase order
- Receiving document of purchase order initialed and dated by person receiving goods

(ii). Contracts:

- Vendor invoice or statement initialed and dated by person affirming that work was done

(iii). Recurring Purchases:

- Vendor invoice or statement initialed and dated by person affirming that service was received
- No documentation required for cash transfers between accounts - purchase order must be signed by the General Manager

(iv). Debt Payments:

- No documents required - purchase order must be signed by the General Manager

(v). Travel Purchases:

- Travel and Automobile Use Approval Form (Appendix A)
- Travel and Automobile Use Expense Accounting Form (not required for advance payments) (Appendix B)
- Receipts for airfare, lodging, meals, other purchases for which a receipt is normally given. Unless the Board or this policy establishes other permitted reimbursement rates for travel, meals, lodging and other actual and necessary expenses, the District will reimburse expenses at the U.S. General Services Administration (GSA) rate for travel, meals, lodging, and other actual and necessary expenses.

(vi). Petty Cash Purchases:

- Receipts and paid-out tags

(vii). Customer Refunds:

Utility Account Deposits

The “Utility Account Deposit” may substitute as the purchase order. The list is to be initialed and dated by the District Clerk. The General Manager shall approve the utility account deposits list on a regular basis.

Inspection Deposits

For customers to receive refunds, they must have the Sewer Inspection Report with the deposit receipt number notated.

d. **Other**

Vendor invoice or statement initialed and dated by person affirming receipt of goods or services with a memorandum explaining nature of expenditure and why it does not fall within one of the normal classifications.

e. **Purchase Order Approval**

Purchase orders must be approved and signed by the designated staff person prior to preparation of a check by the District Clerk.

f. **Filing of Documentation**

Purchase orders and attached documentation shall be filed alphabetically by vendor promptly after issuance of a check.

Contracts, special deposit documents, and debt agreements shall be filed separately as appropriate.

**15. CREDIT CARD EXPENDITURES**

The Board will approve the issuance of a District-issued credit card for employees who travel frequently. Employees must utilize that card only for business travel. Employees must submit a voucher that explains the business reason for items purchased using the credit card. The General Manager must approve the voucher, which is then submitted District Board Clerk for recording and reconciliation.

**16. LOCAL TRAVEL AND EXPENSE REIMBURSEMENTS**

Employees must abide by the sections contained within this policy. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to the General Manager for approval and payment.

Mileage to and from the employee’s residence to the place of work will not be paid by the District. Reimbursements will be based on the mileage rate established by IRS and approved through the budgeting process.

All expenditure receipts must be attached to the expense voucher as a condition for payment.

***Travel Expenditure Procedures***

a. **Approval**

All out of town travel and local meal purchases by Board members and staff shall be approved in advance. Local use of personal automobiles shall also be approved in advance.

Travel, local meals (ie. meals provided by the General Manager's discretion to employees during emergencies) or vehicle use to be incurred by District staff shall be approved by the General Manager..

For the General Manager and Board members, approval shall be by any other Board member.

b. **Advance Payments**

Advance payments may be made for estimated cost of pre-approved out of town travel or local meal expenses. Local personal automobile use shall be paid as reimbursement only.

Advances may be made no more than three working days before the commencement of the activity.

c. **Reimbursement and Accounting**

Reimbursement for out of town travel and for local meals shall be made for the actual cost less any advance payment. Reimbursement for all personal automobile use shall be made using the Internal Revenue Service approved business mileage rate.

The staff member must account to the District within ten (10) days of the end of the activity for all advances and expenses. If the documented expenses exceed advances, the difference shall be reimbursed to the staff member. If advances exceed documented expenses, the difference must be refunded to the District with the accounting.

**17. FINANCIAL STATEMENTS**

The General Manager shall prepare and present quarterly Financial Statements in a format approved by the Board. The statements shall be presented to the Board for review, and shall include: net assets and revenues, expenses, gains and losses, Restricted Funds, Cash Management Fund, Property and Equipment Fund, etc.

**18. BANK RECONCILIATIONS**

Bank reconciliations shall be completed monthly by the General Manager or designee and cross-referenced with the cash and receipts logs and the monthly Financial Statements. The Financial Statements shall be compiled and reviewed by the General Manager, and approved by the Board. T

All Bank Statements, Credit Card Statements, and Endowment Fund Reports will be reconciled every month by the General Manager, and records will be kept in the District office.

**19. AUDIT**

According to CA Government Code §61118(a), the Board shall provide for regular audits of

the district's accounts and records pursuant to CA Government Code §26909.

The audit shall be completed by a certified public accountant or public accountant. Where an audit of a special district's accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards, and a report thereof shall be filed with the Controller and with the county auditor of the county in which the special district is located. The report shall be filed within 12 months of the end of the fiscal year or years under examination. The General Manager shall have direct responsibility in overseeing the implementation of the Annual Financial Audit.

The General Manager shall recommend to the Board for approval, the selection of a firm to perform the annual audit. In addition, the staff shall assist when necessary in the audit preparation, and report the final results to the Board of Directors. A representative of the audit firm shall be required to make a presentation to the Board.

The General Manager or the Auditor shall prepare the any required tax or audit forms and they shall be reviewed by the Board President before submission to the County and State.

Notwithstanding the provisions of this section, a special district shall be exempt from the requirement of an annual audit if the financial statements are audited by the Controller to satisfy federal audit requirements

According to CA Government Code §6118(b) the Board shall also provide for the annual financial reports to the Controller pursuant to Article 9 (commencing with Section 53890) of Chapter 4 of Part 1 of Division 2 of Title 5.

**20. NOTES, LOANS, ETC.**

All notes, loans and other indebtedness to be contracted in the name of the District, except open accounts and all other routine banking transactions, shall require the signature of the General Manager, unless otherwise specified by the Board or established in the present management policies and procedures. All indebtedness must be approved by the Board of Directors.

**21. DEEDS, CONVEYANCES, ETC.**

The General Manager and the Board President, with consultation from legal counsel, shall execute all Deeds, Conveyances, Mortgages, Leases, Contracts and other instruments in the name of the District.

**22. LEASES AND OTHER CONTRACTUAL AGREEMENTS**

Leases and other contractual agreements are negotiated by the designated District negotiators and executed with the approval of the Board. This applies to buildings to be leased from and/or to the District.

The General Manager is authorized to develop and enter into contractual agreements with



vendors, bankers, and third parties for the purpose of ensuring the District's general operations. The Board may review such agreements and make recommendations if necessary.

**23. INSURANCES**

Reasonable and adequate coverage will be maintained to protect the District's interests as well as the Board of Directors and the District's employees. The following insurance policies shall be kept on a yearly basis: Commercial Property Contents and Computer Policy, General and Professional Liability Insurance, Directors and Officers Liability Insurance, Employee's Dishonesty Bond Insurance, Employee's Life Insurance, Workers Compensation Insurance, Long-Term Disability Insurance, and Employees Health Insurance.

Insurance Policies shall be carefully reviewed by the General Manager and Legal Counsel.

**24. PROPERTY AND EQUIPMENT**

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful lives of the assets. A Depreciation schedule shall be prepared and maintained by the District's General Manager on an annual basis, taking into consideration the annual equipment inventory. A Property Removal Form shall be required for the removal of the District's property, supplies, and/or equipment from the District's premises. The District will follow surplus requirements regarding excess property under Government Code §50568 et. seq. and §54220 et. seq.

**25. EQUIPMENT INSTALLATION**

Purchase, installation and maintenance of electronic and radio equipment, office equipment, computer equipment, etc. shall be approved by the General Manager after discussion and approval by the Board of Directors. Staff Members and other managers shall be responsible for receiving and supervising the installation of equipment scheduled for their facility or working area, and for maintaining and protecting the equipment installed in their offices.

**26. DONATED MATERIALS AND SERVICES**

Donated materials and equipment shall be reflected in the Financial Statements at their estimated values measured on the date of receipt.

**27. CONFIDENTIALITY AND RECORDS SECURITY**

Financial records may be restricted where appropriate. Records will be scrubbed for sensitive information. Only the General Manager, or others so authorized, shall have access to financial records (vendor files, checks, journals, payroll, etc.).

**28. DOCUMENT RETENTION**

Financial documents are retained for a period of time in accordance with the District's Records Retention Schedule, and keeping with State law and the recommendations of the IRS.

**Appendix A**

**SCOTIA COMMUNITY SERVICES DISTRICT  
TRAINING AND TRAVEL APPROVAL FORM**

Employee	Date Submitted
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***TYPE OF ACTIVITY***

<input type="checkbox"/> Out of Town Travel	<input type="checkbox"/> Local Meal
<input type="checkbox"/> Conference	<input type="checkbox"/> Local Automobile Use
<input type="checkbox"/> Training	<input type="checkbox"/> Local Automobile Use (Emergency)

***DESCRIPTION OF ACTIVITY***

Location	
Dates	
Sponsor/Instructors	
Specific nature of training:	
How will this training meet the needs of the District?	
Type of transportation to be used:	
Other training functions attended this year:	

***ESTIMATED COST AND ADVANCE PAYMENT REQUEST***

	Estimated Cost	Advance Approved
Personal Automobile Use – ___miles RT (@\$0.565/mi)*		
Other Transportation – District Vehicle Fuel		
Lodging		
Meals – dinner 1 night		
Registration		
Other (describe)		
<b>Totals</b>		
Approved by:	Date:	

**Appendix B**

**SCOTIA COMMUNITY SERVICES DISTRICT  
TRAINING AND TRAVEL EXPENSE FORM**

Employee	Date Submitted
----------	----------------

***TYPE OF ACTIVITY***

<input type="checkbox"/> Out of Town Travel	<input type="checkbox"/> Local Automobile Use
<input type="checkbox"/> Local Automobile Use (Emergency)	<input type="checkbox"/> Training
<input type="checkbox"/> Conference	<input type="checkbox"/> Local Meal

***DESCRIPTION OF ACTIVITY***

Location	
Activity	
Dates	

***ACCOUNTING***

Automobile Use:	Miles: ___miles RT x \$0.565* =				
Public Transportation:					
Lodging:					
<b>Meals</b>	<b>Date</b>	<b>Breakfast</b>	<b>Lunch</b>	<b>Dinner</b>	
Other (explain):					
Total Expenses – (Charged to VISA <input type="checkbox"/> )					
Less Advance Received (in any)					
Due to (from) Employee					

Approved by:	Date:
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**Appendix C**

**SCOTIA COMMUNITY SERVICES DISTRICT  
CREDIT CARDHOLDER USE AGREEMENT**

Employee: \_\_\_\_\_

The above named employee (Cardholder) of the Scotia Community Services District has been issued a District credit card. The Cardholder has been provided with a copy of the District’s Purchasing and Procurement Policy and hereby agrees to comply with all terms and conditions set forth therein, including but not limited to:

1. **Official Use Only** – District credit cards are for official use only. Charging personal expenses on District cards is not allowed under any circumstances. Doing so, even if the intent is to reimburse the District later, will result in disciplinary action, up to and including termination.
2. **Timely, Accurate, and Supported Payments** – Credit card payments will be processed on a timely basis and adequate supporting documentation (such as vendor order forms, receipts, invoices, and credit card receipts) will be retained for all charges and attached to payment purchase orders.
3. **Disputed Charges** – The vendor and issuing bank will be notified immediately by the General Manager of any disputed charges.
4. **Lost or Stolen Cards** – The issuing bank and the General Manager will be notified immediately of a lost or stolen card. Failure to do so could make the cardholder responsible for any fraudulent use of the card.
5. **Surrender Upon Request or Separation** – The credit card will be surrendered immediately upon retirement, termination, or upon request of the department head. Use of the credit card for any purpose after its surrender is prohibited.
6. **Credit Card Limit** – The credit limit of this card is \$\_\_\_\_\_
7. **Other Restrictions:** \_\_\_\_\_

\_\_\_\_\_  
Cardholder Signature

\_\_\_\_\_  
Date