

Alleghany County Water District (ACWD) Policies & Procedures

Policy # 102 Reserve Funds

Definitions:

Contingency Fund: Often referred to as a “rainy day” fund. This fund is used to cover unexpected expenses or income (budget) shortfalls.

General Fund: These are unencumbered funds, also referred to as “operating funds” and are maintained in the district’s checking account.

Enterprise Fund: The main “enterprise” of the district is water service. All monies (income, expenses and capital expenditures) related to the water operation are tracked in the “Enterprise” section of the chart of accounts and budget worksheets.

Non-enterprise Fund: Funds that are not directly tied to the provision of water services. Currently the Historical Church, Park and Library are tracked under this category on both the chart of accounts and budget worksheets.

Operating Funds These are unencumbered funds, also referred to as the “General Fund” and are maintained in the district’s checking account.

Equipment repair and maintenance Fund: This fund is used specifically for repairs and maintenance of existing equipment.

Equipment replacement Fund: This fund (to be developed later) is specifically for the replacement of existing equipment or the purchase of new equipment. (Capital expenditures).

Historical Church Fund: This “non-enterprise” fund is used to track income and expenses related to the historical church building.

Library Fund: This “non-enterprise” fund is used to track income and expenses related to the operation of the Library NOT tied directly to the rental and maintenance of the historical church building.

Park Fund: This “non-enterprise” fund is used to track income and expenses related to the operation of the Arthur Joe Hauck memorial park.

Note: All funds not defined as “non-enterprise” above are main enterprise funds.

Policy:

The purpose of Reserve Funds is to ensure financial stability while enabling long-term planning. Reserve funds are also used as a tool to allocate specific revenue sources to their intended purpose.

ACWD Policy #102 DRAFT presented May 10, 2022, July 12, 2022 and August 9, 2022
(June meeting cancelled due to the lack of a quorum).

Procedure 102.1: Tracking & Reporting Reserve funds shall be tracked on a spreadsheet incorporated with the final budget worksheets prepared annually. Reserve fund balances shall be incorporated into the monthly treasurer's report.

Procedure 102.2: Enterprise reserve funds ~ additions and withdrawals

Additions. During the final budget process for each fiscal year, the general manager or designee shall prepare a summary of the previous year's cash-flow results.

Based on the cash flow summary, district staff shall make a recommendation regarding how much money should be moved into reserve funds per district policy. The board shall decide by motion the amount (if any) to be moved to reserve funds for the previous fiscal year.

Withdrawals from reserve funds require board approval unless there is an emergency that must be addressed immediately.

In the event of an emergency, the Chief water operator or designee is authorized to make emergency expenditures. The person authorizing the expenditure shall provide the General Manager or Bookkeeper with the expected cost. Emergency withdrawals NOT approved by the board in advance shall be brought before the board for ratification at the next board meeting.

Contingency Fund Procedure 102.3:

It is the Policy of ACWD to set aside contingency funds in an amount equal to approximately 3 to 6 months of average cash-based operating expenses for the purpose of covering unexpected expenses or loss of revenue.

Additions and withdrawals shall be carried out as outlined in Procedure 102.2

Procedure 102.4: Operating Fund

Per the Recommendation made by the California Rural Water Association as part of the financial analysis completed in October of 2021. The district shall strive to maintain Operating Funds in the amount of \$2,500 to \$3,500 in the main checking account.

These funds shall be accumulated based on actual financial results and shall be prioritized over transfers to the other reserve funds.

Procedure 102.5: Equipment Repair and Maintenance Fund

The district shall strive to maintain funds in this account sufficient to cover routine water storage tank inspections as recommended in the Operations and Maintenance Manual for the 150,000 gallon water tank plus funds to cover unexpected repairs and maintenance.

Procedure 102.6: Historical Church Fund

This purpose of this non-enterprise fund is to separate the financial results of operating and administering the Historical Church from other operations of the district. Accumulated funds shall be used for the purpose of making improvements to or maintaining the historical church building located at 100 Hope Lane in Alleghany and owned by ACWD.

Additions Rental Income for the building along with any other fundraising proceeds or donations specifically for the historical church shall be deposited into this fund.

Withdrawals from this fund may be incorporated into the annual budget or authorized by a motion of the board of directors.

Procedure 102.7: Library Fund

The purpose of this non-enterprise fund is to separate money intended for the Library from other district funds.

Additions All fundraising proceeds, grants or donations specifically for the Library shall be deposited into this fund. Retroactive to July 1, 2021.

Withdrawals from this fund may be incorporated into the annual budget or authorized by a motion of the board of directors. The librarian shall be responsible for making recommendations regarding the use of this fund.

Procedure 102.8: Park Fund

The purpose of this non-enterprise fund is to separate the financial results of operating and administering the Arthur Joe Hauck Memorial Park from other operations of the district. Accumulated funds shall be used for the purpose of making improvements to or maintaining the Arthur Joe Hauck Memorial Park, owned by Sierra County and leased by ACWD.

Additions Rental Income for the Park along with any other fundraising proceeds, grants or donations specifically for the park shall be deposited into this fund.

Withdrawals from this fund may be incorporated into the annual budget or authorized by a motion of the board of directors.

Procedure 102.9: Bank Accounts

Funds shall be deposited into three bank accounts as follows:

- The main checking account shall be used for “Operating Funds”.
- The “non-enterprise” checking account shall be used for all non-enterprise fund balances.
- A savings account shall be established for all Enterprise Reserve Funds after adoption of this policy.