
Butte County
Resource Conservation District
(BCRCD)

POLICY HANDBOOK

Section III: Operations

Adopted: _____

TABLE OF CONTENTS

- III. Operations
 - a. 3105: Budget Prep
 - b. 3110: Fixed-Asset Accounting
 - c. 3115: Fixed-Asset Capitalization
 - d. 3117: Asset Protection
 - e. 3120: Investments
 - f. 3135: Expense Authorization
 - g. 3140: Check Processing
 - h. 3145: Credit Card Usage
 - i. 3150: Purchasing
 - j. 3205: Employment of Contractors
 - k. 3300: Disposal Surplus Property
 - l. 3310: Records Retention

III. Operations (3000)

- a. POLICY TITLE: Budget Preparation**
POLICY NUMBER: 3105

3105.1 An annual budget proposal shall be prepared by the District Manager.

3105.2 Prior to review by the Board of Directors, the Board's standing Finance Committee shall meet with the General Manager and review his/her annual budget proposal.

3105.3 The proposed annual budget as reviewed and amended by the Finance Committee shall be reviewed by the Board at a Budget Hearing during its regular meeting in April.

3105.4 The proposed annual budget as amended by the Board during its review shall be adopted at its regular meeting in May.

- b. POLICY TITLE: Fixed-Asset Accounting Control**
POLICY NUMBER: 3110

3110.1 The purpose of this policy is to ensure proper accounting control resulting in the maintaining of accurate financial reports of fixed assets.

3110.2 An accounting, or inventory, of all fixed assets shall be conducted on an annual basis. After the conclusion of said inventory, the District Manager shall certify its completeness and report the results thereof to the Board of Directors at its next regular monthly meeting.

3110.3 Applicable purchases for inclusion in said accounting shall be the following:

3110.3.1 Equipment, tools, and vehicles that individually have an original total cost of more than \$300;

3110.3.2 All land and building acquisitions regardless of price; and,

3110.3.3 Additions or major improvements to the District's service infrastructure.

3110.4 When any item defined in Section 3030.3.1 above is received, a tag with a unique identification number shall be affixed to said item, and the number recorded in the permanent inventory records.

3110.5 Permanent inventory records shall be maintained in either a paper file or electronic (computer data base) format. Said records shall be updated whenever a change in the status of a particular fixed asset occurs (e.g., original purchase, sale, destruction, loss, theft, etc.).

3110.6 Information to be maintained in said inventory records shall include at least the following:

- 3110.6.1** Asset number;
- 3110.6.2** Description;
- 3110.6.3** Manufacturer's serial number;
- 3110.6.4** Storage location;
- 3110.6.5** Original cost;
- 3110.6.6** Acquisition date;
- 3110.6.7** Life expectancy; and,
- 3110.6.8** Classification code (e.g., office equipment, vehicle, etc.).

c. POLICY TITLE: Fixed-Asset Capitalization
POLICY NUMBER: 3115

3115.1 The purpose of this policy is to provide criteria for determining when assets and associated costs are to be capitalized and depreciated.

3115.2 Single-item purchases with at least an anticipated useful life of five years and exceeding \$5,000 each shall be capitalized as a fixed asset. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$5,000 shall be expensed.

3115.3 Other expenditures of \$5,000 or more that provide a significant increase in future service potential of a fixed asset shall also be capitalized as part of the existing asset.

3115.3.1 To meet the criteria for a capital expenditure, the purchase should extend the useful life of an asset, increase the quantity of service provided by an asset, or increase the quality of service by an asset.

3115.3.2 Capital expenditures may include the following: additions (enlargements, expansions or extensions of existing assets), replacements and improvements, and rearrangement and/or relocation of an asset.

3115.4 Expenditures for normal repairs and maintenance shall not be considered as capital expenditures.

3115.5 Depreciation will be computed over the estimated useful lives of the assets as follows:

ASSET DEPRECIATION LIFE	
Fixed Asset	Useful Life (years)
General Plant/Structures	50
Reservoirs, Dams, etc.	50

Vehicles	5
Heavy Equipment (normal – light use)	7 – 10
Light Equipment (normal – light use)	5 – 7
Office Equipment	5 – 10
Office Furniture	10 – 15
Computer Equipment	5 – 7

[Consult your district's auditor for other structures and equipment specific to your agency]

d. POLICY TITLE: Asset Protection and Fraud in the Workplace
POLICY NUMBER: 3117

3117.1 Purpose and Scope: To establish policy and procedures for clarifying acts that are considered to be fraudulent, describing the steps to be taken when fraud or other related dishonest activities are suspected, and providing procedures to follow in accounting for missing funds, restitution and recoveries.

3117.2 General

A. The BCRCDC is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of the BCRCDC to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the BCRCDC and, when appropriate, to pursue legal remedies available under the law.

B. Definitions:

1. Fraud – Fraud and other similar irregularities include, but are not limited to:
 - a. Claim for reimbursement of expenses that are not job-related or authorized by the District Administrative and Ethics Code.
 - b. Forgery, falsification, or unauthorized alteration of documents or records (including but not limited to checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.).
 - c. Misappropriation of District assets (including but not limited to funds, securities, supplies, furniture, equipment, etc.).
 - d. Inappropriate use of District resources (including but not limited to labor, time, and materials).
 - e. Improprieties in the handling or reporting of money transactions.
 - f. Authorizing or receiving payment for goods not received or services not performed.
 - g. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data or misappropriation of District-owned software.
 - h. Misrepresentation of information on documents.
 - i. Theft of equipment or goods.
 - j. Any apparent violation of federal, state, or local laws related to dishonest activities or fraud.
 - k. Seeking or accepting anything of material value from those doing business with the District including vendors, consultants, contractors, lessees, applicants, and grantees. Materiality is determined by the District's Conflict of Interest Code which incorporates the Fair Political Practices Commission's regulations.

1. Any other conduct, actions or activities treated as fraud or misappropriation under any federal or state law, rule or regulation.
 2. Employee – In this context, employee refers to any individual or group of individuals who receive compensation, either full- or part-time, including the Board of Directors, from the BCRC. The term also includes any volunteer who provides services to the RCD through an official arrangement with the District or a District organization.
 3. Management – In this context, management refers to any manager, supervisor, or other designated individual who manages or supervises District's resources or assets.
 4. Internal Audit Committee – In this context, if the claim of fraud involves anyone other than the District's General Manager, the Internal Audit Committee shall consist of the General Manager, the District's Legal Counsel and any other persons appointed to the Internal Audit Committee by the General Manager. If the claim of fraud involves the District's General Manager, the Internal Audit Committee shall consist of the President of the Board of Directors of the District, the District's Legal Counsel and those persons appointed to the Internal Audit Committee by the President of the Board. Nothing contained in this policy shall be construed as requiring the General Manager or the President of the Board to appoint other persons to the Internal Audit Committee. Individuals appointed to the Internal Audit Committee by the General Manager or the President of the Board other than the District's Legal Counsel shall serve at the pleasure of the General Manager or the President of the Board.
 5. External Auditor – In this context, External Auditor refers to independent audit professionals who perform annual audits of the District's financial statements and are appointed by the District's Board of Directors.
- C. It is the District's intent to fully investigate any suspected acts of fraud, misappropriation, or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the District of any party who might be or become involved in or becomes the subject of such investigation. An employee being investigated for fraud may request representation by an Employee Association if applicable.
- D. Each department of the District is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations, and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.
- E. For claims of fraud not involving the General Manager, the General Manager or an Internal Audit Committee appointed by the General Manager shall have primary responsibility for investigation of the activity covered by this policy. For claims of fraud involving the General Manager, the President of the Board or an Internal Audit Committee appointed by the President shall have primary responsibility for investigation of the activity covered by this policy. The District's General Counsel shall advise the Committee, the General Manager or the Board President on all such investigations.
- F. Throughout the investigation, the Internal Audit Committee will inform the General Manager of pertinent investigative findings.

G. Employees will be granted whistle-blower protection when acting in accordance with this policy so long as the employee has not engaged in activity that violates this policy. When informed of a suspected impropriety, neither the District nor any person acting on behalf of the District shall:

1. Dismiss or threaten to dismiss the employee,
2. Discipline, suspend, or threaten to discipline or suspend the employee,
3. Impose any penalty upon the employee, or
4. Intimidate or coerce the employee.

Violations of the whistle-blower protection will result in discipline up to and including termination.

H. Upon conclusion of the investigation, the results will be reported to the General Manager or in the event the investigation involves the General Manager, then the Board President shall receive the report and shall advise the Board of Directors.

I. The General Manager or the Board President, as the case may be, following review of investigation results, will take appropriate action regarding employee misconduct based on the District's Administrative and Ethic Code. Disciplinary action can include termination, and referral of the case to the District Attorney's Office for possible prosecution.

J. The General Manager or the Board President will pursue every reasonable effort, including court ordered restitution, to obtain recovery of District losses from the offender, or other appropriate sources.

3117.3 Procedures

A. Board of Directors Responsibilities

1. If a Board Member has reason to suspect that a fraud has occurred, he or she shall immediately contact the General Manager or the Board President, if the activity involves the General Manager, and the District's Legal Counsel.
2. The Board Member shall not attempt to investigate the suspected fraud or discuss the matter with anyone other than the General Manager and the District's Legal Counsel.
3. The alleged fraud or audit investigation shall not be discussed with the media by any person other than the General Manager or the Board President after consultation with the District's Legal Counsel and the Internal Audit Committee, if any Committee is appointed.

B. Management Responsibilities

1. Management is responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.
2. Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area.
3. When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.

4. If management determines a suspected activity may involve fraud or related dishonest activity, they should contact their immediate supervisor or the District's General Manager. If the activity involves the General Manager it shall be reported to the Board President or the District's Legal Counsel.
5. Management should not attempt to conduct individual investigations, interviews, or interrogations. However, management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent recurrence of improper actions.
6. Management should support the District's responsibilities and cooperate fully with the Internal Audit Committee, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including the prosecution of offenders.
7. Management must give full and unrestricted access to all necessary records and personnel. All District's assets, including furniture, desks, and computers, are open to inspection at any time. There is no assumption of privacy.
8. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should avoid the following:
 - a. Incorrect accusations.
 - b. Alerting suspected individuals that an investigation is underway.
 - c. Treating employees unfairly.
 - d. Making statements that could lead to claims of false accusations or other offenses.
9. In handling dishonest or fraudulent activities, management has the responsibility to:
 - a. Make no contact (unless requested) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the misappropriation", etc.
 - b. Avoid discussing the case, facts, suspicions, or allegations with anyone outside the District, unless specifically directed to do so by the General Manager.
 - c. Avoid discussing the case with anyone inside the District other than employees who have a need to know such as the General Manager, Internal Audit Committee, the District's Legal Counsel or law enforcement personnel.
 - d. Direct all inquiries from the suspected individual, or his or her representative, to the General Manager, the Board President, or the District's Legal Counsel. All inquiries by an attorney of the suspected individual should be directed to the General Manager or the District's Legal Counsel. All inquiries from the media should be directed to the General Manager or the Board President if the activity involves the General Manager.
 - e. Take appropriate corrective and disciplinary action, up to and including

dismissal, after consulting with the Human Resources Department and Legal Counsel, in conformance with the District's Administrative and Ethics Codes.

C. Employee Responsibilities

1. A suspected fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee's supervisor for reporting to the proper management official.
2. When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management and/or the General Manager. If the activity involves the General Manager, it shall be reported to the Board President or the District's Legal Counsel.
3. The reporting employees shall refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone, unless requested by the General Manager, Internal Audit Committee, the District's Legal Counsel, or law enforcement personnel.

D. Internal Audit Committee Responsibilities

1. Upon assignment by the General Manager or the Board President, the Internal Audit Committee will promptly investigate the fraud.
2. In all circumstances where there appears to be reasonable grounds for suspecting that a criminal fraud has taken place, the Internal Audit Committee, in consultation with the District General Manager or the Board President and Legal Counsel, will contact the local law enforcement agency or Police Department.
3. The Internal Audit Committee shall be available and receptive to receiving relevant, confidential information to the extent allowed by law after consultation with the District's Legal Counsel.
4. If evidence is uncovered showing possible dishonest or fraudulent activities, the Internal Audit Committee will proceed as follows:
 - a. Discuss the findings with management and the General Manager.
 - b. Advise management, if the case involves District staff members, to meet with the Human Resources Manager (or his/her designated representative) to determine if disciplinary actions should be taken.
 - c. Report to the External Auditor such activities in order to assess the effect of the illegal activity on the District's financial statements.
 - d. Coordinate with the District's Safety/Risk Compliance Administrator regarding notification to insurers and filing of insurance claims.
 - e. Take immediate action, after consultation with the Legal Counsel, to prevent the theft, alteration, or destruction of evidentiary records. Such action shall include, but is not limited to:
 - 1) Removing the records and placing them in a secure location, or limiting access to the location where the records currently exist.
 - 2) Preventing the individual suspected of committing the fraud from

having access to the records.

f. In consultation with the District Legal Counsel and the local law enforcement agency, the Internal Audit Committee may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.

g. If the Internal Audit Committee is contacted by the media regarding an alleged fraud or audit investigation, the Internal Audit Committee will refer the media to the General Manager or Board President if the activity involves the General Manager.

h. At the conclusion of the investigation, the Internal Audit Committee will document the results in a confidential memorandum report to the General Manager or the Board President for action. If the report concludes that the allegations are founded and the District’s Legal Counsel has determined that a crime has occurred, the report will be forwarded to the local law enforcement agency.

i. The Internal Audit Committee will be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.

j. Upon completion of the investigation, including all legal and personnel actions, all records, documents, and other evidentiary material, obtained from the department under investigation will be returned by the Internal Audit Committee to that department.

3117.4 Exceptions

There will be no exceptions to this policy unless provided and approved by the General Manager or the Board President and the District Legal Counsel. The Board of Directors reserves the right to amend, delete, or revise this policy at anytime by formal action of the Board of Directors.

e. POLICY TITLE: Investment of District Funds
POLICY NUMBER: 3120

3120.1 PREMISE

The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (CGC) §53600.6 and §53630.1); and,

Government Code Sections 5921 and 53601, et seq., allow the legislative body of a local agency to invest surplus monies not required for the immediate necessities of the local agency; and,

The Finance Division Manager or fiscal officer of a local agency is required to annually prepare and submit a statement of investment policy and such policy, and any changes thereto, is to be considered by the local agency’s legislative body at a public meeting (CGC §53646(a)).

For these reasons, and to ensure prudent and responsible management of the public's funds, it is the policy of the *BCRCD* to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of BCRCD funds.

3120.2 SCOPE

This investment policy applies to all financial assets of *BCRCD*. These funds are accounted for in the Independent Annual Financial Report and include:

Demand Account:	Investments:
General Fund	Local Agency Investment Fund
Secretary Revolving Fund	<i>[others]</i>
Operation and Maintenance Fund	
Enterprise Funds	
<i>[others]</i>	

3120.3 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations for expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3120.4 OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives of the investment activities, in priority order, shall be:

3120.4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of *[district]* shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

3120.4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable *[district]* to meet all operating requirements which might be reasonably anticipated.

3120.4.3 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

3120.5 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code Sections 53600, et seq. Management responsibility for the investment program is hereby delegated to the Finance Division Manager *[or other appropriate district officer]*, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Division Manager *[or other appropriate district officer]*. The Finance Division Manager *[or other appropriate district officer]* shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code §53600.3, the Finance Division Manager *[or other appropriate district officer]* is a trustee and a fiduciary subject to the prudent investor standard.

3120.6 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

3120.7 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Finance Division Manager *[or other appropriate district officer]* will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness that are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Finance Division Manager shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Finance Division Manager *[or other appropriate district officer]* shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for *[district]*'s account with the firm has reviewed *[district]*'s Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to *[district]* that are appropriate under the terms and conditions of the Investment Policy.

3120.8 AUTHORIZED AND SUITABLE INVESTMENTS

The *[district]* is empowered by California Government Code §53601, et seq., to invest in the following:

3120.8.1 Bonds issued by the *[district]*.

3120.8.2 United State Treasury Bills, Notes & Bonds.

3120.8.3 Registered state warrants or treasury notes or bonds issued by the State of California.

3120.8.4 Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Finance Division Managers, other local agencies or Joint Powers Agencies.

3120.8.5 Obligations issued by agencies or instrumentalities of the United States Government.

3120.8.6 Bankers' acceptances with a term not to exceed 270 days. Not more than 40% of surplus funds can be invested in bankers' acceptances and no more than 30% of surplus funds can be invested in the bankers acceptances of any single commercial bank.

3120.8.7 Prime commercial paper of U.S. corporations with assets greater than \$500 million, with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P). Commercial paper cannot exceed 15% of total surplus funds, provided that, if the average maturity of all commercial paper does not exceed 31 days, up to 30% of surplus funds can be invested in commercial paper.

3120.8.8 Negotiable certificates of deposit issued by federally or state chartered banks or associations. Not more than 30% of surplus funds can be invested in certificates of deposit.

3120.8.9 Repurchase/reverse repurchase agreements of any securities authorized by this section. Securities purchased under these agreements shall be no less than 102% of market value. (See special limits in CGC §53601.i.)

3120.8.10 Medium term notes (not to exceed 5 years) of U.S. corporations rated "A" or better by Moody's or S&P. Not more than 30% of surplus funds can be invested in medium term notes.

3120.8.11 Shares of beneficial interest issued by diversified management companies (money market mutual funds) investing in the securities and obligations authorized by this Section. Such funds must carry the highest rating of at least two of the three largest

national rating agencies. Not more than 15% of surplus funds can be invested in money market mutual funds.

3120.8.12 Funds held under the terms of a trust indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.

3120.8.13 Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations.

3120.8.14 Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in this category must be rated AA or better by a nationally recognized rating service. Not more than 30% of surplus funds may be invested in this category of securities.

3120.8.15 Any other investment security authorized under the provisions of CGC §5922 and §53601. (Also, see CGC §53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. CGC §53601 is included by reference in this investment policy.)

3120.8.15.1 Prohibited Investments. Under the provisions of CGC §53601.6 and §53631.5, *[district]* shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

3120.9 COLLATERALIZATION

All certificates of deposits must be collateralized by U.S. Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under CGC §53601(i)(2).

3120.10 SAFEKEEPING AND CUSTODY

All security transactions entered into by the *[district]* shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to *[district]* by book entry, physical delivery or by third party custodial agreement as required by CGC §53601.

3120.11 DIVERSIFICATION

[District] will diversify its investments by security type and institution. It is the policy of the *[district]* to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a

specific class of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

3120.11.1 Portfolio maturities shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.

3120.11.2 Maturities selected shall provide for stability of income and liquidity.

3120.11.3 Disbursement and payroll dates shall be covered through maturities investments, marketable U.S. Treasury bills or other cash equivalent instruments such as money market mutual funds.

3120.12 REPORTING

In accordance with CGC §53646(b)(1), the Finance Division Manager *[or other appropriate district officer]* shall submit to each member of the Board of Directors a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for *[district]* by third party contracted managers. The report will also include the source of the portfolio valuation. As specified in CGC §53646 (e), if all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that: (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy; and, (2) *[district]* will meet its expenditure obligations for the next six months as required by CGC §53646(b)(2) and (3), respectively. The Finance Division Manager *[or other appropriate district officer]* shall maintain a complete and timely record of all investment transactions.

3120.13 INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed on an annual basis, and the Board of Directors must approve modifications.

f. POLICY TITLE: Expense Authorization
POLICY NUMBER: 3135

3135.1 All purchases made for the District by staff shall be authorized by the District Manager and shall be in conformance with the approved District budget.

3135.2 Any commitment of District funds for a purchase or expense greater than \$20,000.00 shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations.

3135.3 A "petty cash" fund shall be maintained in the District office having a balance-on-hand maximum of \$200.00.

3135.3.1 Petty cash may be advanced to District staff or Directors upon their request and the execution of a receipt for same, for the purpose of procuring item(s) or service(s) appropriately relating to District business. After said item(s) or service(s) have been obtained, a receipt for same shall be submitted to the District Manager, and any remaining advanced funds shall be returned. The maximum petty cash advance shall be \$50.00.

3135.3.2 No personal checks shall be cashed in the petty cash fund.

3135.3.3 The petty cash fund shall be included in the District's annual independent accounting audit.

3135.4 Whenever employees or Directors of the District incur "out-of-pocket" expenses for item(s) or service(s) appropriately relating to District business as verified by valid receipts, said expended cash shall be reimbursed upon request from the District's petty cash fund or by warrant request if needed. In those instances when a receipt is not obtainable, the requested reimbursement shall be approved by the District Manager prior to remuneration.

g. POLICY TITLE: Check Processing
POLICY NUMBER: 3140

3140.1 All commercial obligations or requests for issuing checks shall be reviewed and approved by the District Manager or his/her designate.

3140.2 Checks will be printed for the commercial obligations and presented to the Board of Directors at their regular board meetings except as provided for in Policy #5070.

3140.2.1 The Board of Directors will consider each bill, and checks drawn for approved bills will be signed with two signatures (at least one of which will be a Director if above a determined amount) and returned to the District Manager or his/her designate.

If the District has a sub-contractor agreement and associated grant agreement/ fee-for-service agreement that has been approved by the Board and the District receives a sub-contractor bill. In that case, the District Manager, working with the Treasurer, may pay the bill immediately if the District has an advance from the Grantor or receives invoice payment from a Grantor that covers the contractor bill. The payment will be reported to the Board at the following Board meeting.

3140.2.2 The District Manager or his/her designate will have those approved checks distributed to the District's creditors.

3140.3 Checks will be printed for the District's payroll obligations on a predetermined schedule of each month.

3140.3.1 The District Manager or his/her designate will distribute the checks on the payday as defined in Policy #2300 (Pay Periods).

3140.3.2 A listing of the checks distributed by the District Manager or his/her designate will be presented to the Board of Directors at their next regularly scheduled board meeting for ratification.

h. POLICY TITLE: Credit Card Usage
POLICY NUMBER: 3145

3145.1 Purpose. The purpose of this policy is to prescribe the internal controls for management of District credit cards.

3145.2 Scope. This policy applies to all individuals who are authorized to use District credit cards and/or who are responsible for managing credit card accounts and/or paying credit card bills.

3145.3 Implementation. A credit card shall be issued to the General Manager and the Finance Division Manager. Credit cards shall not be issued or used by members of the Board of Directors.

3145.3.1 All credit card bills shall be paid in a timely manner to avoid late fees and finance charges.

3145.3.2 All credit card expenses shall be reasonable and necessary to the furtherance of District business. No personal expenses shall be charged on a District credit card. If there is an overlap on a transaction between personal and District business, the employee shall pay for the transaction personally and then request reimbursement by the District.

3145.3.3 All credit-card transactions shall have third-party documents (receipts) attached and the District purpose annotated by the cardholder.

3145.3.4 The Finance Division Manager shall review and approve credit-card transactions by the District Manager cardholders. The District Manager shall review and approve credit-card transactions by the Finance Division Manager.

i. POLICY TITLE: Purchasing
POLICY NUMBER: 3150

3150.1 To purchase small items - such as office supplies, auto parts, and other miscellaneous items costing less than \$500 - vendors will be asked to submit pricing information by telephone or written quotation. District accounts are then awarded to those firms that provide the best prices, discounts, etc. Acquisitions are processed on purchase order forms that list instructions to vendors.

3150.1.1 Local firms may be allowed a 5% preference margin where items are available

3300.1.2 Item is advertised for sale with notation of location/hours/days it can be seen and deadline date for submission of sealed bids. (Advertisement also notes that the District reserves the right to reject any or all bids, equipment sold AS IS.)

3300.1.3 Sealed bids are opened at the next Regular Board Meeting and action is taken by the Board to accept or reject highest bid.

3300.1.4 Bidders are notified of Board's action.

3300.1.5 Junked Certificates are obtained for vehicles that are sold to protect the District from liability.

3300.2 Sale of Real Estate:

3300.2.1 Board takes action to declare property surplus and authorizes District staff to obtain appraisal.

3300.2.2 Property is offered to public agencies at the appraised price. (State law requires that public agencies have the opportunity to purchase property prior to advertisement to the general public.)

3300.2.3 If property is not purchased by a public agency, it is advertised in the newspaper with a request that sealed bids be submitted to the District.

3300.2.4 Board takes action at the next regular Board Meeting to accept or reject highest bid.

3300.2.5 Bidders are notified of the Board's action.

k. POLICY TITLE: Records Retention
POLICY NUMBER: 3310

3310.1 The purpose of this policy is to: provide guidelines to staff regarding the retention or disposal of Butte County RCD records; provide for the identification, maintenance, safeguarding and disposal of records in the normal course of business; ensure prompt and accurate retrieval of records; and, ensure compliance with legal and regulatory requirements.

3310.2 Vital and important records, regardless of recording media, are those having legal, financial, operational, or historical value to the District.

3310.3 The General Manager is authorized by the Board of Directors to interpret and implement this policy, and to cause to be destroyed any or all such records, papers and documents that meet the qualifications governing the retention and disposal of records, specified below.

3310.4 Pursuant to the provisions of California Government Code §§60200 through 60203, California Water Code §21403, and the guidelines prepared by the State Controller's office and

the Controller's Advisory Committee for Special Districts, the following qualifications will govern the retention and disposal of records of the RCD.

3310.4.1 Duplicate records, papers and documents may be destroyed at any time without the necessity of Board authorization or copying to photographic or electronic media.

3310.4.2 Originals of records, papers and documents more than two years old that were prepared or received in any manner other than pursuant to State or Federal statute may be destroyed without the necessity of copying to photographic or electronic media.

3310.4.3 In no instances are records, papers or documents to be destroyed where there is a continuing need for such records for such matters as pending litigation, special projects, etc.

3090.4.4 Records, papers or documents which are not expressly required by law to be filed and preserved may be destroyed if all of the following conditions are met:

3310.4.4.1 The record, paper or document is photographed, microphotographed, reproduced on film of a type approved for permanent photographic records by the National Bureau of Standard, or copied to an approved electronic media;

3310.4.4.2 The device used to reproduce such record, paper or document on film, or retrieves and prints the document from the electronic media, is one which accurately reproduces the original thereof in all details; and,

3310.4.4.3 The photographs, microphotographs, or other reproductions on film are placed in conveniently accessible files and provisions are made for preserving, examining, and using the same, together with documents stored via electronic media.

3310.4.5 Any accounting record except the journals and ledgers which are more than five years old and which were prepared or received in any manner other than pursuant to State statute may be authorized for destruction, provided that:

3310.4.5.1 There is no continuing need for said record, i.e., long-term transactions, special projects, pending litigations, etc., and;

3310.4.5.2 There exists in a permanent file, an audit report or reports covering the inclusive period of said record, and that;

3310.4.5.3 Said audit report or reports were prepared pursuant to procedures outlined in Government Code Section 26909 and other State or Federal audit requirements, and that;

3090.4.5.4 Said audit or audits contain the expression of an unqualified

opinion.

3310.4.6 Any accounting record created for a specific event or action may be destroyed upon authorization five years after said event has in all respects terminated. Any source document detailed in a register, journal, ledger or statement may be authorized for destruction five years from the end of the fiscal period to which it applies. The following may be destroyed at any time:

3310.4.6.1 Duplicated (original-subject to aforementioned requirements).

3310.4.6.2 Rough drafts, notes or working papers (except audit).

3310.4.6.3 Cards, listings, nonpermanent indices, other papers used for controlling work or transitory files.

3310.4.7 All payroll and personnel records shall be retained indefinitely. Originals may upon authorization be destroyed after seven years retention, provided said records have been microfilmed and qualify for destruction section 4, above. Payroll and personnel records include the following:

3310.4.7.1 Accident reports, injury claims and settlements.

3310.4.7.2 Medical histories.

3310.4.7.3 Injury frequency charts.

3310.4.7.4 Applications, changes and terminations of employees.

3310.4.7.5 Insurance records of employees.

3310.4.7.6 Time cards.

3310.4.7.7 Classification specifications (job descriptions).

3310.4.7.8 Performance evaluation forms.

3310.4.7.9 Earning records and summaries.

3310.4.7.10 Retirements.

3310.4.8 All assessing records may upon authorization be destroyed after seven years retention from lien date; however, their records may be destroyed three years after the lien date when said records are microfilmed as provided for section 4, above.

3310.4.9 Records of proceedings for the authorization of long-term debt, bonds, warrants, loans, etc., after issuance or execution may be destroyed if microfilmed as provided for in section 3090.4.4, above. Terms and conditions of bonds warrants, and other long-term agreements should be retained until final payment, and thereafter may be destroyed in less than ten years if microfilmed as provided for in section 4, above.

Paid bonds, warrant certificates and interest coupons may be destroyed after six months if detailed payment records are kept for ten years.

3310.5 Minutes of the meetings of the Board of Directors are usually retained indefinitely in their original form. However, they may upon authorization be destroyed if said minutes are microfilmed as provided for in section 4, above. Recording tapes (or other media) of Board meetings will be kept for a period of one year from the date of the recorded meeting, after which they will be destroyed.

3310.5.1 Construction records, such as bids, correspondence, change orders, etc., shall not be kept in excess of seven years unless they pertain to a project which includes a guarantee or grant and, in that event, they shall be kept for the life of the guarantee or grant plus seven years. As-built plans for any public facility or works shall be retained as long as said facility is in existence.

3310.5.2 Contracts should be retained for its life plus seven years. Any unaccepted bid or proposal for the construction or installation of any building, structure or other public work which is more than two years old may be destroyed.

3310.5.3 Property records, such as documents of title, shall be kept until the property is transferred or otherwise no longer owned by the District.

Appendix A
Definitions for Records Retention and Disposal Policy

1. AUTHORIZATION. Approval from the General Manager, as authorized by the District's Board of Directors.
2. ACCOUNTING RECORDS. Include but are not limited to the following:
 - a. SOURCE DOCUMENTS
 - (1) Invoices
 - (2) Warrants
 - (3) Requisitions/Purchase Orders (attached to invoices)
 - (4) Cash Receipts
 - (5) Claims (attached to warrants in place of invoices)
 - (6) Bank Statements
 - (7) Bank Deposits
 - (8) Checks
 - (9) Bills
 - (10) Various accounting authorizations taken from Board minutes, resolutions or contracts
 - b. JOURNALS
 - (1) Cash Receipts
 - (2) Accounts Receivable or Payable Register
 - (3) Check or Warrant (payables)
 - (4) General Journal
 - (5) Payroll Journal
 - c. LEDGERS
 - (1) Expenditure
 - (2) Revenue
 - (3) Accounts Payable or Receivable Ledger
 - (4) Construction
 - (5) General Ledger
 - (6) Assets/Depreciation
 - d. TRIAL BALANCE
 - e. STATEMENTS (Interim or Certified - Individual or All Fund)
 - (1) Balance Sheet
 - (2) Analysis of Changes in Available Fund Balance
 - (3) Cash Receipts and Disbursements
 - (4) Inventory of Fixed Assets (Purchasing)
 - f. JOURNAL ENTRIES

g. PAYROLL and PERSONNEL RECORDS include but are not limited to the following:

- (1) Accident reports, injury claims and settlements
- (2) Applications, changes or terminations of employees
- (3) Earnings records and summaries
- (4) Fidelity Bonds
- (5) Garnishments
- (6) Insurance records of employees
- (7) Job Descriptions
- (8) Medical Histories
- (9) Retirements
- (10) Time Cards

h. OTHER

- (1) Inventory Records (Purchasing)
- (2) Capital Asset Records (Purchasing)
- (3) Depreciation Schedule
- (4) Cost Accounting Records

3. LIFE. The inclusive or operational or valid dates of a document.
4. RECORD. Any paper, bound book or booklet, card, photograph, drawing, chart, blueprint, map, tape, microfilm, or other document, issued by or received in a department, and maintained and used as information in the conduct of its operations.
5. RECORD COPY. The official District copy of a document or file.
6. RECORD SERIES. A group of records, generally filed together, and having the same reference and retention value.
7. RECORDS CENTER. The site selected for storage of inactive records.
8. RECORDS DISPOSAL. The planning for and/or the physical operation involved in the transfer of records to the Records Center, or the authorized destruction of records pursuant to the approved Records Retention Schedule.
9. RECORDS RETENTION SCHEDULE. The consolidated, approved schedule list of all District records which timetables the life and disposal of all records.
10. RETENTION CODE. Abbreviation of retention action which appears on the retention schedule.
11. VITAL RECORDS. Records which, because of the information they contain, are essential to one or all of the following:
 - a. The resumption and/or continuation of operations;
 - b. The recreation of legal and financial status of the District, in case of a disaster;
 - c. The fulfillment of obligations to bondholders, customers, and employees.

Vital records include but are not limited to the following:

- (1)
Agreements
- (2)
Annexations and detachments
- (3)
As-built drawings
- (4)
Audits
- (5)
Contract drawings
- (6)

Appendix B
Records Retention & Storage Summary

Group No.	Title or Description	Original	Dupli- cate	Retention Periods		
				Office	Record Center	Retain or Destroy
1	Records affecting title to real property or liens thereof.	X		2 yrs.	OP	ES
2	Records required to be kept permanently by statute.	X		2 yrs.	OP	ES
3	Minutes, ordinances & resolutions of Board.	X		2 yrs.	OP	ES
4	Documents with lasting historical, administrative, legal, fiscal, or research value.	X		2 yrs.	OP	ES
5	Correspondence, operational reports and information upon which District policy has been established.	X		2 yrs.	10 yrs.	12 yrs.
6	Duplicates of 5, above, when retention is necessary for reference.	X		2 yrs.		2 yrs.
7	Records requiring retention for more than five years, but no more than fifteen years by statute or administrative value.	X		2 yrs.	13 yrs.	15 yrs.
8	Duplicates needed for administrative purposes for five to fifteen years.		X	2 yrs.	13 yrs.	15 yrs.
9	All other original District records, or instruments, books or papers that are considered public documents not included in Groups 1 through 8.	X		2 yrs.	1 yr.	3 yrs.
10	Duplicates and other documents not public records required to be	X	X	2 yrs.	3 yrs.	5 yrs.

	maintained for administrative purposes.					
11	Duplicate records requiring retention for administrative purposes such as reference material for making up budgets, planning and programming.		X	3 yrs.		3
12	Reference files (copies of documents which duplicate the record copies filed elsewhere in the District; documents which require no action and are non-record; rough drafts, notes, feeder reports, and similar working papers accumulated in preparation of a communication, study or other document, and cards, listings, indexes and other papers used for controlling work).		X	1 yr.		1 yr.
13	Transitory files, including letters of transmittal (when not a public record), suspense copies when reply has been received, routine requests for information and publication, tracer letters, feeder reports, and other duplicate copies no longer needed.	X	X	3 mos.		3 mos.
14	Original documents disposable upon occurrence of an event or an action (i.e., audit, job completion, completion of contract, etc.) or upon obsolescence, supersession, revocation.	X		2 yrs.	3 yrs.	5 yrs.
15	Policy files and reference sets of publications.		X	I		I
16	Duplicates or non-record documents required for administrative needs but destroyable on occurrence of an event or an action.		X	I		I

OP = Original or photographic copy.

ES = May be destroyed if stored in electronic media.
I = Indefinitely