

Morongo Valley

COMMUNITY SERVICES DISTRICT & FIRE DEPARTMENT

April 24, 2013

To Whom It May Concern:


RE: Enclosed Financial Practices Guidelines

The Morongo Valley Community Service District Board of Directors approved and adopted the enclosed Financial Practices Guidelines with adoption of Resolution No 01-04-13 at a Regular Board of Directors meeting on April 17, 2013 by affirmative vote of a majority of the Board. As a possible party of interest, a copy of the Financial Practices Guidelines is provided for your edification.

The "Guidelines" shall be placed into practice on Monday, April 29, 2013 to be utilized by the Morongo Valley Community Services District & Fire Department. Copies of the "Guidelines" are being forwarded to the Clerk of the San Bernardino County Board of Supervisors, the Executive Director of the Local Agency Formation Commission (LAFCO), to the District's auditor Mr. David B. Marion, CPA of Smith Marion & Co., LLP; and to the District's bookkeeping service, Mrs. Bonnie Miller of Taxes by Bonnie.

Questions relative to the development or utilization of these "Guidelines" may be directed to the undersigned.

Sincerely,



Rick E. Lebel
General Manager

Enclosures: Copy of the adopted Financial Practices Guidelines

Morongo Valley Community Services District

11207 Ocotillo Street, Morongo Valley, CA 92256

April 11, 2013

For: Morongo Valley Board of Directors Meeting of April 17, 2013

From: General Manager Rick Lebel 

Agenda Item: Consideration for approval of Resolution No. 01-04-13, for Adoption, Implementation and Utilization of the Morongo Valley Community Services District and Fire Department Financial Practices Guidelines To Conform to Generally Accepted Accounting Principles and Internal Controls Supporting Financial Policies and Regulatory Guidelines For Financial Operating Procedures For the District.

Recommendation: That the Board of Directors takes action to adopt the Resolution and Guidelines as presented, to establish a set of Financial Practices for the District in conformance to statutory law, regulatory principles and current recommended financial practices guidelines.

Background: After review of District financial policies, State law and financial practices policies of several Special District organizations over several months, the Manager developed a draft financial practices guideline, submitting the draft for review by the previous District Financial Director, the present Director of Finance, Mrs. Bonnie Miller, Principal of the District's Bookkeeping service, the Fire Chief and various staff members for independent and critical review.

The draft financial practices guidelines were then revised to incorporate review comments, recent provisions of law and financial guidelines taking into consideration recommendations made during last year's LAFCO Review, as well as recent changes to Special Districts Reserve Guidelines as prepared by the California Special Districts Association.

Adoption of proposed Resolution No. 01-04-13 shall serve to encapsulate and incorporate both regulatory provisions as well as recommendations made by other agencies to establish a set of financial practices and guidelines that conform to uniform accounting, reporting and budgeting procedures or standards which will assist the District, staff and management in meeting statutory requirements.

COPY

Morongo Valley Community Services District

11207 Ocotillo Street, Morongo Valley, CA 92256

RESOLUTION NO. 01-04-13

A RESOLUTION OF THE MORONGO VALLEY COMMUNITY SERVICES DISTRICT AND FIRE DEPARTMENT FOR ADOPTION, IMPLEMENTATION AND UTILIZATION OF FINANCIAL PRACTICES GUIDELINES TO CONFORM TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND INTERNAL CONTROLS SUPPORTING FINANCIAL POLICIES AND REGULATORY GUIDELINES FOR DISTRICT FINANCIAL OPERATING PROCEDURES

WHEREAS, the Morongo Valley Community Services District and Fire Department desire to conform to State Regulations and guidelines establishing generally accepted accounting principles and operational financial practices; and

WHEREAS, California Special Districts law and the California Special Districts Association provide guidance on such acceptable financial practices; and

WHEREAS, several Independent Special Districts have adopted practices, principles and guidelines which reviewed, provide for standardized financial practices; and

WHEREAS, Morongo Valley District Boards of Directors have formerly adopted financial practices or protocols which may or may not have been previously memorialized;

NOW, THEREFORE, BE IT RESOLVED; that the Morongo Valley Community Services District and Fire Department shall adopt, implement and utilize Financial Practices Guidelines dated March 20, 2013 as standard operational practice and protocol relative to the administration and management of District financial affairs.

BE IT FURTHER RESOLVED; that upon adoption, a copy of this resolution and Financial Practices Guidelines shall be forwarded to the San Bernardino County Office of the Clerk of the Board of Supervisors, and to the San Bernardino County Local Agency Formation Commission pursuant to their request.

APPROVED AND ADOPTED THIS 17th day of April, 2013, by the Morongo Valley Community Services District and Fire Department Board of Directors by the following recorded vote:

COPY

Morongo Valley Community Services District

11207 Ocotillo Street, Morongo Valley, CA 92256

RESOLUTION No. 01-04-13

AYES: Talbert, Brooks, Francis, Shepherd

NAYS: Osborne

ABSENT: [Signature]

MORONGO VALLEY COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS

PRESIDENT OF THE BOARD OF DIRECTORS

COPY

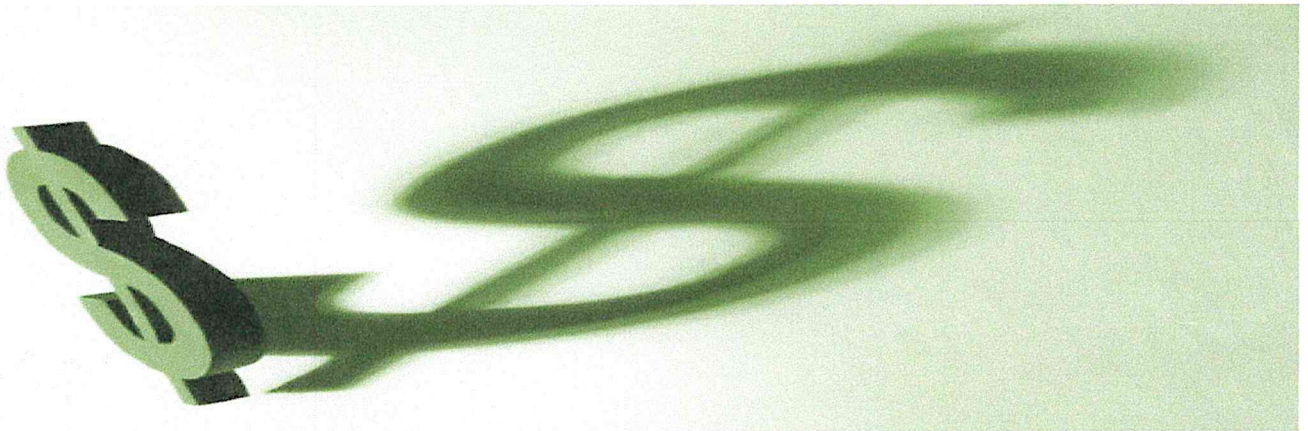
ATTEST:

[Signature]

SECRETARY TO THE BOARD

Morongo Valley Community Services District
And
Fire Department

FINANCIAL PRACTICES GUIDELINES



March 20, 2013 (As corrected)
R. E. LEBEL

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PREFACE

The primary emphasis for this document is:

First: To document and establish a set of Financial Practices that conform to generally accepted accounting principles and internal controls that support the policies of the Morongo Valley Community Services District in compliance with state and federal regulatory requirements as well as Fair Political Practices Ethics guidelines.

Second: To assist the Board of Directors, and new or existing staff members to understand the Financial Practices and standard operating procedures of the Community Services District and its Fire Department.

Third: To create a living document, which can be easily updated as changes occur in current practices, technology, online accounting, and as accounting standards evolve in the future.

Most Importantly: To integrate the District's adopted Code of Ethics that may guide all involved in conducting the CSD and Fire Department financial business in a manner that combines a healthy financial environment with a high level of personal and professional integrity.

Auditing, Bookkeeping, Payroll, Tax and Financial Reporting:

A Community Services District is a legally constituted governmental entity that is created under statute governed by an independently elected Board of Directors.

The Districts Audit Service provider, Finance Director, General Manager as Treasurer, and the District's bookkeeping, payroll and tax service provider constitute the principals charged with the responsibility to meet statutory requirements of state codes of regulations to conform to the uniform accounting, reporting and budget procedures for special districts as may be prescribed by the Office of the State Controller.

The Finance Director, Treasurer and Finance Committee shall analyze reports from our auditor, bookkeeper and investment advisors, and provide reports to the Board of Directors on a monthly and quarterly basis.

The District shall contract for an annual audit and appropriations limit calculation to be conducted by an independent accounting firm. Results of the audit shall be reported to the Board of Directors for approval by the end of October each year.

Once approved by the Board, the Audit, copy of the annual budget, and calculation of the annual appropriations limits may be made available for community members and shall be forwarded to the State Controllers Office, as required by Special District's law, Government Code Sections 61000 et al.

Bids, Proposals, and Formal Estimates:

The District shall solicit purchases of goods and services to obtain the product(s) that meet the Community Services District needs at the most appropriate cost and best value. Where required, requests for proposal (RFP), Requests for Bids (RFB), or specifications may need to be developed in order that vendors are bidding or quoting on "apples to apples" conditions.

Where sealed bids are required, reviews of all sealed bids will occur at a specified time established by the Board of Directors, once reviewed by the Board; they are to be forwarded to the General Manager for processing.

Sealed bids are required for any proposals or expenditures equal to or greater than \$10,000, a minimum of two for bids of \$10,000 – \$29,999 and a minimum of three for proposals equal to or greater than \$30,000. In the event two or three respective bids are not obtained, documentation shall be provided to the Board of Directors identifying the vendors approached and the reasons for their exceptions to the bid process. Exceptions to this guideline may be required for "grant-funded" purchases where grant approvals have been formalized during the grant writing or approval process and grant timelines are in play.

Expenses of \$2,000 - \$9,999 will require a minimum of three documented quotations or written estimates for review by the Treasurer and Director of Finance. As noted above, expenditures equal to or greater than \$10,000 shall require a formal bid process.

Purchasing of Goods and Related Services

The District purchases goods and services to implement projects and manage its operations. In utilizing measures to improve efficiency, transparency and accountability, it evaluates processes and takes appropriate actions to serve the public and achieve its goals.

The purchasing policies are intended to affect the ready completion of projects, improve project management and accomplish the District's core mission of providing responsive services to the community in a cost effective manner.

Where possible, local vendors and service providers are to be selected to benefit the local business community. Selection of a service provider must also consider the need to maintain operational readiness. To that end, analysis of the length of time to accommodate service needs, distance of travel and fuel costs, District man-hours required to facilitate services and time "out-of-service" are all considerations taken to minimize the down side and maximize the value for the District.

Removing process or policy obstacles and speeding up the purchase of goods and services are intended to assist businesses in use of public funds to provide quicker services, reduce business costs, expand their business, create jobs and improve the economy as well as to increase the efficiency and effectiveness of District operations.

Budgeting:

The process for establishing the budget for the upcoming year should start prior to April with input submitted to the General Manager from the various Committee Chairpersons, Board members, Fire Chief, staff, our bookkeeping service, contractors, and vendors. The General Manager, Fire Chief, bookkeeper and Finance Director shall compile the information and work together to arrive at a Draft Budget for processing to the Finance Committee for review in May.

The Finance Committee will review the Draft Budget in May and forward through the Manager to the Board of Directors for their review in June.

After the Board of Directors has adopted the Draft Budget, the Treasurer and Finance Director will present the Draft as a Preliminary Budget for Board adoption at a public meeting in July, prior to final adjustments and adoption of a Final Budget by August.

After the Board of Directors' approves the final budget at its August meeting it will be sent to the County and the State Controller's office as required by California regulation and Special Districts law. A practice of facilitating a Mid-Year Review of the Budget in January, with adjustments to the Budget made by Resolution at a public meeting in February, can assist in maintaining operational control and cost management as adjustments at that time, are made based on currently experienced revenue and expenditure data over the prior six months.

Cash Disbursements (Approval levels):

Operating Budgeted: One of the primary responsibilities of the General Manager in the role of Treasurer is to monitor routine operating expenses to maintain operations within the adopted current fiscal operating budget. In this regard, the General Manager shall have authority to approve routine operating expenditures that may exceed the monthly line item budget within any month provided the expenditure was contemplated in the adopted operating budget. The Board may also approve a budgeted expense, which falls within their oversight responsibility under similar guidelines, and by coordinating any expenditure needs with the General Manager to avoid exceeding the approved budget. The Operating Budget is an annual fiscal plan. As needs change, the plan must be reviewed by staff to facilitate adjustments.

Operating Unbudgeted: The General Manager may independently approve a non-budgeted operating expenditure of up to \$2,500 on a non-emergency basis, and up to \$5,000 in an emergency situation in consultation with the Finance Director or the President of the Board of Directors.

An emergency basis in this context is herein defined as any situation, which jeopardizes the safety or welfare of residents, employees, staff or visitors and/or presents a potential liability to the Community Services District.

No two such expenditures are to occur in the same circumstance or for the same event. Board Members shall be notified as soon as practical in order to maintain budget controls and fiscal integrity. Expenditures made in an emergency, which exceeds \$2500, shall require ratification at the next regularly scheduled meeting of the Board of Directors.

When contacted by the General Manager, two Board members shall be able to approve non-contractual, non-bid expenditures up to \$5,000 on a non-emergency basis and up to \$9,999 on an emergency basis. Again, full Board ratification of such expenditures shall be required at the next regularly scheduled Board of Directors meeting.

Reserves: The Board must approve all expenditures from the Facilities Maintenance, Apparatus and Equipment Reserves or other restricted accounts as is provided under the Reserve Policy Guidelines herein.

Code of Ethics: (Adopted July 2012)

The Board of Directors by Resolution to promote general ethical standards adopted the Code of Ethics and appropriate business practices. Their applications to ethical Financial Practices within this document are reiterated herein:

- To encourage honest, ethical conduct of Board members and staff.
- To promote compliance with applicable governmental laws, rules, and regulations.
- To promote full, fair, accurate, timely, and understandable financial disclosure in reports and documents that the Bookkeeper, Treasurer and Finance Director provide or in financial reports to the Board of Directors.
- To promote accurate reporting to governmental agencies, vendors and in any public communications.
- To promote the prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code.
- To document or remove oneself from situations that have any appearance of self-serving or conflict of interest.

- To issue timely, accurate payments to all employees, vendors, suppliers, contractors and government agencies.

Credit Cards:

All credit cards are to be issued in the name of the District or the General Manager only, with two authorized Board members as signers on all payment checks. The General Manager will be responsible for custody and control of all District credit cards. Currently the District has the following credit cards: Costco (American Express), Home Depot, Chevron, and a Pacific Western Bank credit card. Wherever and whenever possible, all credit accounts are to be paid in full each month.

Credit cards are solely for District business only, and are not authorized for personal use under any circumstances.

Violation of this policy may be grounds for immediate dismissal without further action or recourse by any employee. Violation of this policy by a member of the Board of Directors shall be subject to all legal sanctions up to and including action to censure or remove the member from the Board.

When not in use, credit cards shall be kept in the Administrative Clerk's office and are to be kept secured outside of business hours. Anyone requiring use of a credit card must first obtain the card from the Administrative Clerk or the General Manager and return it on the same business day or within 24 hours with a signed receipt to maintain availability of the card for other uses.

A log shall be maintained by the Administrative Clerk, to indicate the dates of use, purpose, amount of expense, and that a signed receipt was returned with the card. A copy of the log will be reconciled with monthly statements, reviewed by the Treasurer (General Manager) and submitted to the bookkeeper's office at the end of each month for their reconciliation in preparation of the monthly financial statements and Payables for Board review and approval of payment.

Petty Cash

The only Petty Cash authorized is a Petty Cash Checking Account maintained by the General Manager to be reconciled on a monthly basis by the Administrative Clerk and the bookkeeper's office as a "check and balance" system.

Established at \$650 and used for day-to-day expenses or reimbursement of local purchases, amounts authorized for signature by the General Manager generally are not to exceed \$300 per check and up to \$500 per month.

Delinquencies on Fees, Fines or Other Similar Assessments:

On or about the first business day following the 21ST of every month the bookkeeper will prepare and the General Manager will issue a late statement to any person or company who has not paid any previous months' fees, fines, facility rentals, assessments or other charges. These late statements will be mailed within three business days from the District office.

In addition, for amounts which are at least 75 days delinquent, the bookkeeper will provide written advice to the Manager who will prepare a Pay or Lien Notice on a form approved by District's legal counsel. These notices will be mailed via certified and first class mail from the District's postal office. All notices will be in accordance with the California Civil Code, or legal counsel may have prepared policies as. If payment is not received within 35 days of the Pay or Lien Notice, the account will be turned over to the Districts' legal firm designated by the Board of Directors as agent for the District's collection matters in accordance with the District's Policy or any "Fines, Fees, Assessments and Collections Procedures" as may be prepared by Counsel.

Fee Waivers:

Only the Board of Directors shall have the authority to waive established fees. The General Manager and the Board shall review guidelines whereby the Manager may grant partial waivers for non-profit agencies when in support of community events or as previously approved by the Board.

A resident or a non-profit community based local agency requesting a waiver must do so in writing, stating which fees are requested to be waived or the amount of reduction desired, and the facts and circumstances supporting such a waiver. The General Manager may forward the request to the appropriate committee for review and recommendation to the Board of Directors.

Once the Board of Directors makes a final decision on the matter, a letter from the General Manager advising the individual requesting the waiver will be mailed within 10 business days of the decision of the Board.

Late Fee Waivers:

Only the General Manager in collaboration with the bookkeeper has the authority to reverse one late charge per resident account in any one year as a special consideration to the resident, when in recognition of a prior good payment history with the District. Other late fees will be imposed as noted.

The Board of Directors upon recommendation of the Manager and the Finance Committee may approve late charge waiver requests with documented and supported recommendations of the Finance Committee.

Institutional Relationships:

The District should have relationships with two but no more than three financial institutions through collateral agreements approved by the Board of Directors. The Finance Committee should review all institutions handling any District finances, on a yearly basis. Any documented recommendations for change shall be forwarded through the General Manager to the Board of Directors for their review and approval. Financial institution coverage against loss of deposits may be through federal or other like agencies. Insured deposits shall not exceed financial institution coverage limitations.

The District shall maintain a "Line of Credit" with a financial institution for up to \$200,000 for the purpose of maintaining the availability of cash flow during periods where revenues may fall short of expenses. Generally, this should only occur should tax apportionments be delayed and District general reserves are not readily available.

Tax apportionments are generally received from December through July; therefore, the District must utilize funds established in a bank Money Market account or through use of the "Line of Credit" during the months when the apportionments are not available.

Investment Strategies:

The District's investment policy is simple and has three primary objectives:

1. Preservation of principal or capital
2. Maintenance of Liquidity (such as in staggered investments)
3. Yield or maximization of investment income consistent with minimal risk

Directors have a fiduciary responsibility to prudently manage public funds and reserve or restricted assets. They may not delegate their legal obligation and must therefore invest District funds in a safe and responsible manner.

To accomplish these objectives, the investment of all Reserve or otherwise undesignated funds not required to maintain a monthly cash flow, will be in such items as laddered Certificates of Deposit or Treasury notes that do not exceed the insurance level of the FDIC or SIPC, mitigate the effects of interest rate volatility, maximize investment income and provide liquidity.

Suitable investment options include insured accounts, CDs, staggered investments, money market deposit accounts and money market funds as well as treasury notes.

Liquidity:

It is the responsibility of the Treasurer, in collaboration with the Accountant, to ensure that a proper level of liquidity to meet all operating requirements that can be reasonably anticipated. This can be accomplished by structuring a portion of the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). As not all possible demands may be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

As well, Reserve Funds or otherwise undesignated funds to meet any of the capital expenses in any given period should also be wisely invested. Investments that mature in one to five years structured so maturity coincides with reserve study needs and dates of expenses can provide such liquidity to meet the Districts needs from designated or undesignated funds on deposit. Committees that anticipate planned needs of any Reserve funds should notify the Treasurer 60 to 90 days ahead of their anticipated need in order to provide time to accomplish liquidity and maintain an appropriate cash flow.

Management/Staff Responsibilities:

It is an obligation and responsibility of each employee to know the published Financial Policies and Practices of the District and to question a practice if they are unsure if it is appropriate. They should also inform the General Manager or a Board member if they are at all suspicious of misdeeds on the part of any other person. Suspected misdeeds should be reported on a timely basis and documented if possible. Protection under law is provided to any employee involved in reporting misdeeds, if in fact their motivation for reporting misdeeds is not malicious in nature.

Miscellaneous Policies and Procedures

Under the contractual relationship between the District, their Counsel and their Accountant, other policies and procedures are incorporated herein such as cash handling, check and invoice processing, and where necessary, District collection procedures.

All cash received shall be issued a numbered duplicate receipt for payment. The original receipt will be given to the person submitting payment. The duplicate will be attached to the cash for submission to accounting for processing, and deposit. Whenever an employee other than the accountant makes a deposit, the financial institutional deposit receipt shall accompany the copy of the District receipt for the accountant's processing. The duplicate copy shall remain in District accounting records at all times to facilitate reconciliation or audit. (If for any reason a receipt is voided, it shall be so noted on all copies and all copies will be retained in the receipt book.)

All cash received shall be under dual control by staff; a staff member receiving cash from a payee will have the amount also counted by another staff member and both staff members will initial duplicate receipts.

A Staff member will complete a cash transmittal form, attach it to the duplicate receipt and deposit the amount in the District's acquired bank accounts, or deliver it to the accounting department.

Any cash delivered to the accounting department will be counted and verified by an accounting staff member upon delivery in the presence of the staff member delivering cash; an accounting department staff member will sign for and deposit the cash to the District's bank account with documentation posted in the computer system and retained in accounting records.

At no time should cash be kept at the District Office overnight without being under secure (locked) control, until deposited, which shall be done no later than the next business day.

Payables:

The General Manager shall review and approve all payables prior to their "coding" and submittal to the bookkeeping service. The "coding" should be done at the time the purchase is authorized in order that it can be coded to the appropriate category for which the item has been budgeted.

The weekly or monthly review will include having the bookkeeper reconcile all vendor billing and credit card statements against prior month's payments to ensure the statement is correct and that there is no overlap of payment. Reconciliation also includes checking for a zero balance if new charges have not occurred. The District Administrative Clerk shall prepare all bills for review, and then complete the mailing of payments once two Board members have signed checks.

All financial documents will be maintained according to an approved District Documentation Retention Schedule.

Payroll:

Payroll records, time sheets, and any other personnel information related to payroll, employee benefits or taxes, are maintained by the District's Payroll Department. District employees and the Manager's Office, in accordance with District policies and procedures, will submit those records to the District's payroll department on a timely basis as required to meet payroll needs.

Salary Plan:

The General Manager shall prepare a salary plan covering all positions under his/her supervision depicting minimum, intermediate and maximum rates of pay for each job classification. The plan shall be prepared annually for Board review, approval and inclusion with the fiscal year budget documents.

In establishing salary ranges and arriving at specific rates of pay, the Manager shall consider:

1. Rates of pay for comparable work in similar public and private employment in immediate or similar geographic area
2. Appropriate internal pay differences between District job classes
3. Current changes in cost-of-living for adjustments to compensation
4. The District's financial condition, funding sources and fiscal policies
5. Other sources of information the Manager deems appropriate

Salary, step or cost-of-living increases are not automatic, subject to performance-based evaluations, increased service value to the District and subject to the financial health of the District as well as at the discretion of the Board.

No position shall be assigned a higher or lower pay rate than that designated by and assigned to a job classification within the salary plan.

There shall be a uniform percentage between each rate on a salary range with intervening steps approximately 2.5% between one another.

Corresponding steps between each range shall be approximately 5% from one classification to another.

After adoption, the General Manager is authorized to administer the plan with only one-step advancement on the designated plan between ranges or classifications within a fiscal year. A promotion from one classification to another may not exceed that closest level from one salary range to the other.

The first salary Step A, would be the minimum rate and normal hire rate for a position. The General Manager may authorize initial hiring up to and including the second Step B, dependent on unusually high qualifications.

Advancement from one step to another is not automatic, but subject to performance-based evaluation, increased service value to the District and subject to the financial health or the District and discretion of the Board. A minimum of one year's service within a step is required for consideration of an increase to a higher step within each classification.

Any "cost-of-living" adjustments are subject to the financial health of the District, funding sources available, and at the discretion of the Board. Basis for consideration of such an adjustment may include a review of the Consumer Price Index as determined by the Department of Labor from one year to another. Historically, the District has not routinely provided such adjustments due to budget constraints, but may consider adjustments when deemed appropriate and economically feasible.

Reserves:

The District Board is responsible for establishing necessary reserves to provide for contingencies and emergencies, as well as for large and probable expenditures. Strategic planning and formulation of a reserve policy is an integral part of the prudent accumulation and management of financial reserves and may include General Reserves and Specified Reserves.

The District shall set aside a portion of its Fund Balance as "Designations or Reservations" each year for the future replacement of existing facilities and major equipment. Reserve funds may be identified as:

- Designated for Capital Improvements
- Designated for Contingencies

- Reserved for Capital Outlay
- Reserved for Fire Apparatus, Equipment or Inventory
- Reserved for Restricted Cash or Investments

The amounts designated and set aside may be by percentage of the entire fund balance or by a specific dollar amount and be consistent as possible from year to year on an annual review as part of the budgeting process.

A “General Reserve for Emergencies” shall be established and maintained to cover unpredictable emergency expenditures which can only be drawn upon during the annual budget process or when there is a publicly declared emergency. Such a General Reserve for Emergencies should be maintained at a level of \$100,000 to be initially funded at a rate of \$10,000 per year until such an established level is attained.

A “General Operating Reserve” should be at a sufficient level to ensure adequate liquidity during periods when cash flow from anticipated revenues is insufficient to meet District financial needs. The “General Operating Reserve” should be sustained at a minimum level of 25% of annual operating expenditures, or at an amount equivalent to a LAFCO recommended minimum of six months budgeted operating expenditures. Such a General Reserve may be accommodated by the next six months of projected cash revenues, use of laddered securities, a money market account, a line-of-credit or other similar financial sources providing for necessary liquidity.

In addition to a General Operating Reserve, an annual “Reserve for Contingencies” may be established to meet unplanned needs of the District, which may occur during any annual fiscal period. Such a Reserve for Contingencies would be established as part of the annual budget process and identified within the annual budget. The Reserve for Contingencies may be established at 5% of the annual operating budget each year.

Reserves established to meet future capital needs are a prudent part of appropriate fiscal management as buildings, grounds, rolling stock and furniture or fixtures must eventually be rehabilitated or replaced by the District. Such Capital Improvement, Capital Outlay or Reserves for Fire Apparatus, Equipment, or Inventory should be as recommended by Reserve

Study analysts on a periodic basis to enable meeting these future needs of the District.

Reserve Study:

The Board shall cause a Reserve Study to be prepared and updated at least once within each five-year period in accordance with general accounting and audit practices. The Board in its sole discretion may contract with an independent Auditor or Reserve Specialist, who develops a plan that outlines the various projects and District assets to be reserved for; and their associated costs relative to their “life cycle” in accordance with appropriate accounting practices or Government Code requirements.

This study shall include a physical inspection of the assets and the estimated remaining useful lives every five years in accordance with District, or Code related requirements.

The reserve study shall include a 5-year to 50-year funding plan relative to the life cycle of District properties and equipment, in addition to all necessary disclosures to be prepared for Board of Directors review and adoption.

The Finance Director, together with the General Manager as Treasurer, will be responsible to monitor the Reserve Funding Plan on an ongoing basis to ensure that the plan is updated to reflect current expenses and that recommendations are made to the District Board for planning and maintaining appropriate funding levels to meet reserve needs.

Signature requirements:

- The President and Secretary shall sign all corporate documents.
- At least two Board members, one of which shall be an Officer of the Board, shall sign all checks in accordance with District practices and this Financial Practices Guide.

Finance Director Responsibilities:

In addition to the duties stated in the Director’s Handbook or adopted Resolutions related to the Office, the Finance Director shall direct, delegate or perform the following:

- Act as the liaison between the Board of Directors and the Finance Committee
- Recruit and nominate residents with appropriate financial background to serve on the Finance Committee, including the selection of a chairperson and secretary for the Committee
- Review all financial statements and payables on a monthly basis
- Recommend an independent CPA for the yearly audit
- Recommend a Reserve Study Analyst
- Review the reserve study to ensure that it is updated properly
- Monitor the statements of all bank and investment accounts to ensure that they are within the FDIC, SIPC or other form of insurance levels
- Monitor the investment of our reserve funds to ensure that they are invested according to the District's investment policy
- Develop internal controls to ensure that a good faith effort is made to implement recommendations from auditors
- Obtain approval of the Board of Directors to make any investments outside the scope of our investment policy
- Follow up with the designated legal firm appointed as agent for collection matters on all accounts, which have a District lien against them or other collection action pending on a periodic basis

Vendor Relationships:

All interaction with vendors should be conducted on an arm's length basis. No matter how effective they are in performing their duties, vendors are paid for and should be expected to deliver their services or products in a timely and cost-effective manner. That is not to say that they cannot provide valuable input and affect positive change, but vendors should work only under the direction of the General Manager or designated staff.

Contractors working for the District should interact with residents, Board or Committee members in a professionally appropriate and courteous manner. Staff, employees or Board of Directors members may NOT accept a gift of value or gratuity from any resident, vendor, supplier or other person doing business with the District so as may give the appearance of influencing

business decisions, being personally self-serving, or currying favor in transactions or service; as is more fully described in the Fair Political Practices Commission guidelines or training materials.

Gifts of food, fruit or other similar items, which may be shared with others as a token of appreciation for services, may be acceptable under guidelines developed by the General Manager.

All gifts or gratuities to the District by vendors will require approval and acknowledgement by the Board of Directors at an open public meeting; and preferably be of a nature that benefits the District and community as a whole or that can be shared by employees or residents alike.

Any financial or familial relationship between a selected vendor, Board member and staff is strictly prohibited. If any member of the Board of Directors has a financial or familial relationship with a vendor, supplier or service representative; it must be disclosed as to the nature and extent of the relationship, and by seeking guidance from District's legal counsel as to whether they should recuse themselves from participating in discussions or voting on matters relative to those goods and services.

Accounting and Control of Property

The District and Fire Department shall record the following information when property is acquired:

- Date Acquired
- Property Description
- Property Identification or Serial Number
- Cost or other basis of valuation
- Registry or Inventory Listing for the property

Groups of similar property may be combined on one record. However, if property is subject to transfer or relocation, a separate record may be desirable for each item.

Property shall be tagged after acquisition to designate assets belonging to the District. Tags shall be placed so they are in plain sight and easy to read. Adhesive tags manufactured from thin-gauge metal, plastic or other materials attached by use of an adhesive and identification by the initials MVCSD or MVFD, numbered sequentially, and of a 1 ½" x ¾" size are preferred. Property may only be disposed of when its use is no longer needed by the District and in accord with the Surplus Property Policy.

Surplus Personal Property, Vehicles or Equipment

Determination of Surplus Property in Compliance with State or Federal Regulations: The term "Surplus Property" shall mean any property other than real property that is no longer needed, obsolete or useable by the District. This may include, but not be limited to, materials, goods, furniture, vehicles, apparatus, computers or other substantive objects that had value at time of purchase, donation or acquisition, and are owned by the District. It may include, when the cost of repair becomes more than what an item is worth.

The General Manager shall request a review of District equipment and inventory each two years and completion of a surplus property form for each item deemed to be "surplus." The Fire Chief shall be responsible for identifying any apparatus or equipment to be disposed of within the Fire Department and obtaining authorization through the General Manager's office for appropriate disposal under this policy.

The General Manager, in collaboration with the Facilities, Apparatus and Equipment Committee, shall present a list of surplus property to the Board for its review and approval prior to disposition of the property.

Methods of Disposition: the General Manager is accountable for the disposition of District surplus property. Once the Board has approved a listing of such property, the General Manager shall determine which of the following methods of disposition to use; the priority for disposition shall follow the order listed below:

1. Trade In – Property declared as surplus may be offered as a trade-in for credit against the acquisition of property new to the District.

2. All trade-in offers will be submitted for the review and approval of the General Manager.
3. Return to Manufacturer Surplus property - may be returned to the manufacturer for a “buy back” or credit toward the purchase of new property.
4. Sale – The District may offer surplus property for sale. All surplus property offered for sale shall be “as-is” and “where is” without warranty, guarantee, or representation of any kind, expressed or implied, as to the condition, utility, or usability of the property offered for sale.

Appropriate methods of sale of surplus property are as follows:

- a. Public Auction – Surplus property may be sold at public auction, the District may contract with a professional auctioneer.
 - b. Sealed Bids – Sealed bids may be solicited for the sale of surplus property. Property disposed in this manner shall be sold to the highest responsive bidder.
 - c. Negotiated Sale – Property may be sold directly to a purchaser if it is determined that only one known buyer is available or interested in acquiring the property.
 - d. Selling for Scrap – Surplus property with a minimal fair market value may be sold as scrap.
5. Donation or Disposal – If the District is unable to sell surplus property after using the methods listed above; or if the cost of locating a buyer exceeds the estimated sale price of surplus property, the property may be donated to a charitable organization, recycled, destroyed or disposed of as junk.

Proceeds of Sales or Disposition: All sales of surplus property or other disposition for cash value shall be paid to the District by certified check, money order or in a manner agreeable to the General Manager. The General Manager shall be authorized to sign bills of sale and any other

documents evidencing the transfer of title to such surplus property by and on behalf of the District.

District Officers, Directors, Staff and Employees are prohibited from purchasing surplus property offered for sale by the District in avoidance of any potential conflicts of interest.

Additional Policies, Practices or Guidelines:

From time to time, the District may adopt policies, practices or guidelines supplementing these specific Financial Practices Guidelines. Adoption by Ordinance, Resolution or by Minute Action of the Board shall constitute the entirety of the Financial Practices of the Morongo Valley Community Services District. Questions not covered by specific policy should be referred to the General Manager for guidance.

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Additionally, information was acquired and gleaned from Local, State, or Federal government regulations, the California Special Districts Association, and other Special Districts or nonprofit organizations; and the "Generally Accepted Accounting Principles (GAAP) or Governmental Accounting Standards Board Statement No. 34 (GASB 34), which may have posted such best practices on line relative to accounting principles or Capital Assets.

The reference book "Financial Management for Nonprofit Organizations Policies and Practices" by Zietlow, Hankion and Seidner, was a valuable resource. Additionally, the 2013-revised document "Special District Reserve Guidelines" published by the California Special Districts Association prepared with the assistance of a core of CPAs was of immense value in this process.

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