

DOUGLAS COUNTY FIRE DISTRICT NO. 2
FINANCIAL MANAGEMENT POLICIES

Statement of Purpose

The financial integrity of Douglas County Fire District No. 2, Douglas County, Washington (the “District”) government is of utmost importance. To discuss, write, and adopt a set of financial policies is a key element to maintaining this integrity. The set of policies within this document serve as a central reference point of the most important of our policies, which are critical to the continued financial health of our local government.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the district, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff members change. While these policies will be amended periodically, they will provide foundation and framework for many of the issues and decisions facing the District. They will promote sound financial management and assist the District’s stability, efficiency, and effectiveness.

Financial Goals

Our financial goals seek to:

- Ensure the financial integrity of the district
- Manage the financial assets in a sound and prudent manner
- Improve financial information for decision makers at all levels:
 - Policy makers as they contemplate decisions that affect the district on a long-term basis
 - Managers and staff as they implement policy on a day-to-day basis
- Maintain and further develop programs to ensure the long- term ability to pay all costs necessary to provide the level and quality of service required by the citizens
- Maintain a spirit of transparency and accountability to the public for the District’s fiscal activities

Financial Policies

The District’s financial policies address the following major areas:

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| I. General Policies | VII. Accounting Policies |
| II. Revenue Policies | VIII. Debt Policies |
| III. Purchasing and Contracting Policies | IX. Communication Policies |
| IV. Expenditure Policies | X. Compliance Policies |
| V. Operating Budget Policies | XI. Investment & Cash Management Policies |
| VI. Capital Management Policies | XII. Reserve Policies |
| VII. Accounting Policies | |

I. General Policies

1. The District adopts financial policies to assure the financial strength and accountability of the District.
2. The Fire Chief develops and adopts administrative directives and general procedures for implementing these financial policies without formal approval by the Board of Fire Commissioners (the “Board”); provided that, such directives and procedures are presented to the Board for informational purposes.
3. All District departments share responsibility to meet policy goals. Future service plans and programs may be developed to reflect current policy directives, projected resources, and future service requirements
4. It is the intention of the District to attract and retain employees necessary for providing high quality services. For represented personnel, the District shall negotiate toward a comparable compensation and benefits consistent with Chapter 41.56 RCW. For other personnel, the District shall manage salary and benefits consistent with comparable public sector positions.
5. The District will coordinate with other governmental agencies in an effort to achieve partnerships of common policy objectives, and share the cost of providing governmental services on an equitable basis, while providing efficiencies and achieving economies of scale. Efforts will additionally be made to support favorable legislation at the state and federal level.
6. The District will strive to maintain fair and equitable relationships with its contractors and suppliers.
7. The Board may amend any or all provisions of these financial policies.

II. Revenue Policies

Design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired services.

General Revenues

1. The District will try to maintain a diversified and stable revenue system to protect programs from short-term fluctuations in any single source.
2. Beginning cash balance is considered current year’s revenue.
3. Budgeted revenues will be estimated conservatively using accepted standards and estimates provided by the state, other governmental agencies or reliable economic forecasters when available.

4. The General Fund and other unrestricted revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by the Board or required by law, or generally accepted accounting practices (GAAP). All non-restricted revenues will be deposited into the General Fund and appropriated by the budget process.
5. The District will comply with restrictions placed on funding by fund source and by the Board or other authoritative body. Typically, these restricted or reserved funds will be managed within a fund within the General Fund (a managerial fund e.g. Donation Fund, Equipment Repair and Replacement Fund) or in a fund outside the General Fund. Examples include a Bond or Debt Service Fund or a Capital Projects Fund. See fund descriptions below:

General Fund

The General Fund is the primary operating account, and used for the payment of operating and maintenance expenses, including labor costs related to the day-to-day operation of the District. The General Fund may include managerial funds to provide better fiscal management of reserved, restricted or other special purpose-type funds, as required by the funding source, donor, Board or other responsible party.

Bond Fund

The Bond Fund (or such other fund or account created by the Board within the Bond Fund) shall be used to record receipt and payments including principal, interest and fees of any bond activity.

Capital Project Funds

The Capital Funds are used for purchase or construction of capital projects and may be used for debt payments if approved by the Board.

6. If revenues from "one-time" or limited duration sources are used to balance the annual operating budget, it is to be fully disclosed and explained at the time the budget is presented. It is the District's goal to not rely on these types of revenues to balance the operating budget.
7. The District will not use deficit financing and borrowing to support on-going operations in the case of long-term (greater than one year) revenue downturns. Revenue forecasts will be revised and expenses will be reduced to conform to the revised long-term revenue forecast or revenue increases will be considered.
8. The District may use all available and lawful resources to collect outstanding revenues.

Fees and Charges

1. Enterprise/Internal Service operations will be self-supporting.

2. The District may use service users' charges in lieu of ad valorem (property) taxes and subsidies from other District funds, for services that can be identified and where costs are directly related to the level of service provided.
 - a. Other reimbursable work performed by the District (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated cost.
 - b. Charges for services shall accurately reflect the actual or estimated cost of providing a specific service. The cost of providing specific services shall be recalculated periodically, and the fee adjusted accordingly. The District may maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees and charges will be reviewed every three years at a minimum.
 - c. The District will consider market rates and charges levied by other municipalities for like services in establishing rates, fees, and charges.
 - d. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery.

Grants and Gifts

1. Grant funding for programs or items which address the District's current priorities and policy objectives should be considered to leverage District funds. Inconsistent and/or fluctuating grants should not be used to fund on-going programs.
2. Before accepting any grant, the District shall consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant.
3. All grants and other federal and state funds shall be managed to comply with the laws, regulations, and guidance of the grantor; all gifts and donations shall be managed and expended in accordance with the wishes and instructions of the donor or lacking any external guidance, treated as donation revenue.

Cash Receipts

The District's receipts shall be balanced and funds deposited to the depository account no less frequently than weekly consistent with RCW 43.09.240. The District will maintain a special waiver for the Daily Deposit Rule from the County to allow the District to deposit funds at least weekly. Any out-of-balance conditions (cash over/short) shall be immediately reported to the District Secretary, reviewed, and posted. Cash over/short conditions of more than \$100 shall be reported to the Fire Chief immediately. The Board will be notified no later than the next regular Board meeting. The District shall provide a numerically sequential receipt and a unique transaction batch number for all financial transactions.

Fund Balance and Maintenance of Minimum Reserve Levels

The District shall strive to maintain adequate fund balances (reserves) in order to provide sufficient cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies. Operating expenditures shall include salaries, benefits, supplies, professional services, intergovernmental and interfund expenses, capital outlays and transfers. (See [XII. Reserve Policies](#) herein for more details and specifics.)

III. Purchasing and Contracting Policies

Establish policies and procedures governing purchases made by the District to uphold and provide responsible stewardship of public funds.

1. Procurement and purchasing will be overseen by the Fire Chief and/or Assistant Chiefs. Daily operations are delegated to the District Secretary and are conducted in adherence with applicable federal and state laws and regulations and applicable District policies.
2. The process of determining whether a purchase is needed, in the best interest of the District and its customers, selecting vendors, managing contracts and agreements are subject to standards that embody the value of stewardship of public resources.
3. When feasible, purchasing activities shall be administered in a manner that provides maximum practicable open competition appropriate to the type of product or service to be provided. Purchases shall support the goals of cost efficiency and product/service quality.
4. It is the policy of the District to adhere to established procedures as described below:
 - a. There will be established thresholds of purchasing authority and review;
 - b. The Board will review and approve single purchases of \$300,000 or more;
 - c. The District will adhere to specific rules as described in the procedures for Purchasing and Contracting as well as applicable state law and regulations for public works procurements; and
 - d. There will be a central file system to house and retain all purchasing records in accordance with established retention schedules. This central file may be physical or electronic or a combination of both.

IV. Expenditure Policies

Identify priority services, establish appropriate service levels, and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.

1. The District will strive to adopt an annual General Fund Budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues.

2. The District will take immediate corrective actions if at any time during the fiscal year expenditure and revenue estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. The Board may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this will be avoided if possible.
3. Long-term debt or bond financing shall not be used to finance current operating expenditures.
4. Emphasis will be placed on improving individual and work group productivity rather than adding to the work force. The District will invest in technology and other efficiency tools to maximize productivity. The District will hire additional staff only after the need for such positions has been demonstrated and documented.
5. All compensation planning and collective bargaining will focus on the total costs of compensation (TCC) which includes direct salary, pension contributions, and other benefits which are a cost to the District. Contracts presented for approval by the Fire Chief will have specific operational, legal or other compulsory items identified and discussed before ratification by the Board will be considered.
6. Periodic comparisons of service delivery will be made to ensure that quality services are provided to our citizens at the most competitive and economical cost. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery where appropriate. Programs that are determined to be inefficient and/or ineffective may be reduced in scope or eliminated.
7. The District will make every effort to maximize any lawful discounts offered by creditors/vendors.

V. Operating Budget Policies

1. The Board will adopt and maintain an operating budget for each of its funds. The District may prepare either an annual or biennial budget per Washington RCW 52.16.030. In lieu of adopting an annual budget, the District may adopt a biennial budget with a mid-biennium review and modification for the second year of the biennium. The Board, following its process, will review and approve an annual/biennial budget of each of the District's funds. The District Secretary shall deliver the certified budget to the county in ample time for the tax levies to be made for the District.
2. The District will adopt a budget where current annual/biennial operating revenues will be equal to or greater than current operating expenditures. The District's prior year fund balance is considered revenue for budget purposes. (See "General Principles" in [XII. Reserve Policies](#) for more details and specifics.)

3. Balanced revenue and expenditure forecasts will be prepared to examine the District's ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements. The forecast will encompass five years and will be updated annually.
4. In order to achieve a balanced budget in the event of potential imbalance, and the cause of the imbalance is expected to last for no more than one year, the planned use of any available District resources (from the Reserve Fund or other non-restricted fund) to balance the budget is permitted. In the event that a budget shortfall is expected to continue beyond one year, the planned use of reserves must be developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.
5. Any year-end unobligated operating surpluses will revert to unappropriated balances for use in maintaining required ending cash balances and/or cash reserve levels set by policy. The Board may direct that all or a portion of the unobligated year-end operating surplus may be transferred to a fund other than the General Fund.
6. The District will provide for adequate maintenance and the orderly replacement of capital assets and equipment. Fleet and equipment replacement will be accomplished through the use of apparatus and equipment replacement schedules. The goal is to create a Reserve Fund sufficient for the replacement of vehicles and equipment.
7. The operating budget shall serve as the annual/biennial financial plan for the District. It will serve as the policy document for implementing the Board's goals and objectives. The budget will provide the staff with the resources necessary to accomplish District determined service levels.
8. The Fire Chief shall annually present a proposed District budget or mid-biennial update by fund to the Board. The Board must adopt by resolution a final budget no later than November 30 of each year (or such other time as required by law).
9. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the Board.
10. The Fire Chief has the authority to approve appropriation transfers between programs or departments within a fund. In no case may total expenditures of a particular fund exceed that which is appropriated by the Board without a budget amendment.
11. Amendment to the budget are allowable and are approved by the Board. As new information becomes available throughout the year, the Board may amend (increase) the District's budgets at the fund level through a formal process.
12. Amendments may occur at any time during the fiscal period, but cannot occur after December 31 for the current year. Furthermore, budgetary authority must be in place before actual expenditures are made.

VI. Capital Management Policies

Review and monitor the state of the District's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

Capital Facilities Plan

1. The District may develop a Capital Facilities and Equipment Plan (CFEP) which is consistent with the District's Strategic Plan. The plan shall be for a period of not less than five years.
2. The CFEP will include all projects to maintain public capital facilities and equipment required to maintain service levels at standards established by the Board. It may also include for consideration, such other projects as requested by the Fire Chief or Board.
3. The CFEP will provide details on each capital project plan including estimated costs, sources of financing and a full description of the project.
4. The District will finance only those capital improvements that are consistent with the adopted CFEP and District priorities. All capital improvement operating and maintenance costs will be included in operating budget forecasts.
5. A status review of the CFEP will be conducted periodically and a report will be presented by the Fire Chief or his/her designee to the Board.

Capital Asset Management

1. The District will maintain its capital assets at a level adequate to protect the District's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.
2. The capitalization threshold used in determining if a given asset qualifies for capitalization is \$5,000 per item with a useful life of over one year. All capital assets shall have a District property tag affixed to it when placed into service.
3. Minor equipment that falls below the \$5,000 threshold, but is subject to shrinkage, shall have a District property tag affixed to it when placed into service and will be accounted for on the "Small and Attractive" inventory list.
4. The District will conduct required physical count/inspection of all capital assets.
5. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical count/inspection.

VII. Accounting Policies

Comply with prevailing federal, state, and local statutes and regulations. Conform to a comprehensive basis of accounting in compliance with Washington State statutes and with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA) where applicable.

1. The District uses the cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).
2. The District will maintain expenditure categories according to state statute and administrative regulation. The District will use the "Budgeting, Accounting & Reporting System" (BARS) prescribed by the State Auditor for its revenue and expenditure classification.
3. Quarterly budget and financial reports showing the current status of revenues and expenditures will be prepared and distributed to appropriate legislative, staff and management personnel in a timely manner and made available for public inspection.
4. Monthly financial updates will be presented to the Board.
5. Electronic financial systems will be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.
6. The Annual Financial Report will be prepared and submitted to the State Auditor's Office no later than 150 days from the end of the preceding fiscal year.
7. The Annual Financial Report will be prepared on the basis of accounting that demonstrates compliance with Washington State statutes and the BARS manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles. The report will provide full disclosure of all financial activities and related matters.
8. Financial audits are performed by the Washington State Auditor's Office, which issues an opinion on the annual financial statements. The accountability audit (i.e., accountability for public resources and compliance with state laws and regulations and its own policies and procedures) are performed by the Washington State Auditor's Office.
9. The District's budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units, and as a communications device for all significant budgetary issues, trends and resources.

VIII. Debt Policies

Establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

Purpose and Overview

The Debt Policy for the District is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the District. Adherence to the policy is essential to ensure that the District maintains a sound debt position and protects the credit quality of its obligations.

Capital Planning

The District shall integrate its debt issuance with its Capital Facilities and Equipment Plan (CFEP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays and competing projects. Long-term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs. For all capital projects under consideration, the District shall set aside sufficient revenue from operations to fund ongoing normal maintenance needs and to provide reserves for periodic replacement and renewal. Although permitted by law, the issuance of debt to fund operating deficits is not a desired policy of the Board, unless otherwise deemed necessary by the Board due to unforeseen circumstances.

Legal Governing Principles

In the issuance and management of debt, the District shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

Roles & Responsibilities

The Board shall:

1. Approve indebtedness;
2. Approve or delegate to the Fire Chief the appointment of bond underwriters, financial advisors (if any), and bond counsel;
3. Approve the Financial Management Policies, including the section on the Debt Policy; and
4. Approve budgets sufficient to provide for the timely payment of principal and interest on all debt.

The Fire Chief in consultation with the District Secretary shall:

1. Assume primary responsibility for debt management;
2. Provide for the issuance of debt at the lowest possible cost and risk;
3. Determine the available debt capacity;

4. Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
5. Recommend to the Board the manner of sale of debt;
6. Monitor opportunities to refund debt and recommend such refunding as appropriate.
7. Comply with all Internal Revenue Service (IRS), Securities and Exchange (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance of debt.
8. Adopt all procedures as deemed appropriate to ensure compliance with IRS and SEC rules and regulations.
9. Provide for the timely payment of principal and interest on all debt and ensure that the fiscal agent receives funds for payment of debt service on or before the payment date;
10. Provide for and participate in the preparation and review of offering documents;
11. Comply with all terms, conditions and disclosure required by the legal documents governing the debt issued;
12. Submit to the Board all recommendations to issue debt;
13. Provide for the distribution of pertinent information to rating agencies;
14. Apply and promote prudent fiscal practices.

Ethical Standards Governing Conduct

The members of the District's staff will adhere to the standards of conduct as stipulated by state law, including but not limited to Chapter 42.23 RCW, the Code of Ethics for Municipal Officers.

Types of Debt Instruments

The District may utilize any legally available municipal debt obligations to finance long-term capital projects and other lawful purposes, all deemed necessary and advisable by the Board and as authorized by law. Subject to the approval of Board of Commissioners, the District is authorized to sell:

1. **Unlimited Tax General Obligation Bonds**

The District shall use Unlimited Tax General Obligation Bonds (UTGO), also known as "Voted General Obligation Bonds" for the purpose of capital improvements, remodels, equipment purchases and property acquisition. Voted Bond issues are limited to capital purposes only. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the assent of 60% of the voters at an election to be held for that purpose, plus validation requirements.

2. **Limited Tax General Obligation Bonds**

A Limited Tax General Obligation debt (LTGO), also known as "Non-Voted General Obligation Debt", requires the District to levy a property tax sufficient to meet its debt service obligations, but only up to a statutory limit. The District shall use LTGO Bonds as permitted under state law for lawful purposes only. General Obligation debt is backed

by the full faith and credit of the District and is payable from non-voter approved property taxes and other money lawfully available. LTGO Bonds will only be issued if:

- a. The District determines they can afford the payments;
- b. A project requires funding not available from alternative sources;
- c. Matching fund monies are available which may be lost if not applied for in a timely manner; or
- d. Emergency conditions exist.

3. **Special Assessment/Local Improvement District Bonds**

The District shall use Special Assessment Bonds as permitted under state law for the purpose of assuring the greatest degree of public equity in place of general obligation bonds where possible. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the District. LID's are formed by the Board of Fire Commissioners after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and LID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the district and an LID Guaranty Fund, as required by state law.

4. **Short-Term Debt**

The District shall use short-term debt as permitted by state law for the purpose of meeting any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long-term funding has been secured, but not received. The District may use interfund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All interfund loans will be subject to Board of Fire Commissioner approval and will bear interest at prevailing rates.

5. **Leases**

The District is authorized to enter into capital leases under state law, subject to the approval of the Board of Fire Commissioners.

General Requirements

1. The District will not use long-term debt to pay for current operations, unless otherwise deemed necessary by the Board due to unforeseen circumstances. The use of bonds will be considered for significant capital and infrastructure improvements.
2. The term of the debt shall never extend beyond the useful life of the improvements to be financed; and the term of the debt will not exceed 20 years, unless otherwise authorized by law.

3. General obligation debt will not be used for self-supporting enterprise activity. The general policy of the District is to fund general-purpose public improvements and capital projects that cannot be financed from current revenues with voter-approved general obligation debt. Non-voter approved debt may be utilized when a new revenue source, or levy lid lift revenue source can be identified to pay debt service expenses.
4. The general policy of the District is to establish debt repayment schedules that use level annual principal and interest payments.
5. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond resolution, or 2) payment of debt service on the bonds. Proceeds from debt will be used in accordance with the provisions stated in the bond resolution that authorized the issuance of the debt.
6. The District will use the most prudent methods of acquiring capital items.
7. The District will maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved. The District will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.
8. The District may use refunding bonds in accordance with the Refunding Bond Act, RCW 39.53. Unless otherwise justified, the District will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any “advance refunding” and 3% for “current refunding,” unless otherwise deemed necessary and advisable by the Board.
9. With Board approval, interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an interfund loan as appropriate in the circumstances.

IX. Communication Policies

1. It is the policy of the District to remain transparent.
2. The District shall manage relationships with the rating analysts assigned to the District’s credit, using both informal and formal methods to disseminate information.
3. The District’s Financial Statements and Notes shall be a vehicle for compliance with continuing disclosure requirements. The Notes to the Financial Statements may be supplemented with additional documentation as required. Each year included in the Notes to the Financial Statements, the District will report its compliance with debt targets and the goals of the Debt Policies.

4. The District shall seek to maintain or improve its current bond rating.

X. Compliance Policies

Investment of Proceeds

The District shall comply with all applicable federal, state, local and contractual restrictions regarding the investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds as well as restrictions on the time period over which some of the proceeds may be invested.

Legal Covenants

The District shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

Periodic Policy and Procedure Review

At a minimum, the Debt Policy and the District's post-issuance tax compliance and disclosure procedure will be reviewed and updated every five years.

XI. Investment and Cash Management Policies

Manage and invest the District's operating cash to ensure its legality, safety, provide for necessary liquidity, avoid imprudent risk, and optimize yield.

1. Cash and investment programs will be maintained in accordance with District policies and procedures and will ensure that proper controls and safeguards are maintained. District funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.
2. The District may develop and adopt an investment policy. The Douglas County Treasurer's office, acting as the District's Treasurer, has the authority and responsibility of investing the District's investable assets. It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.
3. All deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. District investments are held by the Douglas County Treasurer in the Douglas County Investment Pool (TCIP) as its agent in the District's name.
4. The District will maintain written guidelines on cash handling, accounting, segregation of duties, and other financial matters.

5. Monthly “Statement of Financial Activities” reports are part of the financial report package and are prepared and distributed to the Board showing cash position, and year-to-date budgeted and actual revenue and expenditures. These are distributed no less frequently than quarterly.
6. The District will conduct at a minimum, annual reviews of its internal controls and cash handling procedures.

XII. Reserve Policies

Maintain the reserves, contingencies, and ending fund balances of the various operating funds at levels sufficient to protect the District's credit as well as its financial position from emergencies.

General Principles

1. At each fiscal year-end, the remaining dollars left in each fund that are undesignated and unencumbered, constitute available reserves of the District.
2. The District will include all fund balances in the annual budget.

Fund Balances

1. The District's goal is to establish and maintain an adequate Fund Balance of at least 25% to 30% of the General Fund and supported operating funds. The reserve is defined as a reserve solely for the purpose of addressing temporary revenue losses due to economic cycles or other time-related causes.
2. Annual contributions will be budgeted from the General Fund resources as available to establish and maintain the target reserve level.
3. All expenditures drawn from the Reserve Fund shall require a prior approving vote by a majority of the Board.

Reserve Funds

The District will maintain an Operating Reserve Fund

The Operating Reserve Fund provides a financial cushion in the event of an economic downturn and to meet emergency needs.

Equipment Repair & Replacement - Reserve Fund

Sufficient reserves will be maintained and developed to provide for repair and scheduled replacement of District assets nearing the end of their useful lives.

Emergency/Contingency - Reserve Fund

1. An emergency/contingency account in an amount of \$50,000 may be maintained annually in the Reserve Fund. The contingency account will be reestablished annually as part of the budget process.
2. The emergency/contingency account will be maintained to meet any municipal expense, the necessity or extent of which could not have been reasonably foreseen at the time of adopting the annual budget. The account provides some flexibility for unforeseen events without the necessity to appropriate additional funds from the District's reserves.
3. All transfers from the emergency/contingency account will require approval by the Board of Commissioners.

Additional Reserves

Additional reserve accounts may be created by the Board to be set aside for specific purposes or special projects, for known significant future expenditures, or as general operational reserves.