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Capistrano Bay District Financial Management & Investment Policy

This investment policy will supersede previous Capistrano Bay District investment policies and will be reviewed and updated yearly by the District Board of Directors. This policy will include statutes involving how the public funds of this District are invested and managed. In regards to specific objectives, safety, liquidity and yield, will be included in the statutes and will be strictly adhered to by the District. It is noted that this policy coincides with Government Finance Officers Association (GFOA) guidelines as recommended in our audit of 2014, prepared by Rogers, Anderson, Malody and Scott, LLP. Adherence to these policies concerning public funds policy will be implemented to protect against depository failure and loss of capital as well as promote safety, liquidity and yield.

Specifics of our District Investments policy include the following:

- Authorized investment officers are the entire Board of Directors (BOD). Unanimous Board action will be required to effect new policy or change decisions previously made.
- The standard of care will be the guidelines published by the California Department of Investment Advisory Commission.
- The instruments available for investment will include Passbook Savings Accounts, Certificates of Deposit, Credit Union Accounts and local agency funds such as LAIF. These accounts chosen for investment must be federally insured to \$250,000 per bank account and in the case of state agencies, requirements that financial deposits be secured in a collateral pool up to 110% of deposits.
- Consultation for diversity purposes can be initiated by any two District Board members.
- Safekeeping of funds to be done by the Board on a monthly review basis at Board Meetings and then by a separate yearly audit.
- Generally term limits on deposits will be liquid for at least 30% of the invested funds with the remaining funds in short term investment generally no longer than twelve months term. This is generally the plan for 2015 in view of the extremely low interest rate environment.
- The Investment Committee will be comprised of the District Board of Directors who will make all financial decisions for the District. Consultation may be obtained from external sources when requested by two Board Members.
- The Beneficiary of all accounts, investments and assets will be Capistrano Bay District. At this time, no other entity or individual will have access to these funds except the District Board of Directors.
- Day to day management of District funds are handled in the following manner:
 - * *See attached draft summary of Internal Controls on the following two pages*
- Adoption of the investment policies will be by the unanimous vote of the Board of Directors (after legal review and clearance of this document).

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Description of Internal Financial Controls by District Management

1. Processing of Invoices - Invoices are generally of two types for the District; regular monthly billing of planned/budgeted operational expenses and progress billing for contracted construction/development projects.

General invoicing is processed in the following manner by the Manager or his/her assistant:

- stamp invoice with date received
- assign appropriate expense code from budget
- check expense report to-date to ensure billing is in compliance with the approved budget
- if there is an over-expense some investigation is required to determine whether this is just a timing issue or maybe assigned to an incorrect expense code or if there is actual over-expense, in which case this should be brought to the Board's attention
- all approved invoices are then submitted to accounting for payment processing

Construction/development project progress billings are processed as follows:

- stamp with date received
- at this point all invoices should be turned over to the project engineer/manager for the following standard procedures:
- check the progress billing for authorization by the project manager for verification that the work has actually been performed and has passed inspection
- check that the contractor's liability, workers comp and license are current and in force
- check construction file for any *Preliminary Lien Notices* filed with the District for the project
- in ALL cases, with or without a prelim notice, obtain releases from all contractors, subs and material suppliers
- if prelim notices have been filed there may be a requirement to issue joint checks OR obtain releases from any subcontractors/suppliers BEFORE a payment can be processed
- verified and authorized invoices can then be submitted for payment processing

2. Check Writing and Management – The District may have several deposit and investment accounts but checks for regular operational expenses are written and accounted for using the District's main depository account. Blank checks are printed with space for a signature and a counter-signature, typically signed by the District Manager and one Director or, in the absence of the Manager, then two Directors.

Checks for payment of construction projects may be set up with a separate bank account to prevent comingling of funds. Check processing and internal accountability is generally managed as follows:

- for each pay period an itemized listing/register of checks is created listing the check #, payee, budget code, brief description and amount
- this list is printed with a signature block at the bottom of each page for the approving signatures of the District Manager and three Directors BEFORE checks can be signed
- checks are then printed, attached to the corresponding invoice paperwork with the check list on top and is then submitted to the Manager for review and signature
- the Manager looks for accuracy of expense coding to the proper budget items, no gaps in the check number sequence or with the numeric continuity of checks from the previous pay period, and assures that the payee matches the attached invoice information
- the Manager signs the check list and checks then circulates this to the Directors for their signatures
- the last Director to sign the check list then counter-signs the checks and returns all to the Manager

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3. Bids/Contracts/Contractor Indemnification - Projects for public agencies are classified into two separate categories. Projects exceeding \$25,000 must comply with competitive bidding laws while projects at less than \$25,000 are exempt. This means a public agency is operating lawfully in obtaining a single bid for any project valued at less than \$25,000. This level of threshold became effective in 2006 and is subject to an upward increase roughly every five years. In 1996 the threshold was \$5000.

Despite this exemption, however, the District should be comparing the bids of at least three contractors for most of its construction and development projects. This section addresses the general requirements of District projects at a value of less than \$25,000 as the law regulating compliance with competitive bidding of public works projects is much too lengthy to include in the following general summary:

- project plans/blueprints are drawn up/submitted to city for approvals
- project is put out to bid
- contractor is selected and contract entered into
- contractor provides proof of current active license, liability insurance and workers comp
- permits are processed if required
- work begins/project manager maintains a project file and daily activity and progress log
- contractor submits periodic progress billings (refer to Sections 1,2 for payment processing)
- project is completed/notice of completion is submitted to board of directors