CHAPTER INDEX

CHAPTER I       INTRODUCTION
CHAPTER II      FINANCIAL PLANNING AND BUDGETING
CHAPTER III     CASH MANAGEMENT
CHAPTER IV      PROCUREMENT
CHAPTER V       FIXED ASSET ACCOUNTING AND PROPERTY CONTROL
CHAPTER VI      FINANCIAL AND COST ACCOUNTING
CHAPTER VII     REPORTING
CHAPTER VIII    PREFUNDING OTHER POST-EMPLOYMENT BENEFITS
CHAPTER IX      INSPECTION OF PUBLIC RECORDS AND DUPLICATION CHARGE POLICY
CHAPTER X       INVESTMENT POLICY
I. INTRODUCTION .................................................................................................................. 2
   A. PURPOSE AND SCOPE OF THE MANUAL .................................................................. 2
      1. Purpose .................................................................................................................. 2
      2. Scope .................................................................................................................... 2
   B. OVERVIEW OF AUTHORITY FINANCIAL MANAGEMENT SYSTEM ................. 3
      1. Financial Planning and Budgeting ...................................................................... 3
         a. Policy Planning ............................................................................................... 3
         b. Capital Planning .............................................................................................. 4
         c. Expenditures and Revenue Forecasting ......................................................... 4
      2. Cash Management .............................................................................................. 4
      3. Procurement ....................................................................................................... 5
      4. Fixed Asset Accounting and Property Control .................................................. 5
      5. Financial and Cost Accounting .......................................................................... 5
         a. Fund Accounting .............................................................................................. 6
         b. Types of funds .................................................................................................. 6
         c. Basis of accounting (accounting method) ...................................................... 7
         d. Account Structure ............................................................................................ 8
         e. General Ledger ................................................................................................. 9
         f. Budgetary accounting ..................................................................................... 10
         g. Use of prior year funds .................................................................................. 10
      6. Reporting ............................................................................................................. 10
   C. INTERNAL ACCOUNTING CONTROL .................................................................... 11
      1. Segregation of duties .......................................................................................... 11
      2. Internal control of cash ..................................................................................... 12
      3. Recording ........................................................................................................... 12
      4. Accountability for assets .................................................................................. 12
   D. RESPONSIBILITY FOR AUTHORITY FINANCIAL MANAGEMENT SYSTEM ............ 14
   E. PROCEDURES FOR REVISIGN THE MANUAL ......................................................... 16
      1. Maintenance of the Manual ............................................................................ 16
      2. Revisions to the Manual .................................................................................. 16
I. INTRODUCTION

This Financial Management System Policies and Procedure Manual has been written to provide documentation of the East Bay Dischargers Authority’s (Authority) financial management system, organization, functions, responsibilities, policies and procedures.

A. PURPOSE AND SCOPE OF THE MANUAL

1. Purpose

The purpose of this Manual is to describe the various functions of the Authority’s financial management system, assign responsibility for those functions, and to document the policies and procedures adopted to implement the system.

It is intended to serve as an informational and reference document for the Authority Commission, management, staff and other users of Authority financial information.

2. Scope

The Manual includes all relevant policies and procedures (both manual and automated) governing the financial planning and budgeting, cash management, procurement, fixed asset accounting and property control, financial and cost accounting, and reporting functions of the Authority.

The Authority utilizes a sophisticated accounting software system that supports:

- General Ledger;
- Accounts payable;
- Check Writing;
- Cash Receipts;
- Journal Entries.
The accounting software system also provides accounting and management reports. The Accountant is responsible for entering and processing all data into the system.

The software is periodically updated as new versions are developed. This ensures continued availability of technical support through the software developer. Documentation of the software is kept in Accounting and includes an Operation Manual, General Ledger, and Accounts Payable modules.

B. OVERVIEW OF AUTHORITY FINANCIAL MANAGEMENT SYSTEM

1. Financial Planning and Budgeting

Financial planning and budgeting are the functions by which the broader Authority policies are interpreted, ordered and defined to provide a framework for the everyday management of the Authority’s affairs.

Effective financial planning requires not only knowledge of historical financial position, but also the financial position of the future and which changes are likely to improve that position.

Although the Authority’s budgeting function is approached on an annual basis, the Authority needs some idea of the content of prospective budgets two, three or five years in the future to allow member agencies flexibility in their own financial planning, and to make adjustments to the Authority’s economic environment. The following activities are part of the Authority’s long-range financial planning process.

a. Policy Planning - Beyond knowledge of current environmental issues, policy decisions should incorporate the Authority’s goals for future environmental improvements. This process involves monitoring and informing the Commission of actual and proposed local, regional and state agency activities; prospective private dischargers; prospective reclamation opportunities; legislative proposals; new funding and other activities which may affect the Authority’s general economic position.

Long-range policy planning is determined by the Commission through discussion and recommendations of the Committees and
b. **Capital Planning** - Deterioration and obsolescence of facilities and equipment may dictate the need for capital expenditures. Because capital construction or purchases may require long planning and acquisition periods, and certainly because they require large sums of money, the need is accomplished on an ongoing basis through discussion by the Managers Advisory Committee, Committees, and the Commission.

c. **Expenditures and Revenue Forecasting** - Long-range trends in expenditures and revenues result from changes in Authority policy and operations, growth or reduction in the amount of work performed, staffing changes, and external factors such as local population growth, the financial status of member agencies, federal and state policy, etc. Planning in this area provides a controlled approach to necessary changes such as staff increases or training. These factors are discussed periodically with the Managers Advisory Committee, the Operations & Maintenance Committee, and Personnel Committee, reported to the Commission and formalized as soon as necessary for action.

2. **Cash Management**

Cash Management is the process of managing the Authority's monies to ensure maximum cash availability and maximum yield on short-term investment of idle cash. While receipts and disbursements are, for the most part, determined by other functions of the financial management system, several steps can be taken to improve the availability and yield.

The Authority's cash management procedures involve prompt invoicing, aging and follow-up of receivables, aggressive follow-up on grant reimbursements, prompt deposit of receipts, careful timing of disbursements, evaluation of bank balances and account analysis reports, and immediate and prudent investments of idle cash. Investments are made in accordance with provisions of the California Government Code and in accordance with the Authority's Investment Policy adopted by the Commission. Disbursements are made only upon approval by the General Manager and Operations and Maintenance Manager twice

monthly, unless an emergency situation exists. Disbursements and investments are reviewed by the Financial Management Committee on a monthly basis.

3. Procurement

The Authority’s procurement function includes the acquisition of all goods and services beyond the services provided by employees of the Authority and the Member Agencies. This involves the purchase of materials, supplies, and equipment by purchase order, securing professional services by negotiated contract, and obtaining sealed proposals for public works construction. The Authority's procurement procedures are designed to obtain all equipment, materials, supplies and services at competitive prices, using the method best suited to the nature of the transaction and consistent with the California Public Contracts Code and EPA procurement regulations.

4. Fixed Asset Accounting and Property Control

The State Controller, Federal and State Grant regulations, and management planning needs dictate accounting for fixed assets and establishing a property control system. The Authority’s accounting records document fixed asset value at the time of acquisition in the funds to which the assets are appropriately assigned and/or record annual depreciation of fixed assets in accordance with the policies detailed in Section 5, Fixed Asset Accounting and Property Control of this Manual. In addition, property records are maintained for each asset with a value exceeding $3,000. These records contain identifying information, acquisition value, and replacement value of the asset.

5. Financial and Cost Accounting

The Authority's financial and cost accounting system is designed in conformance with principles and standards of the Governmental Accounting Standards Board, the State Controllers Uniform System of Accounts for Waste Disposal Districts, and Federal and State regulations governing grants. Accounting focuses on the measurement and reporting, in monetary terms, of the flow of resources into and out of the Authority, of the resources controlled by the Authority, and of the claims against those resources. As with all types of accounting, the Authority's accounting is
intended to provide complete and accurate financial information in the proper form and on a timely basis.

The Authority’s accounting system furnishes the means of:

- Monitoring the financial accountability of each of the Authority’s cost centers or programs.
- Accurately presenting the current financial condition and results of operations of all funds.
- Producing comprehensive data relating to finances as a history of past performance and as a guide for further action.
- Providing effective financial control of the funds.
- Providing complete project cost data for preparing reports or claims for reimbursements from the State Controller’s Office, the State Water Resources Control Board, the Federal Environmental Protection Agency, and the member agencies of the Authority.

a. Fund Accounting

Governmental accounting systems are organized and operated on a fund basis. "A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations."

b. Types of funds

There are five (5) funds used by the Authority:

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- **O&M Effluent Disposal Fund (12)** - This fund includes the programs for operating and maintaining joint use facilities. It is a proprietary fund type. O&M costs are reimbursed by member agencies based on Schedule B of the Joint Powers Agreement and by other agencies based on agreements for service.

- **Special Projects Fund (13)** - This fund includes programs for all planning and special projects and studies. Costs are reimbursed by member agencies based on Schedule C of the Joint Powers Agreement or as established at the time a program is adopted.

- **Water Recycling Fund (14)** - This fund includes programs for production and delivery of recycled water to customers. It is a proprietary fund type. Costs are billed to customers based on agreements for services.

- **Renewal and Replacement Fund (31)** - This fund includes assessment for replacement of or major repairs to joint use components. It is a proprietary fund type. An annual assessment is made to member agencies in an amount determined by the Commission.

- **Capital Projects Fund (41)** - This fund includes programs for construction of joint and sole use facilities. It is a governmental fund type. Construction fund costs are advanced by the member agencies and other agencies based on Schedule A of the Joint Powers Agreement.

All Authority funds accounted for are classified as proprietary fund types using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

c. **Basis of accounting (accounting method)**

Basis of accounting refers to when revenues, expenditures, expenses or transfers are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the
timings of the measurements made regardless of the measurement focus applied. The three methods of accounting described below are accrual, modified accrual and cash.

- **Accrual Basis** - The accrual basis of accounting is that method under which revenue is recognized in the accounting period in which it is earned and becomes measurable; expenses are recognized in the period incurred, if measurable. Proprietary fund revenues and expenses should be recognized on the accrual basis.

- **Modified Accrual Basis** - The modified accrual basis of accounting is that method under which revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Governmental fund revenues and expenditures should be recognized on the modified accrual basis.

- **Cash Basis** - Cash basis accounting recognizes transactions only when cash changes hands.

All Authority proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned.

d. **Account Structure**

There are two major categories of accounts used in the accounting system; General Ledger Accounts and Operating Accounts.

**General Ledger Accounts** - General Ledger Accounts are a set of self-balancing accounts that reflect the current financial position of an entity. In governmental accounting they consist of assets, liabilities, and fund balance.

- **Assets** represent property owned by the entity with monetary value. They may be tangible, such as cash, or intangible, such as patents, copyrights, trade names and organization
costs. In essence, assets are things of value, whether physical or not, owned by the entity.

- **Liabilities** are debts incurred and still outstanding for goods and services received. Liabilities do **not** include encumbrances (i.e., purchase orders, contracts, or salary commitments), which are means of reserving funds to pay for such goods and services after their receipt.

- **Fund balance or owner's equity account** is the excess of assets of a fund over its liabilities. The fund balance may be available for use or may be reserved for predetermined uses.

**Operating Accounts** measure the changes in financial condition of an entity during a given period of time. They consist of revenues and expenses.

- **Expenses** are decreases in net financial resources. Expenses include current operating expenses which require the current or future use of net assets, debt service and capital outlays.

- **Revenues** are increases in proprietary fund type net total assets other than expense refunds, capital contributions and residual equity transfers.

e. **General Ledger**

The General Ledger is a book, file, or other device which contains all the accounts of a fund needed to reflect, in summary and in detail, the financial position and the results of financial operations of the Authority. It is maintained to consolidate accounts into one ledger. There is a separate General Ledger for each fund under which the Authority operates. The General Ledger is maintained on the Authority’s accounting software system which does not provide for subsidiary ledgers and, therefore, the General Ledger contains all of the Operating Accounts as well as the General Ledger Accounts.
f. **Budgetary accounting**

Governmental accounting is unique in its extensive use of budgetary system of operation. A budget is a plan of financial operation outlining proposed expenses for a given period of time and the proposed means of financing them. The accounting cycle of the Authority begins with the recording of the budget adopted by the Commission and then continues throughout the year by recording daily transactions and producing periodic reports comparing budgeted and actual revenues and expenses.

g. **Use of prior year funds**

Prior fiscal year funds may be used, for prior year expenditures, providing they have been encumbered before the end of the fiscal year (June 30), and funds continue to exist in the account. If not encumbered, appropriations expire at the end of the fiscal year and must be re-budgeted before expenditures may be made.

6. **Reporting**

Disclosure of financial information of the Authority is a legal requirement of the California Government Code, the JPA, any federal or state grant programs, and, necessary for the proper management and operation of the Authority. The reporting function includes:

- **Annual Reports** - An annual report of financial transactions is submitted to the State Controller in satisfaction of Government Code requirements. In addition, the Authority publishes, after each fiscal period, an audited annual financial report that reveals the financial activity of the past period and the current status of finances. This report is used by Commissioners, member agencies, management, investors, citizens and others in evaluating management of the Authority's finances.

- **Treasurer/Controller Reports** - The Government Code and the Joint Powers Agreement require that the Treasurer/Controller review and approve monthly reports of the receipts, disbursements, and investment of Authority funds.

- Internal Management Reports - Successful financial management requires that information from the accounting system is passed to those who need it in order to make decisions. The scope and frequency of reporting within the government is therefore, an important aspect of financial management. The various internal reports generated by the Authority are detailed under the Reporting function of this Manual.

- Debt Issuance Disclosure - When the Authority or a member agency seeks to issue long-term debt, an official statement is released, revealing all relevant information and the Authority's ability to repay the debt. This disclosure typically provides an expanded version of the Authority's annual financial statement.

C. INTERNAL ACCOUNTING CONTROL

Internal accounting control comprises the plan of organization, the policies, procedures and records that are concerned with the safe-guarding of assets and the reliability of financial records. The specific objectives of accounting control are to provide reasonable assurance that:

- All legal requirements are met.
- Transactions are executed in accordance with the Commission’s general or specific authorization.
- The possibility of loss by theft, fraud or embezzlement is minimized.
- The rules governing the receipt and spending of money and the use of other resources are adhered to.
- The information flowing through the system is accurate.

1. Segregation of duties

An important part of accounting control is the appropriate segregation of duties. No one person should be in a position both to perpetrate and to conceal errors and irregularities in the normal course of that person's duties without timely detection by someone else.
To be effective the system must include procedures that will swiftly detect any failure of accountability. Those procedures must be performed by competent persons who have compatible duties and are independent of the person being checked.

2. Internal control of cash

A good system of internal control for cash should provide adequate procedures for protecting both cash receipts and cash disbursements. In addition to the broad controls listed above, there are two basic principles that should always be observed:

- All cash receipts should be deposited promptly and intact; and
- Disbursements are made by check, by credit card or by electronic fund transfer (with receipts for verification). Any credit card or electronic fund transfer payments must be pre-authorized by the Treasurer.

3. Recording

The objective of accounting control requires that transactions be recorded in the amounts and in the accounting periods in which they are executed. They must also be classified in appropriate accounts. For this purpose, accounting periods refer to the periods for which financial reports are prepared for external distribution.

4. Accountability for assets

The objective of safeguarding assets requires that access to assets be limited to authorized personnel. Access to assets includes both direct physical and indirect access through the preparation or processing of documents that authorize the use or disposition of assets.

Internal control is established for the Authority through procedures set forth in this Manual which:

- Separate duties involved with the collection, deposit, recording and reconciliation of receipts.
SUBJECT:


- Require that receipts be deposited promptly and intact.
- Require researching the authorization for and obtaining the General Manager’s approval for all disbursements.
- Require verification by the Treasurer/Controller for accounting treatment.
- Require that all disbursements with the exception of transfers from demand accounts for the purpose of investment be made by check, credit card or electronic fund transfer.
- Require approval of the General Manager before a credit card is used (with the exception of routine travel expenses, such as for gasoline or parking).
- Require approval of the General Manager before a check is drawn or electronic fund transfer is scheduled.
- Require two signatures on all checks.
- Provide for review of all disbursements by the Financial Management Committee and approval by the Commission.
- Require the designation and recording of all assets at the time of acquisition and updating in the Maintenance Management System (MMS) and Renewal & Replacement (R&R) programs.
- Require regular reporting to the Commission by the Treasurer/Controller on receipts, disbursements, investments, and property inventory.

The stated objectives of internal accounting control recognize that reasonable, but not absolute, assurance can be accomplished by a system of accounting controls. This concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits to be derived. It also recognizes that there are inherent limitations in any system of accounting control.
The concept of "inherent limitations" acknowledges that in any system there are possibilities of errors arising from misunderstanding of instructions, mistakes of judgment, personal carelessness, distraction or fatigue. Furthermore, the effectiveness of certain control procedures can be circumvented by the collusion of two or more employees or by the overriding authority of management.

D. RESPONSIBILITY FOR AUTHORITY FINANCIAL MANAGEMENT SYSTEM

Exhibit I-1 (East Bay Dischargers Authority Financial Management System Responsibility Chart) provides an overview of the Authority financial management system roles and responsibilities. In general, the Commission sets overall policies, adopts a budget, approves contracts authorizing expenditures, and reviews and evaluates the results of the system. The General Manager exercises overall control of and responsibility for the system. The General Manager prepares a proposed budget annually for adoption by the Commission and performs the financial planning functions.

1. The General Manager functions as the Treasurer/Controller and is responsible, with staff support, for the receipt and disbursement of all cash, is custodian of cash and other assets of the Authority, and is responsible for investment of idle cash. The General Manager is responsible for daily supervision of the accounting and procurement functions, and arranges for an annual audit of the Authority’s accounts and records.

2. The accounting staff maintains the accounts and records of the Authority and prepares reports.

3. The Administrative Assistant receives and records all cash and checks and makes bank deposits upon approval by the General Manager.

Exhibit I - 1
East Bay Dischargers Authority
Financial Management System
Responsibility Chart

<table>
<thead>
<tr>
<th>COMMISSION</th>
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<tbody>
<tr>
<td>Sets Policy</td>
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<tr>
<td>Adopts Budget</td>
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<tr>
<td>Approves Contracts Authorizing Expenditures</td>
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<tr>
<td>Reviews Results of Operations</td>
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<tr>
<th>GENERAL MANAGER</th>
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<tr>
<td>Treasurer/Controller</td>
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<tr>
<td>Overall Responsibility</td>
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<tr>
<td>Custodian of Cash</td>
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<tr>
<td>Approves Disbursements</td>
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<tr>
<td>Reports to Commission</td>
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<tr>
<th>ADMINISTRATIVE ASSISTANT</th>
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<td>Bank Deposits</td>
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<td>Receipts</td>
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<thead>
<tr>
<th>ACCOUNTING STAFF</th>
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<tbody>
<tr>
<td>Maintain Records</td>
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<tr>
<td>Prepare Records</td>
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</tbody>
</table>
E. **PROCEDURES FOR REVISING THE MANUAL**

1. **Maintenance of the Manual**

   The Administrative Assistant shall have the prime responsibility for maintenance of this Manual. Maintenance shall include:
   
   · Keeping a log of all Manual holders
   
   · Issuing revised Manual pages when approved to all Manual holders

   In addition, Manual holders shall have the responsibility to incorporate all revisions into their manuals to keep them current. The cover memo and any pages removed from the Manual should be discarded.

2. **Revisions to the Manual**

   Revisions to this Manual will be issued when organizational, policy, procedural or other changes occur. Each year the Commission is required to review the Investment Policy and the other nine chapters of the Manual. Revisions will be distributed to all Manual holders. The transmittal of revisions will include:
   
   · A cover memo explaining the revision and listing all pages to be replaced or discarded
   
   · The revised Manual page(s)

   Procedures for revision of Manual pages are as follows:

   a. Any Authority Commissioner or staff member may initiate a revision when they become aware of the need by sending a memo of explanation and suggested wording of the revision to the General Manager.

   b. General Manager reviews, edits and approves revision as appropriate. Any revisions involving a policy change shall be placed on an agenda for Financial Management Committee’s authorization and Commission approval.
c. Issue Manual revision or if a policy change, prepare for Commission approval and issue revision upon approval.

d. The Administrative Assistant will provide revisions to each Manual Holder, who will be responsible for keeping their manuals up to date.
II. FINANCIAL PLANNING AND BUDGETING .................................................................................. 2
   A. FUNCTIONS AND RESPONSIBILITIES................................................................. 2
   B. POLICIES AND CONTROLS.................................................................................. 2
   C. PROCEDURES ........................................................................................................ 3
      1. Procedure for Preparation of Annual Budget .............................................. 3
      2. Procedures for Completing the Annual Budget .......................................... 4
      3. Procedure for Appropriation of the Annual Budget ................................. 4
      4. Assessment for Renewal and Replacement Fund ...................................... 5
      5. Price of Recycled Water ............................................................................... 5
II. FINANCIAL PLANNING AND BUDGETING

This Section of the Manual covers the functions, responsibilities, policies and procedures for financial planning and budgeting.

A. FUNCTIONS AND RESPONSIBILITIES

The financial planning and budgeting process functions to order, define and interpret broad policies set by the Commission regarding the Authority's role in providing service to its member agencies and to the public. It assigns monetary values to long-range capital plans and provides an operating guideline for ongoing management decisions. Capital and financial planning on a long-range basis allows the Authority and member agency management to plan accordingly.

Ultimately, the financial planning and budgeting function establishes control and accountability for Authority resources. Long-range policy planning is the responsibility of the Authority Commission. Capital planning and the preparation of an annual budget are the responsibility of the Authority General Manager, working within the policies established by the Commission. Expenditure and revenue forecasting are the responsibility of the General Manager. Budget estimates are prepared by the staff that has the responsibility for expenditure control and program performance. The budget document records budgeting decisions for the current fiscal year.

The Commission also adopts by resolution policies regarding cost for services received or provided which govern the budgeting functions. These include the compensation for commissioners, assessment for the replacement fund, price of reclaimed water and Schedule of Fees.

B. POLICIES AND CONTROLS

1. The Annual Budget is organized by fund.
   a. The Annual Budget is adopted on a program basis with additional line-item detail.
   b. Adoption of the Annual Budget constitutes authority to bill member agencies for contributions.
   c. Adoption of the Annual Budget approves expenditures for programs and authorizes the General Manager to make payment for them.
Financial Planning and Budgeting

d. The Annual Budget establishes appropriations for current fiscal year expenditures. Appropriations expire at the end of each fiscal year.

e. Throughout the fiscal year, expenditures are controlled on both a program basis, and a line-item basis.

f. The Program Manager is responsible for expenditure control.

g. The Annual Budget may be amended only upon approval of the Commission.

2. A Quarterly Expense Summary is prepared by the General Manager.

C. PROCEDURES

1. Procedure for Preparation of Annual Budget

The Authority's annual budgeting process starts in January, generates preliminary information for member agencies by April 1, and must be completed and adopted by June 1 in accordance with the Joint Powers Agreement. The budget is organized by fund and by programs within each fund. It includes estimated expenditures and revenues for each program for only one fiscal year, regardless of the length of a particular program. The budget process produces the budget document adopted by the Commission:

- FY Budget by Program
- FY Budget by Account
- FY Budget Revenue from Member Agencies and other sources
- FY Budget O&M Variable and Fixed Costs
- FY Budget for LAVWMA Participation
2. **Procedures for Completing the Annual Budget**

**General Manager**

- A. January - Prepare a planning calendar and tentative program, special project, and capital project list.
- B. February - Send Member Agency O&M Cost Estimate Forms to Member Agencies.
- C. February - Review contracts for services and information received from other sources.

**Program Manager**

- D. March - Provide input to General Manager as requested for completion of Budget Estimation Worksheets.

**General Manager**

- E. March - Complete Budget Estimation Worksheets for each program and account to develop draft Budget as noted in C.1. above.
- F. March - Review special projects and capital projects with appropriate Commission Committees and the Managers Advisory Committee.
- G. April - Present draft budget Documents to Financial Management Committee and Managers Advisory Committee for review. Revise as necessary.
- H. May - Present Final Budget Documents to Commission for approval by Resolution.

3. **Procedure for Appropriation of the Annual Budget**

The Annual Budget adopted by the Commission on a program basis shall be appropriated and entered to the Accounting software system on the basis of the program estimates prepared by the General Manager.

**Accounting**

- A. Complete Chart of Accounts Maintenance Worksheet for each line item budget amount, creating additional accounts where necessary.

**General Manager**

- B. Approve all worksheets.
4. **Assessment for Renewal and Replacement Fund**

   The annual assessments for the Renewal and Replacement Fund are determined by the Commission after review of the assessments calculated in accordance with Resolution No. 90-11 and a determination of adequacy of the fund balance.

5. **Price of Recycled Water**

   The price of recycled water, established annually by the Commission, is based on the operational costs incurred by the Authority, the risk to the Authority, the comparable price of potable water and the environmental benefits resulting from use of recycled water.
III. CASH MANAGEMENT

A. FUNCTIONS AND RESPONSIBILITIES

B. POLICIES AND CONTROLS

C. PROCEDURES

1. Cash Receipts and Deposits

2. Cash Disbursements

3. Cash Flow

4. Investments
III. CASH MANAGEMENT

This Section of the Manual covers the functions, responsibilities, policies, and procedures for cash management.

A. FUNCTIONS AND RESPONSIBILITIES

For purposes of this Manual, cash management includes all procedures for handling, safeguarding, and investing cash in the custody of the Treasurer/Controller. Accounting for cash disbursements and cash receipts is discussed in Section VI – Financial and Cost Accounting. Cash in the custody of the Treasurer/Controller may be on deposit in the bank in demand accounts as authorized by the Commission, in the Local Agency Investment Fund (LAIF) or invested in securities as authorized by the Authority, Section X - Investment Policy.

The Treasurer/Controller, is appointed by the Commission as specified by the Joint Powers Agreement, and is responsible for:

- Reviewing and approving deposits, disbursement and investments of Authority cash made by Authority staff to insure that they are in compliance with the procedures described herein and that they provide for proper safe keeping of Authority cash.
- Reviewing and approving all cash transfers, including interest apportionment.
- Causing reports to be prepared by staff for review by the Financial Management Committee and the Authority Commission.
- Completing cash transfers as directed by the General Manager.

The General Manager is responsible for:

- Authorizing and approving all cash transfers.
- Authorizing and approving all disbursements and investments.
- Reconciling cash balances with bank statements.

Accounting is responsible for:
Cash Management

- Maintaining records of cash deposits, transfers, balances, and investments.
- Computing the interest apportionment.

The Administrative Assistant is responsible for receiving, receipting, and reporting all cash receipts.

B. POLICIES AND CONTROLS

The Authority's cash management policies are intended to ensure maximum cash availability and maximum yield on short-term investment of idle cash. The policies include:

- All agencies will be billed promptly in accordance with terms of agreements covering their share of costs for receipt of services or products.
- Miscellaneous receivables will be billed as soon as they are identified and quantified.
- Except in emergency situations or extenuating circumstances, disbursements will be made by the fifteenth and last business day of each month. All disbursements will be made only by check, credit card, electronic fund transfers (EFT), transfers from demand accounts for purposes of investment, or direct charges by the bank which may be accomplished by wire transfer.
- All disbursements, whether by check, credit card or EFT, require prior approval of the General Manager.
- Voiding and/or replacing any disbursements made by check, will require approval of the General Manager prior to placing a stop-payment on the item.
- All investments will be made in accordance with appropriate sections of the Government Code and the Authority's Investment Policy, Section X.
- All receipts will be deposited promptly and intact and in accordance with the Authority’s Investment Policy, Section X.
- Each demand account opened shall require certified resolution of the Commission authorizing the General Manager to establish such an account.
Controls on cash management include separation of duties, approvals for disbursements, and periodic reports to the Financial Management Committee and the Commission.

Responsibility for cash receipts, authorization of cash disbursements and approval of all disbursements lies with the General Manager.

The Joint Powers Agreement requires a monthly report of cash receipts, disbursements, and current balance to the Commission detailing total investments and all transactions which occurred during the month.

General internal cash controls are as follows:

· The Administrative Assistant accepts and records all receipts.

· Deposits to the bank are made by the Administrative Assistant after verification and approval by the General Manager.

· The bank account is reconciled monthly by someone other than the employee who makes the bank deposits, preferably the General Manager.

· The cash receipts are posted in the Cash Receipts Log and to the Cash Receipt Processing Worksheet by the Administrative Assistant. Receipts are verified by the General Manager, deposited by the Administrative Assistant and entered to the software system by accounting personnel.

· No adjustments should be made to cash ledger accounts without the approval of the General Manager as hereinafter specified.

· No employee is permitted to co-mingle his own or any other person’s private monies with Authority funds. Therefore, Authority funds shall not be used to cash payroll checks or other personal checks. Employees shall not borrow money or issue personal I.O.U.’s in exchange for Authority funds of any kind.

The acceptance of personal checks for payments is discretionary with the Administrative Assistant. The Administrative Assistant may accept payments for Authority services in the form of personal checks, bank checks and drafts, express and post office money orders, and cashier checks for the exact amount of purchase.

When accepting checks the following safeguards should be followed:

· Have personal checks made payable to “East Bay Dischargers Authority.”
The name, address, and telephone number of the maker must be imprinted on the check. Note the receipt number on the face of the check for later reference.

Do not honor a check that is postdated.

Do not accept third-party checks.

A restricted endorsement stamp must be used on all checks and money orders to be deposited. For control purposes, only one endorsement stamp is available. The Administrative Assistant will have custody of the endorsement stamp and will endorse all checks prior to deposit.

When payment is received in more than one form (check, money order, and/or currency), only one receipt should be issued for the total amount of the payment. A notation should be made on the receipt indicating the different forms of payment and the corresponding amount of each.

When a check or other instrument is received which covers payment for the accounts of more than one person or entity, a separate receipt should be issued for each person or entity.

All checks shall be kept locked during non-working hours and keys should be restricted to the minimum possible number of employees. A written record of office keys should be maintained, and it should be the responsibility of the General Manager to ensure that office keys are returned by employees that have resigned, retired or been terminated.

All cash receipts shall be deposited intact into the bank account on the day they are received. Large amounts of cash shall not be allowed to accumulate. Depositing intact means that the deposit must consist of the same checks and/or money orders as indicated in the receipts for the deposit. This is an integral feature in the internal cash control system.

C. PROCEDURES

This Chapter does not include detailed accounting procedures for cash receipts and disbursements. These procedures are included in Section VI, Financial and Cost Accounting.

1. Cash Receipts and Deposits

Cash receipts, for purposes of this Manual, include money received by check,
pre-paid debit card, warrant, money order, telegram, and all other forms of
tender. All cash receipts are recorded in the Cash Receipts Log.

Administrative Assistant

A. Open the mail. Record all checks and other cash receipts
in the Cash Receipts Log.

B. Prepare a Cash Receipt Processing Worksheet.

1. Record the Cash Receipt Processing Worksheet
number in the Cash Receipts Log next to all items
being sent to Accounting.

2. Enter the date. If more than one day's receipts are
being recorded, use separate forms. Record the
date in the Cash Receipts Log also.

3. If an invoice was issued to which this receipt
applies, enter the invoice number.

4. Enter the description.

5. Enter the ten (10) digit account code.

6. Enter the amount. If a total receipt applies to several
accounts, there will be one amount per account.

   Total all receipts and enter the total of all receipts
   reported on this Cash Receipt Processing Worksheet.

7. Provide a breakdown of the receipt, specifying the
total checks and money orders received. This total
should match the receipt total in 6 above. Sign Cash
Receipt Processing Worksheet and prepare bank
deposit slip.

C. Endorse checks. Verify deposit, deposit slip and Cash
Receipt Processing Worksheet match.

D. Deposit cash receipts in the bank the day they are received
and send the Cash Receipt Processing Worksheet to the
Cash Management

General Manager, then to the Treasurer, and finally to Accounting. Attach duplicate deposit slip, copy of check or money order or cashier's check and invoice to the Cash Receipt Processing Worksheet.

General Manager

A. Review the worksheet and verify the totals from the detail. Reconcile with deposit slip.

B. Update Supplemental Treasurers Report.

C. Initiate transfer to LAIF as appropriate.

D. Review the worksheet and verify the totals from the detail. Reconcile with deposit slip.

Accounting

A. Review the worksheet and verify the totals from the detail. Reconcile with deposit slip.

B. Complete any blanks on worksheet. Key the data into the accounting system.

C. File the Cash Receipt Processing Worksheet in the current receipts binder.

2. Cash Disbursements

Disbursements are made by check, credit card or direct transfers by the bank.

Credit cards are issued in the name of the Authority for use by Authority staff for approved travel costs, office supplies or general administrative expenses as approved by the General Manager. Travel costs include, but are not limited to, conference registrations, airline tickets, rental cars, gasoline, parking, hotels and restaurants. All charges shall be documented. All receipts shall be turned in. Use of Authority credit cards for non-Authority business shall be cause for employees to be subject to disciplinary action.

Checks are prepared by Accounting from recorded payables. Except for emergency situations or extenuating circumstances, checks are prepared no later than the 15th and last day of each month.

Every disbursement requires approval by the Operations & Maintenance Manager and the General Manager. All checks require any two of the following
signatures: General Manager, Operations & Maintenance Manager, designated alternate as appointed by the Commission. Accounting is responsible for establishing, recording and maintaining Accounts Payable.

Payroll disbursements are made by direct deposit by the Authority’s bank payroll service and recorded by Accounting via a journal entry.

Any staff member or Commissioner may submit a claim to establish Accounts Payable which may be based on:

- Vendor invoices
- Travel expense reimbursement
- Travel expense advances
- Commissioner’s compensation
- Mileage and miscellaneous expense reimbursements
- Invoices from other governmental agencies

A staff member is responsible for verifying receipt of goods or services upon which a claim is based.

Procedures for establishing Accounts Payable and making disbursements are included in Section VI, Financial and Cost Accounting.

3. Cash Flow

The accounting software in use by Authority supports accounts payable functions that provide reporting of all “vouchers to be paid” which have been entered to the system. This report will be used as the basis for semi-monthly cash flow to assist in determining amounts of excess cash that may be invested. Procedures for compiling semi-monthly cash flow are as follows:

   Accounting   | A. By the 15th and the last day of each month determine that all invoices received to date are entered to the accounting software.
                | B. Print an "Accounts Payable Preliminary Check Register" report entering payment date.
Cash Management

General Manager

C. Review current cash balances.

D. Estimate date of receipts for receivables.

E. Subtract payables to determine need to move cash to or from LAIF or other investment.

F. Initiate request for a LAIF transfer and record in Supplemental Treasurer’s Report.

Operations & Maintenance Manager

Arrange for transfer of funds to or from LAIF as appropriate.

4. Investments

All cash not needed to meet current obligations is invested in order to earn a safe rate of return in accordance with the Authority’s Investment Policy.

A two- to four-month cash supply will be kept in the Wells Fargo business accounts to maintain cash availability, balanced by an associated interest-earning savings account consistent with the Authority’s investment policy.

The State Treasurer's Local Agency Investment Fund (LAIF) is an alternate method of investment that may be utilized to achieve the maximum rate of return on investments.
IV. PROCUREMENT

A. FUNCTIONS AND RESPONSIBILITIES

B. POLICIES AND CONTROLS

1. Capital Projects
2. Repairs and Maintenance to Authority Joint-Use Facilities
3. Acquisition of Equipment, Supplies and Materials
4. Personal Services Contracts
5. Emergency

C. PROCEDURES

1. Preparing a Purchase Order
2. Purchase Order Adjustments, Corrections and Cancellations
3. Negotiated Contracts
4. Advertising for Bids
IV. PROCUREMENT

This Section of the Manual covers procurement functions, responsibilities, policies and procedures for purchase order issuance and changes, negotiated contracts, advertising for sealed proposals, receiving, and inventory.

A. FUNCTIONS AND RESPONSIBILITIES

EBDA’s procurement function includes the acquisition of all goods and services beyond the services provided by employees of the Authority. This involves purchase of materials, supplies, and equipment by purchase order, securing professional services by negotiated contract, and obtaining sealed proposals for public works construction.

Procurement is the responsibility of the General Manager, who assures major procurements adhere to policies, procedures, and budget, supervises routine purchasing procedures, obtains approvals from the Commission, grantor agencies and legal counsel, and maintains overall policies and procedures.

When the need for supplies or services becomes apparent, the Program Manager is responsible for locating a source, establishing price, and requesting proposals, negotiating a contract, or advertising for sealed bids.

The Administrative Assistant issues purchase orders for equipment, materials, supplies and services, and keeps purchase order files.

B. POLICIES AND CONTROLS

EBDA’s procurement policies are governed by the California Public Contracts Code, EPA regulations, the JPA, and resolutions adopted by the Commission from time to time. These governing documents set out five distinct categories of purchases that require different methods of procurement as follows:

1. Capital Projects: Includes any construction, reconstruction, alteration, enlargement, renewal or replacement of sewer facilities which the Authority is authorized to do, including, but not limited to, the furnishing of supplies or materials for any such work. This category also includes acquisition of equipment, supplies and material related to Authority project contracts. (Public Contracts Code Section 22032-22035).
a. JPA - The power to enter into contracts is authorized by Section 5., Powers.

b. Federal and State Funding - For projects that include federal and/or state funding, current regulations for federal grant funds and/or State Revolving Loan Program are to be followed.

c. State Law - Pursuant to California Public Contracts Code §22032-22034 for public projects of one hundred seventy-five thousand dollars ($175,000.00) or less the following procedure is used:

i. EBDA shall maintain a list of qualified contractors, identified according to categories of work.

ii. All contractors on the list for the category of work being bid or all appropriate construction trade journals, if any, or both, shall be mailed a notice inviting informal bids unless the product or service is proprietary.

iii. Mailing of all notices must be completed not less than ten (10) calendar days before bids are due.

iv. The notice shall describe the project in general terms and how to obtain more detailed information about the project, and state the time and place for the submission of bids.

v. If all bids received are in excess of one hundred seventy-five thousand dollars ($175,000), the Commission may, by adoption of a resolution by a four-fifths vote, award the contract at one hundred eighty-seven thousand five hundred dollars ($187,500) or less, to the lowest responsible bidder, if it determines the EBDA cost estimate was reasonable.

2. Repairs and Maintenance to Authority Joint-Use Facilities:

Includes acts of preservation, support, mending, restoration and renovation to prevent a decline in condition.
a. JPA - The power to enter into such contracts is authorized by Section 5., Powers.

b. Federal and State Funding - For projects that include federal and/or state funding, current regulations for federal grant funds and/or State Revolving Loan Program are to be followed.

c. State Law – There are no rules or restrictions with regard to competitive bidding on repairs and maintenance to Authority projects under state law.

3. **Acquisition of Equipment, Supplies and Materials**: Not related to construction, reconstruction, alteration, enlargement, renewal or replacement of Authority Joint-Use Facilities.

   a. JPA - The power to enter into such contracts is authorized by Section 5., Powers.

   b. Federal and State Funding - For projects that include federal and/or state funding, current regulations for federal grant funds and/or State Revolving Loan Program are to be followed.

   c. State Law - There are no state rules or restrictions with regard to competitive bidding on acquisition of such equipment, supplies or materials under state law.

4. **Personal Services Contracts**: For specialized services including engineering, legal counsel, accounting, etc.

   a. JPA - The power to enter into such contracts is authorized by Section 5., Powers.

   b. Federal and State Funding - For projects that include federal and/or state funding, current regulations for federal grant funds and/or State Revolving Loan Program are to be followed.

   c. State Law - There are no rules or restrictions with regard to competitive bidding on personal service contracts under state law.
5. **Emergency:** Defined as great public calamity as an extraordinary fire, flood, storm, epidemic, or other disaster, or if it is necessary to do emergency work to prepare for national or local defense. Public Contracts Code, Section 20806.

   a. **JPA** - There are no specific emergency powers enumerated in the JPA. Such powers are authorized generally under Sections 5., Powers.

   b. **Federal and State Funding** - For projects that include federal and/or state funding, current regulations for federal grant funds and/or State Revolving Loan Program are to be followed.

   c. **State Law** - The Commission may pass a resolution by 4/5 vote of its members declaring that the public interest and necessity demand the immediate expenditure of Authority funds to safeguard life, health or property. Upon adoption of the resolution, it may expend any sum required in the emergency without complying with the requirements for competitive bids.

**Commission Approval Required for Certain Expenditures:** The following EBDA policies apply to all procurements:

1. Pursuant to Section 7(a)(ii) of the JPA, an affirmative vote of four members of the East Bay Dischargers Authority Commission is required in order to award, modify or accept work under any contract identified above (including but not limited to contracts for the acquisition or construction of any building, works or improvements for the Phase I Project) in excess of TEN THOUSAND DOLLARS ($10,000), EBDA policy therefore provides that procurements as authorized by the Annual Budget and under $10,000 are within the Authority of the General Manager.

2. The Commission may from time to time, by Resolution, approve the award, modification or acceptance of work under any contract that obligates the East Bay Dischargers Authority to an expenditure of up to TWENTY-FIVE THOUSAND DOLLARS ($25,000), where such contract is in proper legal form and is consistent with the EDBA Annual Budget and authorize the General Manager to execute such contracts for up to TWENTY-FIVE THOUSAND DOLLARS ($25,000) on the Commission’s behalf.
Under such circumstances, procurements that are authorized by the Annual Budget and under $25,000 are also within the authority of the General Manager.

3. All such contracts may be accomplished by purchase order, agreement or contract where there is no conflict with the above stated state laws or Federal regulations. The appropriate form of contract for all purchases will be determined by the General Manager.

The following EBDA policies apply to procurements which are not otherwise covered by State law or EPA regulation.

1. If the value of an anticipated purchase is less than $10,000, considerable flexibility in procedure exists. Generally, at least three (3) quotations should be obtained from specifications developed by EBDA. This will usually be done by the person initiating the request either by informal or written bid. If the technical nature of the purchase requires it, or the item is difficult to spec, EBDA may obtain informal quotations, document them, and submit them along with the request. If the purchase is sufficiently small (generally under $1,000) it may not be cost-effective to obtain three quotations.

2. There may be valid cases for a single vendor purchase which would waive the requirements for obtaining competitive bids. The reasons for single-vendor purchase must be set forth in a memo submitted with the request.

3. Federal and State Funding - For projects that include federal and/or state funding, current regulations for federal grant funds and/or State Revolving Loan Program are to be followed.

4. Repairs to joint-use facilities exceeding $500 but less than $5,000 which can be completed by member agency staffs will be authorized by the Operations & Maintenance Manager based on justification provided by the Member Agency.

5. Where it is cost-effective, EBDA may participate with Member Agencies or other agencies such as the County or State, in contracts for supplies, services, materials or equipment subject to requirements of the state law and EPA regulations.
C. PROcedures


1. Preparing a Purchase Order

Purchase orders may be used for purchases under $25,000 where the General Manager has determined that they are the appropriate form of contract.

The following instructions cover the steps for preparing a Purchase Order.

**Administrative Assistant**

A. Prepare a Purchase Order using the next sequentially numbered Purchase Order form. Make sure the vendor is entered into the accounting software program. If not, follow the procedure in Section VI – Financial and Cost Accounting.

B. Submit the Purchase Order and any supporting documents, to the General Manager for approval.

**General Manager**

C. Review, approve and sign the Purchase Order and return it and accompanying documents to the Administrative Assistant.

**Administrative Assistant**

D. Send Copy 1 (Original) of Purchase Order to the vendor with W-9 and Request for Certificate of Insurance forms.

E. File Copy 2 – Numeric Copy (Yellow) in the Numeric Purchase Order Binder by Purchase Order Number.

F. File Copy 3 – Receiving Copy (Pink) in the Open Purchase Order File.

G. Upon receipt of goods, check for receiving copy of Purchase Order before acknowledging receipt.

H. Match receiving copy of Purchase Order to invoice and attach to the Vendor Payment Worksheet.
2. Purchase Order Adjustments, Corrections and Cancellations

Any errors on an issued Purchase Order form other than the account code will require that a Change Order be completed.

Follow the instructions for completing an original Purchase Order. Clearly label the Purchase Order as a Change Order. Provide a clear description of all changes in the detailed description field. Obtain the same approvals and route the copies the same as the original. Send a copy to the vendor.

3. Negotiated Contracts

When it has been determined by the previously stated policies that procurement may be accomplished by negotiated contract, the following procedure shall apply.

Program Manager

A. Develop a complete, adequate and realistic statement of the work to be performed and any special qualifications or expertise required to accomplish the work.

B. Develop a Request for Proposals (RFP) which contains a complete description of the work required, schedule for completion, method of compensation, criteria to be used for selection, date and place proposals are to be submitted and any other special requirements.

C. Determine whether the work is highly specialized and distribution of the RFP should be limited to a few qualified firms or the work is of a general nature and should receive broad advertisement.

D. Review and evaluate proposals received for completeness and responsiveness and rank them in accordance with the criteria stated in the RFP.

E. Interview an appropriate number of the top ranking firms submitting proposals and make a selection.

F. Commence negotiation of the contract. The negotiations should include as a minimum:

- The scope and extent of the work and other essential requirements;
4. **Advertising for Bids**

When it has been determined by the previously stated policies that competitive bidding with public notice is required for procurement the following procedure shall apply.

**Program Manager**

**A. Develop specifications which shall include:**

1. A complete scope of the work to be performed and, where
appropriate, design drawings, specifications and a performance schedule;

2. The terms and conditions of the contract to be awarded, including payment, delivery schedules, point of delivery and acceptance criteria;

3. A clear explanation of the recipients method of bidding and the method of evaluating bid prices and its basis and method for awarding the contract;

4. Any responsibility requirements or other evaluation criteria which will be used in evaluating bidders;

5. Prevailing wage determinations, if applicable;

6. The deadline and place to submit bids and a set of documents on which the bids should be submitted, including bid bond if appropriate.

B. Prepare "Notice Inviting Bids", stating the project and date for the bid opening and place for obtaining specifications.

C. If applicable, Publish "Notice Inviting Bids" at least 10 days before the date of opening bids. Notice must be published at least twice, not less than five days apart, in a newspaper of general circulation within the Authority’s jurisdiction.

Administrative Assistant

D. On the specified bid opening day, receive bids, date stamp and record the time of receipt on the outside of the envelope and accumulate all bids (unopened) until the specified time for opening. Accept no bids after the specified time. Prepare a bid summary sheet listing all bid items in the format of the proposal and listing all bidders.

General Manager

E. Open bids in public meeting. Read name of bidder and amount of bid aloud and record on Bid Summary Sheet.

F. Upon receipt of bids, verify that bid documents are complete and accurate and proceed with selection based on the method set forth in the specification. The contract award must be to the
<table>
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<th>SUBJECT:</th>
<th>Procurement</th>
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lowest responsible bidder.

G. Schedule award of contract for the next Commission meeting, subject to review by the appropriate Commission Committee.

H. Prepare a staff report summarizing the bid process and number and range of bids received and evaluation of the bids, requesting approval to award and authorization for General Manager to execute a contract. The agenda packet shall include the staff report, agreement and resolution. Have agreement documents reviewed and approved as to form by legal counsel.

I. Following award of contract by the Commission, prepare two original agreements and submit to contractor for signature with letter requesting appropriate insurance endorsements and bonds.

J. Execute agreements and issue Notice to Proceed.
FIXED ASSET ACCOUNTING AND PROPERTY CONTROL

A. FUNCTIONS AND RESPONSIBILITIES
B. POLICIES AND CONTROLS
C. PROCEDURES
   1. Fixed Asset General Ledger Accounting
   2. Disposition of Fixed Assets
   3. Depreciation of Fixed Assets
   4. Maintenance of Property Records
V. FIXED ASSET ACCOUNTING AND PROPERTY CONTROL

This Section of the Manual covers the functions, responsibilities, policies and procedures for fixed asset accounting and property control.

A. FUNCTIONS AND RESPONSIBILITIES

The fixed asset accounting and property control function includes entries to the accounting system, keeping source documents, maintaining subsidiary property records, physical inventory of assets, property identification and labeling, and maintenance of the Asset Management Plan Fund System (AMP) and Maintenance Management System (MMS).

For purposes of this Manual, fixed assets include land, improvements, and equipment costing $3,000 or more, have a life that extends beyond the current fiscal year and are considered to be capital items affecting the general ledger accounts of the fund to which they belong. In addition, a record of all non-expendable property and equipment with a value exceeding $3,000 should be properly maintained by the Authority to assist in the following areas:

- Assure that the Authority's property, plant, and equipment are not stolen, misused, or subjected to undue wear and tear;
- Provide use and cost data for decision-making in the asset management plan and preventive maintenance programs;
- Enhance efforts to obtain optimum insurance coverage levels;
- Provide documentation and proof to support losses when insurance claims are filed;
- Form the basis for the Authority's capital improvement program and capital budgeting activities;
- Permit fiscal and operational reporting by the Authority.

The General Manager is the custodian of all fixed assets. Accounting staff records fixed asset value in the General Ledger and prepares the depreciation schedule annually. The General Manager approves the depreciation schedule as well as other changes to the value of fixed assets. The Authority maintains a computerized asset management plan and a computerized MMS which both act as property inventories of all fixed assets belonging to the Authority. The MMS is
used to schedule periodic maintenance of all equipment and also serves as an ongoing inventory of the fixed assets. The asset management plan is used to enhance the decision making process by providing risk and critically information as well as suggested refurbishment and equipment replacement schedules.

**B. POLICIES AND CONTROLS**

The policies for fixed asset accounting of the Authority are governed by the State Controller, the Environmental Protection Agency, the State Water Resources Control Board, and the Joint Powers Agreement.

The State Controller has established the financial reporting and other requirements used by the Authority and provides guidelines for fixed asset accounting.

**C. PROCEDURES**

1. **Fixed Asset General Ledger Accounting**

   Fixed assets may be acquired by purchase, construction, gift, or transfer. This subchapter outlines the property valuation and the appropriate accounting treatment.

   **a. Acquisition by Purchase**

   Fixed assets acquired by purchase are recorded at the time of purchase in the Fund and expense account "Acquisitions" in the Program for which the assets were purchased.

   Fixed assets are valued at cost. Machinery and equipment costs should include the total purchase price after cash discounts and trade-in allowances, transportation charges and installation costs. In addition, sales taxes should be included as part of the cost.

   At the end of the fiscal year, all cost accumulated in the expense account "Acquisitions" is transferred to the appropriate fixed asset account in the General Ledger and reflected in the balance sheet. New items are added to the AMP and MMS. Acquisitions made in the AMP Fund are transferred to their appropriate funds, generally the O&M Fund. Costs listed in the AMP include all acquisition costs as well as installation costs to ensure adequate funds are available for future replacement.
2. Disposition of Fixed Assets

a. Declaring Fixed Assets as "Surplus"

Fixed assets such as vehicles, equipment or real property, may become "surplus" when, in the opinion of the General Manager, such assets have become unsuitable or unnecessary for Authority purposes. Prior to disposing of any Authority asset, the asset(s) must be declared "Surplus."

Commission approval of the Asset Management Plan Schedule for renewal & replacement of fixed assets for each fiscal year shall serve as the required declaration for all items to be replaced in that fiscal year.

b. Authorization to Sell Assets or Property

Upon a determination by the Commission that an Authority fixed asset is "surplus" and no longer required for the purposes of the Authority, the General Manager is authorized to sell, trade or donate such assets for a reasonable value and in a manner which is in the best interests of the Authority. Staff is authorized to use public auction, direct advertisement, used equipment dealers/brokers, or other reasonable means in disposing of Authority Assets. Authority employees are authorized to purchase assets from the Authority provided, however, neither members of the Commission, the General Manager, nor any employee who participated in the recommendation to declare an asset surplus or in the determination of the value of such asset, may purchase, directly or indirectly, such asset.

All real property of the Authority, except the property which qualifies as "exempt surplus property" under Government Code Section 54221, shall first be offered for sale or lease to local public entities for the purposes set forth in Section 54222. Prior to disposition of any real property, a formal appraisal of the property will be made in order to clearly establish its fair market value.

c. Audit/Commission Reporting

The General Manager shall report to the Commission the status of
all surplus Authority assets as items are disposed. Upon sale of any Authority asset, said asset shall be deleted from the Authority Fixed Assets Inventory and other accounting records as necessary.

3. Depreciation of Fixed Assets

Generally accepted accounting principles require that proprietary fund types record fixed assets and provide for depreciation of all exhaustible fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The Authority elected to use the straight-line method of depreciation. It is the Authority’s policy to compute depreciation to the nearest whole dollar. Assets placed in service during the first half of the fiscal year receive a full year's depreciation. Assets placed in service during the second half of the fiscal year receive no depreciation in the year they are placed in service. The estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
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<tbody>
<tr>
<td>Concrete</td>
<td>40 years</td>
</tr>
<tr>
<td>Pavement</td>
<td>20 years</td>
</tr>
<tr>
<td>Structures</td>
<td>40-50 years</td>
</tr>
<tr>
<td>Mechanical and pump equipment</td>
<td>25 years</td>
</tr>
<tr>
<td>Electrical and plumbing</td>
<td>10-20 years</td>
</tr>
<tr>
<td>Piping - above ground</td>
<td>20-40 years</td>
</tr>
<tr>
<td>Subsurface lines</td>
<td>75 years</td>
</tr>
<tr>
<td>Motor control units</td>
<td>20 years</td>
</tr>
<tr>
<td>Heating, ventilating &amp; air conditioning</td>
<td>20 years</td>
</tr>
<tr>
<td>Data Acquisition System</td>
<td>5 years</td>
</tr>
<tr>
<td>Equipment and furnishing</td>
<td>5-20 years</td>
</tr>
<tr>
<td>Automotive Equipment</td>
<td>8 years</td>
</tr>
</tbody>
</table>

Each year a schedule is prepared to determine the appropriate amount of annual depreciation. Depreciation is recorded in the operating accounts as the Authority has elected to fund the replacement of assets through a separately maintained AMP for which member agencies are assessed each year.

The useful life of each individual item varies according to size, level of use, stress factors and environmental factors. A master list of all equipment value at $3,000 is maintained, specifying the useful life and anticipated replacement
year. The list is part of the Renewal and Replacement Fund Policy that was adopted by the Commission on May 17, 1990. Resolution No. 90-11, Resolution Establishing Policies for Renewal and Replacement Fund, sets forth the policies for funding and scheduling the future replacement of joint-use facilities. The schedule is revised annually and extends forty years into the future on a continuing basis.

On a regular basis a contract evaluation service provides a current replacement cost of items in the AMP schedule. The values include costs for purchase, delivery, tax, installation and start-up as required. These values are used to test the accuracy of the 40 year replacement schedule to insure that the contributions to the fund are adequate. The impacts of inflation and interest are also included as described by the Policy.

4. Maintenance of Property Records

Subsidiary records are kept for individual fixed assets. Records for facilities or structures owned by the Authority are established and maintained by the Operations & Maintenance Manager. Records for office and operating equipment valued at $3,000 or more are maintained by Accounting. The records maintained for facilities and structures provide additional maintenance information not required for the smaller equipment. Property records are maintained in the MMS as follows:
Fixed Asset Accounting and Property Control

**Staff**

A. Upon receipt of an invoice for equipment of $3,000 or more, assign an Equipment Number to that piece of equipment.

**Program Manager**

B. Enter specified data in the MMS and AMP

**Accounting**

C. When notified of the disposition of an asset, make appropriate entries to the accounting records.

**General Manager**

D. Determine whether the repair or modification to the facility should be capitalized.

E. Report to the Commission the revised R&R schedule and note any significant changes.
VI. **FINANCIAL AND COST ACCOUNTING** ................................................................. 2
A. FUNCTIONS AND RESPONSIBILITIES .......................................................... 2
B. POLICIES AND CONTROLS .............................................................................. 3
C. PROCEDURES .................................................................................................... 4
   1. Chart of Accounts Maintenance ................................................................. 4
   2. Vendor File Maintenance ........................................................................... 5
   3. Purchase Order/Encumbrance File Maintenance ..................................... 7
   4. General Ledger Maintenance .................................................................... 7
   5. Establishing Accounts Receivable ............................................................. 9
   6. Invoicing for Operation & Maintenance and Special Project Costs .... 11
   7. Grant Reimbursement Requests ................................................................. 13
   8. Capital Projects .......................................................................................... 13
   9. Accounts Receivable Adjustments, Corrections and Cancellations .... 13
  10. Applying Receipts to Accounts Receivable ............................................... 14
  11. Accounts Receivable Aging and Billing .................................................... 14
  12. Establishing Account Payable ................................................................... 15
  13. Establishing Account Payable for Online Payments ............................. 16
  14. Accounts Payable Adjustments, Corrections and Cancellations ...... 18
  15. Accounts Payable Relief and Check Printing ......................................... 18
  16. Voiding and Reissuing Checks ................................................................. 20
  17. Preparing Payroll Checks and Remittances .......................................... 20
  18. Monthly Inventory Uses .......................................................................... 22
  19. Interest Distribution ............................................................................... 23
  20. Month-End Closing ................................................................................... 23
  21. Quarter-End Closing .................................................................................. 24
  22. Year-End Closing ...................................................................................... 25
  23. Preparation for Annual Audit ................................................................. 26
VI.  FINANCIAL AND COST ACCOUNTING

Financial accounting is the process of classifying and recording the financial transactions of the Authority in an orderly manner; summarizing them for reports and statements useful to management; and interpreting their significance. Cost accounting assembles and records all elements of the costs incurred to accomplish a purpose, carry on an activity or operation, or complete a specific job.

A. FUNCTIONS AND RESPONSIBILITIES

The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure
- State Controller's Uniform Accounting and Reporting Requirements
- State Controller’s Uniform Public Construction Cost Accounting Act
- The Joint Powers Agreement
- Other agreements

The system operates on a double entry basis. Accounts are organized into funds described in Section I of this manual. Governmental type funds are accounted for using the modified accrual basis of accounting. Proprietary funds use the accrual basis. The fiscal year begins on July 1 of each calendar year and ends on June 30 of the next calendar year.

The General Ledger is maintained to record all accounting transactions in detail and to measure budgeted vs. actual costs by program. It is maintained using an accounting software system through entry of vouchers, receipts, budget information, and journal entries. Detailed information on the use of the software can be found in the software manuals located in Accounting. The software does not provide subsidiary ledgers, so expenditures and revenue accounts are integral parts of each fund's general ledger.

The accounting software posts transactions as soon as they are entered to the computer. The transactions are grouped into twelve monthly periods producing twelve monthly general ledgers. The software also produces one cumulative
general ledger for the fiscal year. Overall responsibility for the financial and cost accounting function lies with the General Manager. Entries are approved by the General Manager, and entered by Accounting.

Accounts Receivable functions record all monies due the Authority at the time they are identified as due (when an invoice is prepared). Receivables are entered into the General Ledger by the Accounting staff from a Journal Entry approved by the General Manager.

Accounts Payable functions record all disbursements of Authority funds. All disbursements are made by check, credit card or electronic transfer (ACH) with the exception of disbursements made by wire transfer for purposes of investment.

Payroll disbursements are made by a bank payroll service funded by semi-monthly bank transfers into a dedicated payroll account. Payroll timesheets, approved by the General Manager, are reported to the service online or by phone. The payroll service provides a payroll register, issues payroll checks or stubs in the case of automatic deposit and remits withholding amounts. In addition, the service submits the Authority’s state and federal tax reports. Journal entries are used to enter the payroll accounting into the General Ledger. Payroll policies are approved by the Commission.

Any staff member or Commissioner may submit a claim to establish a payable. The Vendor Payment Worksheet from which a payable is entered to the software requires approval of the General Manager prior to check processing. All checks are signed by two authorized officers, the General Manager and the Operations and Maintenance Manager, or their designated alternate. Accounting staff is responsible for entering and maintaining payables in the software system.

B. POLICIES AND CONTROLS

Financial and Cost Accounting policies are intended to insure maximum internal control and integrity of the accounting records. They are also intended to produce cost information required by State and Federal Grant Programs. Policies include:

- Accounting will file and retain all records produced by the software as part of the audit trail.
Financial and Cost Accounting

- All General Ledger data files will be backed-up upon the completion of each day’s entries to ensure that data is not lost due to equipment or program failure, or other problem.

- A Journal Entry will be prepared for all transactions entered into the software which are not a part of the receipts or disbursements functions.

- All entries to the software require approval of the General Manager.

- The List of Disbursements and backup vouchers will be reviewed monthly by the Financial Management Committee and approved by the Treasurer/Controller.

- The software will disclose the receipt and use of funds by source (federal, state, member agency, etc.).

- The software will record costs by program.

- The software will allow comparison of budgeted vs. actual costs.

- Financial Reports and Treasurer's Report will be prepared monthly for review by Authority Management, the Financial Management Committee and the Commission.

C. PROCEDURES

1. Chart of Accounts Maintenance

The Authority Chart of Accounts was originally set up based on the State Controller's Uniform System of Accounts for California Special Districts.

The Chart of Accounts is designed to provide orderly classification of financial transactions and simultaneously support financial and cost accounting. Each account has a unique 10-digit account code which identifies the fund, program, and account into which entries are classified. The account code structure is:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Program</th>
<th>Account</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>xx</td>
<td>xx</td>
<td>xxxx</td>
<td>xx</td>
</tr>
</tbody>
</table>
The account codes for identically described classifications are consistent from fund to fund.

All types of accounts (assets, liabilities, fund balances, income, and expenditures) are maintained using the software. The software requires that each account will have one of the following account types:

- Asset account
- Liability account
- Fund Balance or owner's equity account
- Revenue account
- Expense or expenditure account

The Account Type is used by the software to select Accounts to be printed on various reports.

When the need arises to make an addition, deletion or change to the Chart of Accounts, the following procedure should be used:

**Accounting**

A. Key / enter the data according to the instructions in the accounting software.

B. Run an updated "Chart of Account" List and file in the Accounting office.

2. **Vendor File Maintenance**

The Authority maintains a vendor file on the accounting software. The file contains employees, Commissioners, member agencies, and vendors to whom payments are made. Vendors can be added, changed, or reviewed at any time. Vendors must be added to the vendor file before a voucher can be entered into the system for that vendor.

**Staff**

A. To accomplish file maintenance, complete a Vendor Maintenance Worksheet as follows:

1. Specify whether you intend to:
   - add a vendor
   - change a vendor.
Vendors cannot be deleted from the Vendor Master File if there has ever been a payment made to them.

2. Assign a unique four-digit vendor number. Use the next available number in the following classifications:

<table>
<thead>
<tr>
<th>Beginning Type of Vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
</tr>
<tr>
<td>1100 Payroll</td>
</tr>
<tr>
<td>1200 Commissioners</td>
</tr>
<tr>
<td>2100 Member Agencies</td>
</tr>
<tr>
<td>3100 All Others</td>
</tr>
</tbody>
</table>

3. Enter the vendor's name as it should appear on the check. (Not more than 25 characters).

4. Enter a four-character name. This will generally be the first four characters of a firm name or an individual's last name. This is used only for alpha sort.

5. Enter the vendor's remittance address.

6. Enter the vendor's telephone number.

7. Enter the vendor's federal tax identification number, the last four digits of the Social Security Number (example: XXX-XX-1234), or the letters "CORP" to indicate it is a corporation. If none of these applies, leave the space blank.

8. Sign and date the worksheet and submit to General Manager.

General Manager

B. Review and revise or approve the worksheet and return to Administrative Assistant.

Accounting

C. Key / enter the data.

D. Sign worksheet after data is entered
Financial and Cost Accounting

E. File the worksheet in the Vendor Maintenance Worksheet File.

F. Run Vendor lists in alphabetical and numerical order and file.

3. **Purchase Order File Maintenance**

Commitments on current fiscal year funds are incurred by the issuance of a purchase order or execution of a contract or agreement by the Commission. All change orders shall be added and referenced to the original purchase order.

The Purchase Order File is maintained by the Administrative Assistant. Purchase Orders can be added, changed or deleted by submitting information to the Administrative Assistant using the following procedure:

**Staff**

A. Submit a request as follows:

1. Via e-mail, write an explanation in sufficient detail to support the need for adding, changing or deleting the purchase order and provide an account code.

2. Attach or reference supporting documents, such as the vendor’s quotation, the original purchase order, a resolution or other documentation that initiated the change.

**General Manager**

B. Review and revise or approve the request and return to Administrative Assistant.

**Administrative Assistant**

C. Update and issue a Purchase Order or Change Order.

4. **General Ledger Maintenance**

The General Ledger is the record of all financial transactions which reflects the financial position of the Authority. The General Ledger is kept on the accounting software system and is updated each time file maintenance is performed or financial transactions are added, changed or
deleted. The software produces a monthly General Ledger and a cumulative year-to-date report.

The General Ledger is updated by a variety of documents, including Vendor Payment Worksheets, Cash Receipt Vouchers and Journal Entries. Journal entries are used to establish opening balances, establish accounts receivable, record uses of inventory, make transfers, corrections, closing or auditing entries. The following procedures are to be used for journal entries:

A. Prepare a Journal Entry as follows:

1. Assign a six digit sequential number. Obtain the number from the Log, and complete the Log with the appropriate information. If the transaction changes or deletes a previous Journal Entry, the number must match the previous Journal Entry number.

2. Enter a description. The first 15 characters will be entered into the software and appear on reports. It should clearly describe what the Journal Entry is for.

3. Enter the business date or last day of the month in which you want the entry to appear if prepared after the last day of month.

4. Enter a two digit sequence number for each line, beginning with 01.

5. Enter six digit reference number which is alpha-numeric and may be an invoice number or other reference to supporting documents.

6. Enter the account code.

7. Enter the debit amount, if applicable.

8. Enter the credit amount, if applicable.

9. Enter the total.
NOTE: Total debits must equal total credits both within the Journal Entry and within each fund.

10. Enter an explanation in sufficient detail to support the need for the transaction.

11. Sign the Journal Entry.

B. Submit the Journal Entry and all supporting documents to the General Manager for review and approval.

C. Review and approve the Journal Entry

D. Return Journal Entry and supporting documents to Accounting.

E. Key / enter the data on the Journal Entry.

F. File the documents.

5. Establishing Accounts Receivable

Accounts receivable are established by preparation of an invoice and entry to the software by journal entry. Procedures for preparation of invoices for specific purposes subject to agreements or other conditions follow the procedure described below.

A. Initiate preparation of an invoice by providing information on who is to be billed and a detailed breakdown of the charges. A letter of explanation may accompany an invoice.

The breakdown should be based on an appropriate source document, such as:

(1) budget
(2) contract
(3) agreement
(4) work order
(5) claim.
Financial and Cost Accounting

Administrative Assistant

B. Prepare the invoice based on the information provided in Step A. Complete the following items on the Invoice:

1. Enter the Addressee's name and address.
2. Enter the date.
3. Enter a detailed description of the article(s), service(s), or other basis for the billing, citing appropriate source documents (such as the contract or agreement) when necessary.
4. Enter the amount(s) for each item and the total.

C. Prepare a Journal Entry to enter the Accounts Receivable for the Invoice to the accounting software.

Assign a sequential Journal Entry Number.

Enter the Invoice number in the reference number field of the Journal Entry Log.

Enter the Journal Entry number on the invoice.

D. If the Invoice is for grant reimbursement, update the grant file.

E. Prepare a cover letter (if necessary) for the Invoice and send the letter, Invoice, and Journal Entry to the General Manager for review and approval.

General Manager

F. Review and approve package.

Accounting


Administrative Assistant

H. Send the white original and yellow customer copy of the invoice to the customer.

I. File the pink Accounting copy of the Invoice in the File (a
binder on the Accounting bookshelf) by invoice number.
Add the appropriate information to the Invoice Log.

6. **Invoicing for Operation & Maintenance and Special Project Costs**

   Budgeted Operation & Maintenance costs are classified as either fixed or variable (defined in Schedule B of the JPA). LAVWMA's share of fixed and variable costs is as defined in the LAVWMA Agreement. The variable cost used in the budget is based on the period March through February for the fiscal year beginning July 1. Special Project costs are as defined in the fiscal year budget and may vary depending on the specific type of project.

   Quarterly invoices for Operation & Maintenance and Special Project Costs will be issued to the member agencies and LAVWMA on July 1, October 1, January 1, and April 1 of each fiscal year. Invoices will be for 25% of the “estimated” costs for each member agency and LAVWMA as specified in the fiscal year budget approved by the Commission. After all accounts have been closed for the fiscal year, a reconciliation report will be prepared and adjustments will be applied to the October 1 quarterly invoice of the following fiscal year. The reconciliation report will include the variable cost adjustment for actual flows during the fiscal year.

   A quarterly expense summary will be prepared for the fiscal year periods ending September 30, December 31, March 31, and June 30 and will compare quarterly invoiced costs to the member agencies and LAVWMA against actual costs. The final quarterly expense summary for the period ending June 30 will be used in the reconciliation report.
Accounting

A. Insure that all charges, including overhead allocations, and inventory uses have been added to the software system.

B. Prepare Trial Balance, General Ledger, and Expenditure Budget Reports for budget files.

General Manager

C. Prepare the quarterly O&M and Special Project Invoice according to the procedure developed by the General Manager using Excel. Print invoices on the white copy of the numbered invoices using one for each member agency and LAVWMA.

Administrative Assistant

D. Compare spreadsheet data to insure accuracy of invoices.

E. Copy invoices attaching copies of the Excel spreadsheets to the original invoice and mail to the appropriate agencies.

F. File the pink Accounting copy in the Invoice File and add the appropriate information to the Invoice Log.

G. File a complete copy of all invoices and spreadsheets in the Member Agency O&M billing File.

H. Prepare a Journal Entry as previously described and attach a complete copy of all invoices and spreadsheets.

General Manager

I. Prepare and/or revise report formats for the software system at the start of each fiscal year.

J. Prepare and/or revise the billing programs at the start of each fiscal year.

K. Using the data provided by the member agencies and LAVWMA in their monthly NPDES reports, prepare the EBDA Flows and Chlorine Residual form.

L. Prepare spreadsheet for correcting variable rate charges for the member agencies and LAVWMA for the fiscal year reconciliation report.
7. **Grant Reimbursement Requests**

Grant Reimbursement Requests are prepared in accordance with instructions provided by the granting authority. Grant Reimbursement Requests are prepared as follows:

**Administrative Assistant**

A. Prepare the Grant Payment Request listing all eligible costs to date.

B. Support the Grant Payment Request with copies of source documents for expenses incurred since the last request and copies of change Order Approval forms. Support direct labor charges with a summary of tasks performed and hours worked. Submit the complete Grant Payment Request package to the General Manager for signature.

**General Manager**

C. Review and sign Grant Payment Request and return to Administrative Assistant for mailing.

**Accounting**

D. Prepare Journal Entry for the invoice and process as previously discussed.

8. **Invoicing for Capital Projects**

Costs accumulated in the Capital Project Fund are the basis for member agency capital billings. The billings are prepared on a cumulative basis from inception of the project.

Member agency capital billings are prepared on an as needed basis. Procedures described above are followed.

9. **Accounts Receivable Adjustments, Corrections and Cancellations**

All changes to accounts receivable must be prepared on a Journal Entry Worksheet form and approved by the General Manager. An invoice will be necessary if the change must be communicated to the customer.

Ensure that a copy of any substantiating documentation such as a settlement agreement, court order, arbitrator's decision, or letter is attached to the Journal Entry when it is submitted for General
Manager approval, or that an adequate explanation is entered on the Journal Entry form. After entry to the software system, file the Journal Entry in the Journal Entry File.

10. Applying Receipts to Accounts Receivable

Payments will be received and deposited in the bank as previously discussed. The payment will be applied to Accounts Receivable in the following manner:

A. When a payment is accompanied by an Invoice copy or when staff has reason to believe that an Invoice was issued, retrieve the Invoice Accounting copy, stamp it “PAID” and update the Invoice log. Make a photocopy of the invoice if one was not received with the payment and a copy of the payment (Check, money order, warrant, etc.).

B. Prepare a Cash Receipt Processing Worksheet as previously outlined.

C. Complete the information on the Cash Receipt Processing Worksheet and attach the documents referred to in step A.

D. Give to General Manager.

E. Review and approve the Cash Receipt Processing Worksheet. Enter the appropriate information into the monthly Supplemental Treasurer's Report.

G. Review cash flow and, if appropriate, route to Operations and Maintenance Manager for transfer of idle cash to LAIF.

I. Make all transfers as appropriate to LAIF.

J. Key / enter the data according to the directions.

K. File the Cash Receipt Processing Worksheet.

11. Accounts Receivable Aging and Billing

The Administrative Assistant will review the open invoice file at each month-end. Invoices over thirty days old will be noted, and
the Administrative Assistant will send a second notice. If payment is not received within two weeks after this notice, a telephone contact should be made to the appropriate person at the invoiced organization to determine the reason and establish a payment date. Invoices over sixty days old will be sent to the General Manager with a cover memo indicating what actions have been or should be taken.

12. Establishing Accounts Payable

The following procedures are used to set up an Account Payable.

Staff

A. Initiate claim for payment by submitting one of the following documents to the Administrative Assistant:

   - Vendor Invoice

   - Conference Expenses (request for advance or statement of actual)

   - Request for Commissioner's Compensation

   NOTE: Use the appropriate form for each of the above items.

Administrative Assistant

B. If a vendor invoice, verify that a contract, purchase order or agreement authorizing amount is available. Consultant invoices should be supported by time records for direct labor, invoices from subcontractor and suppliers, and other documents for charges included in the invoice.

C. Verify that all amounts and extensions are consistent with the Purchase Order or Agreement and other related documents.

D. Prepare the Vendor Payment Worksheet (VPW) as follows (or refer to the Administrative Assistant’s Standard Operating Procedure):

   1. Enter the name of vendor to whom the check will be issued.
2. Enter the invoice total.

3. Enter the short description of the services performed or goods purchased.

4. Enter invoice number.

5. Enter a valid vendor number.

6. Enter the invoice date.

7. Enter the payment due date. Usually 30 days from the date of the invoice if none appears.

8. Enter the ten digit account code.

9. Enter a description for the entry.

10. Enter the expense amount for each line item/account number.

11. If this is payment related to a Purchase Order, attach the Purchase Order.

E. Attach the invoice or all supporting documents and submit to the Program Manager for approval.

Program Manager  
F. Review and approve the package and sign in appropriate box on worksheet. Forward to the General Manager.

General Manager  
G. Review and approve the package and sign in appropriate box on worksheet. Forward to Accounting.

Accounting  
H. Key / enter the information from Vendor Payment Worksheet.

I. Initial or sign the worksheet to record that the data has been keyed / entered.

13. Establishing Accounts Payable for Online Payments
Certain routine payments may be processed online by the following procedures:

**Administrative Assistant**

A. Establish an online account with the vendor and select the method of payment.

B. Document the login and password for future access to the account and secure in a safe place.

C. Request that the vendor send email notifications when a new invoice is payable.

D. Once notified that an invoice is payable, log on to the vendor’s website and download the invoice.

E. Validate that the charges are accurate.

F. Prepare a journal entry to record the expenditure in the software system.
   1. Log the Journal Entry into the Journal Entry Log and assign a sequential Journal Entry number.
   2. Open a previously generated Journal Entry in Excel for a similar transaction and save it using the new Journal Entry number.
   3. Update the new document with new dates and amounts being careful not to overwrite any formulas.

G. Attach the invoice and any supporting documents to the Journal Entry and submit to the Program Manager and General Manager for approval.

H. Once the Journal Entry is approved, log back onto the vendor’s website and schedule the online payment prior to the invoice due date. An online payment can take up to five days to process.

I. Print a copy of the receipt and attach to the back of the
Journal Entry.

J. Submit the Journal Entry to Accounting for entry into Fundware.

14. Accounts Payable Adjustments, Corrections and Cancellations

All changes to Accounts Payable must be made by preparing a VPW as previously described. Provide an adequate explanation of the need for the change, including the original information.

Changed worksheets should be clearly labeled as a change and must be approved by the Program Manager and the General Manager. File change worksheets with the original voucher.

15. Accounts Payable Relief and Check Printing

The accounting software does not control accounts payable to prevent expenditures in excess of the budget or available cash. Therefore, manual and procedural controls are necessary.

The following procedures are used to print checks:

**Accounting**

A. Prior to issuing checks, print the "Preliminary Check Register" for the General Manager's approval.

**General Manager**

B. Review, sign and date the "Preliminary Check Register" and return to accounting.

**Accounting**

C. Print the checks and then "Check Register".

D. Verify accuracy of the checks and "Check Register".

E. Log all check numbers including voids in check log.

F. Give this package to the General Manager.

**General Manager**

G. Review the check package, sign checks. Write "Void" on voided checks. Two signatures are required on all checks. In the event that either the General Manager or Operations
& Maintenance Manager is not available, the designated alternate may also sign checks.

H. Arrange to transfer funds from LAIF as necessary to ensure adequate funds in checking account. Give check package to the Operations & Maintenance Manager.

I. Review the check package, sign checks. Give check package to Administrative Assistant.

J. Make a photocopy of all checks and file copy in the Check Binder.

K. Match checks to remittance copies or Transmittals and mail. File voided checks.

L. Write Voucher/Obligation Number, Check Number, Date of Check and Trace Numbers on the VPW.

M. File Reports. Arrange VPW in “check number order”, clip together and file in locking file cabinet pending Finance Committee review.

N. Monthly, prepare Financial Management Committee Review package consisting of:

   - Treasurer’s Report and Supplemental Treasurer’s Report
   - List of Disbursements for approval and signature of Committee Chair and Treasurer.
   - Paid VPW with attached documentation.

O. Review and approve package. Chair to sign List of Disbursements.

P. Approve List of Disbursements and sign List of Disbursements.
SUBJECT: Financial and Cost Accounting

Administrative Assistant
Q. File VPW with attached documentation in appropriate vendor file.

R. Copy signed List of Disbursements form. File original with attached List of Disbursements. Include copies in the Commission agenda.

S. Copy Financial Management Committee Agenda for the Commission agenda for approval.

Commission
T. Review and approve.

16. Voiding and Reissuing Checks

Administrative Assistant
A. If a vendor, Program Manager, staff or Accounting requests that a check be voided, notify the General Manager and obtain approval to void the check and issue a new one.

B. Write “VOID” across the voided check in large letters with a black marker and file the voided check.

C. Prepare a vendor payment worksheet (VPW) to reissue the check by following the procedures in this Section of the Manual to establish a new Accounts Payable. An approved VPW is required.

D. Document the reason for the void in the Notes section of the VPW and attach a copy of the previous VPW. This will reverse the transactions in the general ledger and create a new check number.

Accounting
A. Accounting will enter the transaction into the software to update the general ledger.

17. Preparing Payroll Checks and Remittances

EBDA full-time, permanent employees are all salaried. Part-time employees are hourly. Pay periods end on the fifteenth (15th) and the last day of each month. Monthly salaries are paid in two equal
payments on the 1st and the 16th day of each month, or on the previous Friday if the payday falls on a weekend.

Employee salary ranges are set for each classification by the Commission. Actual salary level within the range is set by the General Manager. The General Manager prepares payroll checks based upon it. If less than a full pay period is worked, employees are paid on an hourly rate obtained by dividing monthly salary rate by 173.33.

Payroll is generated by online reporting to a bank payroll service. The payroll service prepares payroll checks, accounts for and remits withholding amounts, and provides a payroll register. Step by step procedures for online payroll reporting can be found in the Wells Fargo Payroll Procedures Manual located in the Administrative Assistant’s office.

The following procedures cover preparation of payroll and remittance of deductions and EBDA share of benefits:

**Staff**  
A. Prepare timesheets charging time to the appropriate program.

**General Manager**  
B. Review and approve the timesheets.

**Accounting**  
C. Using the information contained in the payroll register, enter appropriate data in the software to account for the following:

1. Labor costs to various programs.

2. All leave and benefits are charged to the Administration Program, 12 06, of the system. Separate accounts are set up for the following leave codes as follows:
   - Holiday - 4011
   - Sick leave - 4012
   - Vacation - 4013
   - Overtime- 4014
   - Compensatory time earned - 4015
   - Compensatory time taken - 4016
Other (Jury duty, bereavement, etc). – 4017 - 4019

D. Prepare journal entry worksheets as described previously.

18. Monthly Inventory Uses

Chemicals (Sodium Bisulfite (NaHSO₃)) and diesel fuel for operations are purchased in quantity and held as inventory. Operations programs are charged only for the use of inventory each month. Charges to the programs are based on inventory valued by the First In - First Out method. In order to determine the amounts used, the Operations & Maintenance Manager measures the inventory on the first of each month and records the measurement in the Inventory Log. The quantity and price of all deliveries throughout the month are also recorded in the Log.

Each month Accounting calculates the diesel fuel charges to be recorded as inventory use as follows:

Accounting A. Complete the Cost of Operating Supplies Worksheet as follows:

1. Enter the month for which calculations are being made.

2. Enter the beginning balance (quantity, price and total value) from the ending balance on the previous month's worksheet.

3. Enter the dates, quantity, price and total value of deliveries received during the month from invoices.

4. Enter the ending balance from the Inventory Log. Verify worksheet entries for beginning balance and purchases with the Inventory Log.

5. Determine the total amount used during the month by total purchases to the beginning balance and deducting the ending balance. To value the use during the month, record uses quantity and price first
6. Reconcile ending balance to Ending Balance in the General Ledger Inventory Account.

7. Prepare Journal Entry and enter to the software system.

19. Interest Distribution

Throughout the year, interest earned on Local Agency Investment Fund deposits and bank demand account deposits is applied to the Renewal and Replacement (R&R) Fund and/or the Capital Projects Fund on a proportional basis.

At the end of the fiscal year, the interest is distributed to member agency equity accounts based on each member agency's pro-rata share.

20. Month-End Closing

The month-end reports provide a periodic system for checking and verifying accuracy of entries. The procedures for verifying accuracy in reports are:

**Accounting**

A. Verify if all transactions applicable for the current month were entered to the system.

B. Accounts receivable were established for:
   - Operation and Maintenance billings
   - Billings for reclaimed water
   - Other miscellaneous billings for services performed by the Authority

**General Manager**

C. Reconcile bank statement and compare month-end reconciled cash balance with the Supplemental Treasurer's Report.
ACCOUNTING

D. Compare reconciled bank statement with Treasurer's Report. Initial, date and file.

E. Print the Summary Check History

GENERAL MANAGER

E. Analyze the report and request Journal Entries to correct any errors.

21. Quarter-End Closing

The quarter-end reports provide a periodic system for checking and verifying accuracy of entries. The procedures for verifying accuracy in reports are:

ACCOUNTING

A. Verify if all transactions applicable for the current quarter were entered to the system.

B. Accounts receivable were established for:
   - Operation and Maintenance billings
   - Billings for reclaimed water
   - Other miscellaneous billings for services performed by Authority

C. Print Quarter-Ending General Ledger and give to General Manager.

GENERAL MANAGER

D. Analyze Quarter-Ending General Ledger.

E. Prepare Quarter Expense Summary. Place on Financial Management Committee agenda for approval.

FINANCIAL MANAGEMENT COMMITTEE

F. Review and approve, make recommendation for approval to Commission.

ADMINISTRATIVE ASSISTANT

G. Copy for the Commission agenda for approval.
Financial and Cost Accounting

Commission

H. Review and approve.

22. Year-End Closing

The Authority’s fiscal year starts July 1 and ends the following June 30. All funds are accounted for on an accrual/modified accrual basis. The software allows for maintenance of fiscal year records. The software year-end closing process closes revenues and expenditure accounts and posts the surplus or deficit revenues for the year to the "Fund Balance" account in each fund. It also zeros budget amounts and year-to-date totals.

Procedures for year-end closing are as follows:

Accounting

A. Analyze all accounts and transactions carefully.

B. Calculate the annual depreciation. Prepare Journal Entry and enter into the software.

C. Prepare miscellaneous revenue reports and give to General Manager.

D. Calculate final O&M Billings.

General Manager

E. Print all reports and check that all entries have been made, that they are correct and that the accounts are in balance.

F. Prepare a Journal Entry to distribute the excess/deficit of revenue over expenditure from t fund balance account to the appropriate EBDA fund equity accounts, debiting Fund Balance and crediting the appropriate fund equity accounts, and enter to the system.

G. Print all reports with report date of 6/30 and mark them "June-Final."

H. Close the fiscal year according to year-end closing procedures.

I. Run all reports with report date July 1, and verify that year-
end close has been successful.

J. Delete or add accounts to the Chart of Accounts needed for the new fiscal year.

23. Preparation for Annual Audit

An audit is a methodical examination of the utilization of resources. It concludes with a written report of its findings. An audit is a test of management’s accounting system to determine the extent to which internal accounting controls are both available and being used. Each year at the completion of all transactions for the year an independent audit by a CPA firm is conducted on the Authority's books.

The main purpose of the audit by the independent auditor is to issue an annual financial report covering all of the Authority's funds and a summary of all financial transactions during the fiscal year.

The report contains basic financial statements for each of the Authority's funds and account groups and five combined statements. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions and statistical data. After the audit by independent auditors is finished, the report is published by the independent auditor. This report is the official annual financial report of the Authority. It represents the culmination of all budgeting and accounting activities engaged in by management during the fiscal year.

Following are the Authority’s procedures for preparation of annual independent financial audit of the Authority’s books and records;

<table>
<thead>
<tr>
<th>Accounting</th>
<th>A.</th>
<th>Close the books according to Year-End Procedures.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B.</td>
<td>Audit the books to be sure that they are in balance, in order and in compliance with governmental regulation, JPA and other agreements with outside agencies.</td>
</tr>
<tr>
<td></td>
<td>C.</td>
<td>Prepare all Year-End Journal Entries not prepared by the</td>
</tr>
</tbody>
</table>
Administrative Assistant. Any corrections required by irregularities discovered during year-end review will be entered to the software as part of the auditing entries.

D. Assure that all accounting documents are available to the auditor.

E. Contact the independent auditor and set up a meeting with the field auditor in charge. During the meeting the following items should be discussed and agreed to:

1. Preview the detailed time schedule for the annual audit as specified in the Contract.

2. List of all financial schedules that will be prepared by the Authority.

3. List of all documents required by the independent auditor.

A. Prepare Year-End Journal Entry for Vacation and Sick Leave Accrual

B. Prepare Year-End Journal Entries for Sodium Bisulfite Inventory.
VII. REPORTING ........................................................................................................2
   A. FUNCTIONS AND RESPONSIBILITIES .........................................................2
   B. POLICIES AND CONTROLS ...........................................................................2
   C. REPORTS ........................................................................................................3
      1. Financial Reports .........................................................................................3
      2. Treasurer’s Report .......................................................................................3
      3. Internal Management Reports ......................................................................4

SUBJECT:

Reporting
VII. REPORTING

This Section of the Manual covers the functions, responsibilities, policies and procedures for reporting.

A. FUNCTIONS AND RESPONSIBILITIES

The reporting function of the Authority's financial management system fulfills the legal requirement for disclosure of financial information, provides information vital to the ongoing management of Authority business, and operates as part of the internal control process in assuring that transactions are conducted in accordance with Commission policy.

The General Manager is responsible for producing annual financial reports and having them audited by an independent auditor. The Treasurer is responsible for reporting to the Commission monthly on receipts, disbursements and investments, and annually on asset inventories. In addition, Accounting produces numerous monthly reports for management purposes using the software and supplementary manual records.

B. POLICIES AND CONTROLS

All routine financial reports are generated directly by the software as a result of the entry of transactions to that system. All entries to the system require review and approval of the General Manager.

Examinations of financial records, statements and audits for compliance shall be made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. The provisions of the federal Single Audit Act of 1984 will apply when federal funds are involved.

On an annual basis, an independent auditor shall examine the internal accounting controls and accounting procedures and, if weaknesses are observed, will render a written report their findings and recommendations to the General Manager. If appropriate, the Auditor’s comments shall be included in a separate management letter to be issued as soon as possible after the conclusion of their examination. The Treasurer's Report, Report of Investments, and Asset Inventory are subject to review by the Commission.
C. REPORTS

There are three main types of reports generated by the Authority. They are Financial Reports, Treasurer's Reports, and various Internal Management Reports. The majority of these reports are produced automatically by the accounting software; however, some reports must be generated manually.

1. Financial Reports

The California Government Code and the Joint Powers Agreement require strict accountability and reporting of all Authority funds. Financial Reports consisting of a Balance Sheet and Revenue and Expense with Annual Budget are produced using the accounting software.

Annually, the General Manager arranges for an independent audit of these financial reports which results in the audited Annual Financial Report. This is distributed to the County of Alameda - Internal Audit Unit and to the State Controller's Office, Division of Acct & Reporting, Local Govt Report Section, in accordance with Government Code requirements.

2. Treasurer's Report

The California Government Code and the Joint Powers Agreement require that the Treasurer report to the Commission the amount of money he/she holds for the Authority and the amount of receipts and disbursements since the last report. The Treasurer's Report is used monthly to verify cash balances before and after checks are written.

If the Commission delegates to the Treasurer the authority to invest the Authority's monies, the Treasurer must report all investment transactions to the Commission monthly, in accordance with the California Government Code. The Joint Powers Agreement designates the Treasurer and General Manager as the persons who have access to and charge of all property of the Authority.

All property is physically inventoried annually, a report prepared and presented to the Commission. The Renewal and Replacement Fund program that is updated, reviewed, and approved annually by the Commission shall serve as the inventory report.
3. **Internal Management Reports**

The accounting software generates various reports which assist management in planning and controlling programs, assist in cash management, or assist the Accounting staff in operating the accounting system. These consist of:

- Preliminary Check Register
- Check Register
- Chart of Accounts
- Revenue/Expense with Annual Budget
- Check – Complete Detail
- Trial Balance
- General Ledger
- Balance Sheet
- Vendor List - Alphabetic
- Vendor List - Numeric

In addition to the internal reports created on the software, EBDA generates reports manually which assist in ongoing management of the Authority or to serve outside reporting requirements.
VIII. INTRODUCTION

A. PURPOSE

B. SCOPE

C. POLICY

D. PROCEDURES

1. Reports and Statements

2. Contributions

3. Disbursements

4. Administrative Costs

5. Termination of Participation

6. Recordkeeping

7. Audit
VIII. INTRODUCTION

A. PURPOSE

Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants. California Public Employees' Retirement System (CalPERS) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (the Plan), also known as the California Employers' Retiree Benefit Trust (CERBT), for the purposes of:

1. receiving contributions from participating employers and establishing separate employer accounts for the performance of an essential governmental function;

2. Investing contributed amounts and income thereon, if any, in order to receive yield on the funds; and

3. Disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the plan and to pay for health care costs or other post-employment benefits in accordance with the terms of participating employers’ plans.

The Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions.

B. SCOPE

C. On May 27, 2011, the Authority entered into an agreement with CalPERS to participate in the Plan. The Plan consists of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Authority's assets will provide benefits only under Authority's plan. All of the Authority's contributions and assets attributable to the Authority shall be separately accounted for in the Authority’s prefunding account.
The Authority’s assets may be aggregated with assets of other employers and may be co-invested in any asset classes appropriate for a Section 115 Trust. Administrative costs may be taken from the investment income or from the Authority’s account. Investment income shall be allocated among employers and posted to the Authority’s account no less frequently than annually.

If the Authority’s Plan assets exceed the amount required to fully fund the actuarial present value of total projected benefits, CalPERS, in compliance with applicable accounting and legal requirements, may return such excess to the Authority.

C. POLICY

As adopted by Resolution 11-05 on April 21, 2011, the Authority’s funding policy is to contribute consistently an amount equal to 100% of the annual required contribution (ARC) as determined in bi-annual actuarial valuations. These valuations use a 7.5% average actuarial discount rate during the valuation period. An actuarial valuation is required every two years.

D. PROCEDURES

1. Reports and Statements

   a) The Authority shall submit bi-annual actuarial cost valuation reports (report) prepared and signed by an actuary who is both a Member of the American Academy of Actuaries and either a fellow or associate of the Society of Actuaries or a person with equivalent qualifications acceptable to CalPERS and be prepared in a manner compliant with GASB 45 and 57. The report must be provided to CalPERS no later than June 30 every two years.

   b) CalPERS shall provide a statement of Authority’s account at least annually reflecting the balance in Authority’s account, contributions made during the period and income allocated during the period.

2. Contributions

Contributions to the CERBT are not required. As noted in Section C, the Authority’s funding policy is to contribute 100% of the Annual OPEB Cost (AOC) identified in the actuarial valuation. However, if
the Commission determines that a financial emergency requires a smaller contribution, then the minimum voluntary annual contribution shall be $5,000.

The Authority shall submit annual contributions to the Plan no later than June 30 of each fiscal year.

a) Annual contributions may be made via electronic fund transfer (EFT) or check.

b) Each contribution will be submitted with a contribution transmittal, downloadable from the CalPERS website

3. Disbursements

a) Authority may receive disbursements not to exceed the annual premium and other costs of post-employment healthcare benefits and other post-employment benefits as defined in GASB 43.

b) As part of the enrollment process, the Authority notified CalPERS of the persons authorized to request disbursements from the Plan on behalf of Authority. CalPERS shall be notified in writing of any changes to the persons authorized to request disbursements from the Plan.

c) All requests for disbursement must be in writing using the Disbursement Request Form, downloadable from the CalPERS website, and shall include a certification that the monies will be used for the purposes of the Plan. The requests must be signed by an authorized person designated by the Authority.

d) Disbursements are limited to reimbursements for costs associated with the Plan. CalPERS may require that the Authority certify or otherwise establish that the monies will be used for the purposes of the Plan.
e) Requests for disbursements that are received on or after the first of a month will be processed by the 15th of the following month. (For example, a disbursement request received on or between March 1st and March 31st will be processed by April 15th; and a disbursement request received on or between April 1st and April 30th will be processed by May 15th.)

4. Administrative Costs

The Authority shall pay its share of the administrative costs of the Plan as determined by CalPERS.

5. Termination of Participation

a) The Authority may terminate its participation in the Plan by submitting written notice to CalPERS of its election to terminate.

b) CalPERS may terminate the Authority’s participation in the Plan if it finds that the Authority fails to satisfy the terms and conditions of this Agreement or of the Plan’s rules or regulations.

c) If Authority’s participation in the Plan terminates for any of the foregoing reasons, all assets in Authority’s account shall remain in the Plan, except as otherwise provided below, and shall continue to be invested and accrue income.

d) After Authority’s participation in the Plan terminates, Authority may not make contributions to the Plan.

e) After Authority’s participation in the Plan terminates, disbursements from Authority’s account may continue upon Authority’s instruction.

f) After thirty-six (36) months have elapsed from the effective date of the Agreement the Authority may:
(i) Request a trustee to transfer the assets in Authority's account. Upon satisfactory showing to CalPERS that the transfer will satisfy applicable requirements of the Internal Revenue Code, the transfer will occur within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Authority's account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.

(ii) Request a disbursement of the assets in Authority's account. Upon satisfactory showing that all of Authority's obligations for payment of post-employment health care benefits and other post-employment benefits and reasonable administrative costs have been satisfied, then CalPERS shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Authority’s account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(g) After Authority’s participation in the Plan terminates and once no assets remain in Authority’s account, the Agreement shall terminate.

(h) If, for any reason, CalPERS terminates the Plan, the assets in Authority’s account shall be paid to Authority after retention of amounts sufficient to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants described by the Authority’s current substantive plan (as defined in GASB 43), and amounts sufficient to pay reasonable administrative costs of the Board.
i) If Authority ceases to exist but Authority’s Plan continues to exist and if no provision has been made by the Authority for ongoing payments to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants, CalPERS is authorized to and shall appoint a third party administrator to carry out Authority’s Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Authority.

6. Recordkeeping

a) The Authority shall keep accurate books and records connected with the Plan. Legal documents, correspondence and accounting records associated with the Plan shall be retained permanently.

b) Contributions shall be documented by a vendor payment worksheet (for contribution by check) or a journal entry (for contribution by electronic fund transfer) to be recorded in the general ledger.

c) Disbursement requests shall be documented by a journal entry to be recorded in the general ledger.

7. Audit

During and for three years after the term of the Agreement, Authority shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Authority relating to its performance of the Agreement.
Inspection of Public Records and Duplication Charge Policy

1. POLICY

2. PURPOSE

3. RULES AND REGULATIONS

4. MANAGEMENT RESPONSIBILITY
1. **POLICY**

Access to public records maintained by the Authority is governed by the California Public Records Act (Government Code §6250 through §6265). It is the Authority’s policy that records not exempt from disclosure by state law will be open for public inspection with the least possible delay. There is no charge to inspect records. In order to prevent records from being lost, damaged or destroyed during inspection, Authority staff may determine the location of, and may monitor, the inspection. Authority records will remain on the premises at all times during inspection.

2. **PURPOSE**

The California Public Records Act requires that the Authority make public records available for inspection by the public and to provide copies upon request. The Authority has established the following rules and regulations to ensure that all persons are afforded the opportunity to access its public records.

3. **RULES AND REGULATIONS**

The Authority shall have 10-days to respond to any request for information.

Public records are available for inspection during normal office hours, generally 8:00 am – 12:00 pm and 1:00 pm – 5:00 pm, Monday through Friday, excluding holidays.

Authority staff will assist in making a focused and effective request by helping to identify records, describing where they can be located and providing other suggestions for facilitating access.

Advanced notice is not required to inspect public records; however, the inspection of records is subject to a rule of reason and must be consistent with the efficient functioning of Authority offices. The Authority shall have time to review and redact exempt information from public records prior to inspection by the public.

Documents exempt from inspection are those enumerated in Government Code §6254, including:

- Preliminary drafts, tape recordings of meetings, notes or memoranda that are not retained by the Authority in the ordinary course of business;
Inspection of Public Records and Duplication Charge Policy

- Records pertaining to pending litigation of which the Authority is a party, or to claims against the Authority, until such litigation or claim has been finally adjudicated or otherwise settled;

- Personnel, medical or similar files;

- Test questions, scoring keys and other examination data;

- Matters contained in or related to applications filed with any state agency responsible for regulation or supervision of the issuance of securities or of financial institutions;

- Geological and geophysical data, results of tests and experimental processes, plant production data and similar information relating to utility systems development that are obtained in confidence from any person;

- Correspondence of and to the Governor or employees of the Governor's office;

- Matters in the custody or maintained by the legal counsel(s) of the Authority;

- Any data, records or information that is believed by the Authority to be the proprietary property of any party.

If requester uses the Authority copier, fees shall be charged at $0.50 per page (double-sided, black and white copies). Requester may, at their own expense, furnish a copier and operator on site at the Authority to copy records. Any mailing or shipping costs incurred by the Authority will be passed through to the requester. The costs of duplicating other types of media such as CDs, DVDs, electronic files, etc. shall be based upon current fees charged by an independent or outside company plus mailing costs, if applicable.

The Administrative Assistant shall collect fees for photocopies, video duplication and/or mailing of said photocopies or tapes and provide a cash receipt to the requester. The original receipt is given to the requester. The copy of the receipt is attached to the Cash Receipt Processing Worksheet. Cash shall be processed as described in this Manual. If copies are to be mailed, collection of fees is required prior to mailing the documents.

4. MANAGEMENT RESPONSIBILITY

It is the responsibility of the General Manager to determine whether records are exempt pursuant to Government Code §6254.
In the document, Section A is titled **Policy**, Section B is titled **Scope**, Section C is titled **Objectives**, Section D is titled **Standard of Care**, Section E is titled **Procedures**, Section F is titled **Authorized Financial Institutions and Dealers**, Section G is titled **Authorized and Suitable Investments**, Section H is titled **Collateralization**, Section I is titled **Diversifications**, Section J is titled **Safekeeping & Custody**, Section K is titled **Reporting**, and Section L is titled **Investment Policy Adoption**.
A. POLICY:

It is the policy of East Bay Dischargers Authority (Authority) to invest public funds in a
manner which prioritizes security over investment return, while meeting the daily cash
flow demands of the Authority, and conforming to California Government Code Sections
53601 through 53686 and other statutes governing the investment of public funds. The
investment policy shall be reviewed annually, and any changes or revisions must be
approved by the Authority's Commission (Commission) by resolution. The investment
policy, as adopted by the Commission, is used to guide Authority staff in investment
decisions and transactions.

B. SCOPE:

The scope of this Investment Policy shall apply to all financial assets of the East Bay
Dischargers Authority (Authority). All financial assets, including special revenue funds,
capital project funds, internal service funds and other funds that may be created from
time to time, shall be administered in accordance with the provisions of this policy and
are accounted for in the Annual Financial Report.

C. OBJECTIVES:

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing
public funds, the primary objectives, in priority order, of the investment activities shall
be:

1. **Safety:** Safety of principal is the foremost objective of the investment
   program. Investments of the East Bay Dischargers Authority 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.

2. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable
   the East Bay Dischargers Authority to meet all operating requirements which
   might be reasonably anticipated.

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. (CGC 53600.5)

D. STANDARD OF CARE:

1. **Prudence:** All investments shall be made within the policy framework of liquidity, safety, and investment return, with the judgment and care a person of prudence and intelligence would, under the circumstances then prevailing, exercise in the management of his/her affairs.

2. **Ethics and Conflict of Interest:** District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employee involved in the investment process shall abide by CGC Section 109, et seq. and the California Political Reform Act.

3. **Delegation of Authority:** The authority to manage investment programs is granted to the Investment Committee which is comprised of the two members of the Financial Management Committee appointed by the Commission, and the General Manager/Treasurer. The responsibility for the operation and day-to-day maintenance of the investment program is delegated to the Authority’s General Manager/Treasurer. The General Manager/Treasurer shall file with the Authority an official bond in the amount of $250,000. The Authority shall pay the cost of said bonds.

E. **PROCEDURES:**

The General Manager/Treasurer shall establish written procedures and a system of internal controls for the operation of the investment program consistent with this investment policy to be incorporated into the Authority’s Financial Management System Policy and Procedures Manual. 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 Financial Management Committee. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of
Investment Policy

subordinate officials. The General Manager/Treasurer is a trustee and a fiduciary subject to the prudent investor standard. (CGC 53600.3)

F. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS:

The General Manager/Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization that are authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who 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 General Manager/Treasurer 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 and familiar with the Government Code restrictions on public agency investments and have a substantial experience with other public agency investments.

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

G. AUTHORIZED AND SUITABLE INVESTMENTS:

The allowable investment instruments applicable to all local agencies, including the East Bay Dischargers Authority, are shown in the documents listed below and included by reference in this investment policy. The following documents are attached and included at the end of this Section:

- Figure 1, Chapter II. Fund Management, Local Agency Investment Guidelines 2007, California Debt and Investment Advisory Commission.
- California Government Code Section 5920-5924
- California Government Code Section 16429.1-16429.4
Investment Policy

- California Government Code Section 53500-53505
- California Government Code Section 53600-53609
- California Government Code Section 53630-53686

See CGC 53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities.

**Prohibited Investments.** Under the provisions of CGC 53601.6 and 53631.5, the Authority 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.

**H. COLLATERALIZATION:**

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

**I. DIVERSIFICATIONS:**

It is the policy of the Authority to diversify its investment portfolio. With the exception of funds invested in LAIF, United State Treasury Bills, notes, and bonds, the Authority will diversify its investments by security type and, within each type, by institution. Invested 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 shall be determined and revised periodically by the Treasurer in consultation with the Financial Management Committee. In establishing specific diversification strategies, the following guidelines shall apply:

1) Portfolio maturities shall be matched against projected liabilities to avoid an over concentration in a specific series of maturities.

2) Maturities selected shall provide for stability and liquidity.

3) Disbursement and payroll dates shall be covered by the scheduled maturity of specific investments, marketable U. S. Treasury Bills or Notes.
or other cash equivalent instruments, such as money market mutual funds.

J. SAFEKEEPING & CUSTODY:

All security transactions entered into by the Authority shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the Authority by book entry, physical delivery or by third party custodial agreement. (CGC 53601.) The Treasurer shall deposit securities in which the Authority holds funds in a safe deposit box in the name of East Bay Dischargers Authority.

K. REPORTING:

The Treasurer shall submit to the Commission a monthly report. The report shall include a complete description of the portfolio, the type of investment, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed by third party contractors. The report will also include the source of the portfolio valuation. In the case of funds invested in The Local Agency Investment Fund (LAIF), FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will 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) the Authority will meet its expenditure obligations for the next six months. [CGC 53646(b)]. The Treasurer shall maintain a complete and timely record of all investment transactions.

L. INVESTMENT POLICY ADOPTION:

The Investment Policy shall be adopted by resolution of the East Bay Dischargers Authority. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Commission.