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# Gold Mountain Community Services District

## POLICY HANDBOOK

**POLICY TITLE:** Reserve of District Funds

**POLICY NUMBER:** 2150

**2150.1 Purpose:** The Gold Mountain Community Services District (the District) shall contribute to and maintain reserve funds to adequately provide for general operations, capital projects, infrastructure replacement, specific restricted reserve projects (i.e. grant funding), debt service, and maintaining the District's credit worthiness. This policy establishes the fund types, responsibilities, and funding allocations to ensure appropriate reserve management and distribution. Reserve funds include reserve contributions, designated funds, grant funds (as appropriate), and earned interest in the respective account.

**2150.2 Policy:** Use of District Reserves is limited to available funds (not obligated by law, contract, or agreement to other uses) to meet reserve requirements defined herein. The District shall account for reserves as required by Statement 54 of the Governmental Accounting Standards Board, which defines the relative strength of the constraints that control how specific amounts can be spent. Reserve Fund types include:

- Restricted Reserves - include funds that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation. Typically grant funds or borrowed funds will be classified as restricted funds for a specified use.
- Designated Reserves - includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors. Charges related to connection to the district's system for future capacity improvements will be deposited to a Designated Fund ; may also include a (or multiple) Capital Projects Designated Reserve(s).
- Operating Reserves – the residual classification for the District's enterprise fund for water and sewer operations and includes all cash and cash equivalents not Restricted or Designated or otherwise needed for operating cash flow in the Operating Checking Account...

### **2.150.2.1 Responsibilities.**

- a. Board of Directors:
  - i. Establish Designated Reserve Funds to deposit revenues generated by Water and Sewer fees and charges for specific uses in accordance with this policy and guided by the District's Master Plan and Rate Study.
  - ii. In collaboration with the District Treasurer and Financial Advisor, conduct a semi-annual (February and July) review of Designated Reserves and level of funding.
  - iii. Approve the transfer of certain Designated Reserves to the Capital Checking Account in support of approved Capital projects or for Board designated projects.

- b. General Manager/Treasurer:
  - i. Serve as Chairman of the Finance Committee.
  - ii. Provide oversight of all reserve funds through quarterly reviews and reports to the Board of Directors.
  - iii. Serve as the backup point of contact (POC) with District's investment agent for the investment of District funds in accordance with (IAW) Policy 2130, Investment of District Funds.
  - iv. Work closely with the Administrative Manager on the allocation, tracking, and transfer of reserve funds.
  - v. Prepare Restricted Fund and Designated Reserve Fund transfer requests for Board action.
- c. Financial Advisor:
  - i. Serve on the Finance Committee.
  - ii. Act as primary POC with District's investment agent for the transfer and investment of reserve dollars IAW Policy 2130.
  - iii. Conduct quarterly independent reviews of reserve funds and report to the District Treasurer.
  - iv. Conduct a comprehensive Annual Reserve Study of all funds and report to the Board of Directors.
- d. Administrative Manager
  - i. Classify, track, and report fund balances by applying District accounting policies.
  - ii. Include disclosure of applicable policies in the notes to financial statements.
  - iii. Ensure the assignment of District revenues, where applicable, to the appropriate Reserve fund.
  - iv. Initiate fund transfer requests with the Treasurer and Financial Advisor via email or written memorandum.

#### **2.150.2.2 Fund Allocations**

- a. Restricted Reserves
  - i. Funds accumulated from grant awards and restricted to the requirements of the grant.
  - ii. May include more than one grant award accounted for separately in the District's accounting system.
  - iii. Grant distributions approved by the General Manager.
  - iv. Proceeds from bond sales or loans for specific projects.
  - v. Accumulation of debt service as required by bond or loan covenants.
- b. Designated Enterprise Fund Reserves
  - i. Fee revenues accumulate from the respective Water and Sewer Capacity fees paid to join the District's Water and Sewer systems.
  - ii. Scheduled fund contributions/transfers for capital projects per the approved District budget.
  - iii. Designated Reserves are allocated to specific capital infrastructure projects by Board action in accordance with the District Master Plan.
  - iv. Fund distribution by request of the General Manager with Board of Directors approval.
- c. Designated Fire Reserve Fund
  - i. Revenues accumulated from Fire operating fund annual surpluses.
  - ii. Scheduled fund contributions per the approved District budget.

- iii. Revenues are designated by Board action for specific Fire Protection/Suppression purposes.
- iv. Fund distribution by request of the General Manager with Board of Directors approval.
- d. Operating Reserve Fund
  - i. Revenues accumulated from water and sewer funds annual surpluses.
  - ii. Scheduled fund contributions per the approved District budget.
  - iii. Fund objective is to maintain a minimum balance equivalent to 3 month's (one fiscal year quarter) water and sewer operational expenses.
  - iv. Operating Fund Reserve distributions by order of the General Manager per written request by the Administrative Manager.

### **2150.3 Reserve Monitoring and Internal Controls**

- i. The General Manager, Financial Advisor, and Administrative Manager are collectively responsible for monitoring and accountability of Reserve Funds.
- ii. Independent quarterly review conducted by Financial Advisor with report to the General Manager/Treasurer.
- iii. Semi-Annual Review of Designated Funds by the Treasurer with project designation recommendations to the Board of Directors.
- iv. Annual Comprehensive Reserve Study of all funds by the Financial Advisor with a report and recommendations to the Treasurer and Board of Directors.