

ORDINANCE NO. 102

AN ORDINANCE OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING FISCAL CONTROL

BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* as follows:

INDEX

PART I - DESIGNATIONS 2

 SECTION 101 - PURPOSE2

 SECTION 102 - DEFINITIONS2

 SECTION 103 - FISCAL YEAR.....4

 SECTION 104 - FUND STRUCTURE5

 SECTION 105 - SELF-BALANCING ACCOUNTS.....5

 SECTION 106 - BASIS OF ACCOUNTING5

 SECTION 107 - ADOPTION OF THE BUDGET5

 SECTION 108 - BUDGET, A PUBLIC RECORD.....5

 SECTION 109 - BUDGET AMENDMENTS.....6

PART II – RESPONSIBILITIES..... 6

 SECTION 201 - APPROVAL AND RESPONSIBILITIES.....6

 SECTION 202 - UNENCUMBERED FUND BALANCE.....7

 SECTION 203 - FINANCIAL POLICY AND REPORTING7

 SECTION 204 - ANNUAL INDEPENDENT AUDIT7

 SECTION 205 - IMPLEMENTATION RESPONSIBILITY8

 SECTION 206 - SEVERABILITY8

 SECTION 207 - REPEAL OF PRIOR ORDINANCES8

 SECTION 208 - EFFECTIVE DATE AND EXECUTION8

PART I - DESIGNATIONS

SECTION 101 - PURPOSE

The Fiscal Control Ordinance of the Inland Empire Utilities Agency sets forth the requirements for fiscal control that provide a framework for ensuring accountability in the Agency's budgetary and financial operations. These requirements provide for a system of financial administration, accounting, fiscal, and budgetary control on the same basis as the audited financial statements which conform to recommended best practices for budgeting according to the Government Finance Officers Association of the United States of America and Canada.

SECTION 102 - DEFINITIONS

- A. Account Categories – Shall mean Operating and Non-Operating account groups as defined in the Agency's budget to report sources and uses of funds and to execute budget control.
- B. Adopted Budget - Shall mean the plan of financial operations adopted by the Board of Directors embodying an estimate of proposed revenues and funding sources, operating expenses, capital expenditures, debt service costs, and other uses of funds for a given fiscal year (annual budget), or for two consecutive fiscal years (biennial budget).
- C. Agency – Shall mean the Inland Empire Utilities Agency.
- D. Amended Budget - Shall mean the Adopted Budget inclusive of approved budget amendments and budget transfers.
- E. Appropriation/Appropriated Expense – Shall mean an expense which has been authorized by the Board of Directors for a specific fund or project which permits designated Agency employees, as defined in the Agency's Procurement Ordinance, to incur obligations against, and to incur expenses for a specified purpose. Appropriations approved by the Board of Directors in the Adopted or Amended Budget are limited to the fiscal year they are approved for unless otherwise specified. All unexpended appropriations shall lapse at the end of the fiscal year, unless approved by the Board to be carried forward to the following fiscal year. The Agency's annual appropriation is subject to the State's Article XIII B Gann Appropriation Limit.
- F. Board of Directors - Shall mean the Board of Directors (Board) of the Inland Empire Utilities Agency, which sometimes is referred to as the Board within this document.
- G. Budget Amendment – Shall mean a change to the adopted budget of a fund in a fiscal year, including the reallocation of expenditures or resources between funds, or between account categories within the same fund, or an increase to total project budget within the

same fund as reported in the Agency's Capital Improvement Plan (CIP). Budget amendments are subject to Board approval or ratification.

- H. Budget Control – Shall mean a system of management control in which actual costs, revenues, and resources are compared to the Agency's Adopted or Amended Budget to ensure consistency with the Board approved appropriations, and identify if changes are needed, as defined in Agency's Budget Amendment Policy.
- I. Budget Transfer – Shall mean the reallocation of appropriations or resources within the same fund and the same account category in a given fiscal year, as defined in the Budget Amendment Policy.
- J. Capital Expenditures – Shall mean costs associated with acquisition, construction, replacement and rehabilitation (R&R), and improvement of fixed and real assets. Based on the scope and duration of a capital project, the total project budget can be established for one or multiple years.
- K. CFO/AGM – Shall mean the Chief Financial Officer/Assistant General Manager of the Inland Empire Utilities Agency.
- L. Capital Improvement Plan (CIP) – Shall mean the Agency's capital improvement plan provided in the Adopted Budget document, Capital section.
- M. Debt Service – Shall mean the current year portion of principal and interest costs incurred on long-term debt issued by the Agency.
- N. Designated Agency Employee/Designee – Shall mean those employees of the Agency empowered under the provisions of the Fiscal Control Ordinance and Procurement Ordinance to incur obligations against and to make expenses of appropriated resources.
- O. Emergency Procurement – Shall mean any procurement required for prevention/protection against imminent danger, or to mitigate the loss or impairment of: life, health, or safety of the public, Agency employees, suppliers, contractors; public or private property; compliance with critical permit and regulatory requirements; or any other condition which cannot reasonably be foreseen and would have a significant effect on the public's health/safety or that could have a significant adverse financial impact on the Agency.
- P. Enterprise Fund – Shall mean a fund which is used to account for operations that are financed and operated in a manner similar to a private business enterprise. Enterprise funds account for operations, capital and debt service costs which are substantially financed by revenue derived from user charges and fees.
- Q. Fund – Shall mean Agency's enterprise funds as established for a specific program to account for operations, capital, debt service costs, and funding sources.
- R. GM – Shall mean the General Manager of the Inland Empire Utilities Agency.

- S. General Manager (GM) Contingency Account – Shall mean an account budgeted with contingency funds which the GM or his designee can transfer to any funds to meet unplanned requirements for any account or project under the Operating account category. Replenishment of the GM Contingency Account appropriation is considered a budget amendment and requires approval by a majority of the Board. Use of the GM contingency funds and requests for replenishment to the account will be submitted as part of the budget variance reporting process, or if necessary, at the next regularly scheduled meeting of the Board of Directors.
- T. Lapsed Appropriations – Shall mean all appropriations which are not obligated, encumbered, or expended and which lapse at the end of the fiscal year.
- U. Non-Operating Accounts – Shall mean classification of accounts utilized by the Agency which are not directly related to day-to-day operational activities. The Non-Operating expense classification includes capital, debt service and other non-operating expenditures. The Non-Operating revenue classification includes connection fees, tax receipts, capital contributions, interest income, grant and debt proceeds, and other non-operating miscellaneous receipts.
- V. Operating Accounts – Shall mean classification of accounts utilized by the Agency to track day-to-day operational revenue and expense. The operating expense classification includes among others; chemicals and utilities. The operating revenue classification includes among others; user charges, recycled water sales, and imported water sales.
- W. Special Assessment Fund – Shall mean fund that is used to account for special assessments levied to finance public improvements or services deemed to benefit the properties, against which the assessments are levied.
- X. State’s Article XIII Gann Appropriation Limit – Shall mean Article XIII B of the California Constitution which was added by the November 1979 passage of the Gann Initiative. This legislation mandates the Agency compute, and establish by resolution, an annual appropriation limit that places a ceiling on the total amount of tax revenues that can be appropriated annually.
- Y. Total Project Budget – Shall mean the total amount planned to fully fund a project through completion to meet its specific purpose and scope. The total project budget for an operations and maintenance project should be limited to one fiscal year. The total project budget for capital projects can extend over multiple fiscal years.

SECTION 103 - FISCAL YEAR

The fiscal year shall begin on July 1 of each year and ends on June 30 of the succeeding year.

SECTION 104 - FUND STRUCTURE

The following fund types may be established and shall be used as necessary to provide for the proper accounting of all financial activities of the Agency: Enterprise and special assessment. All Agency funds are enterprise funds, and include both capital and operating activities.

SECTION 105 - SELF-BALANCING ACCOUNTS

A complete self-balancing group of accounts shall be established and maintained for each fund used. This group of accounts shall include all general ledger accounts and subsidiary records necessary to reflect compliance with legal provisions, and to set forth the financial position and the results of financial operations of the fund. General ledger accounts record how much is spent and for what and ensure management is accountable for controlling expenditures as appropriated by the Board.

SECTION 106 - BASIS OF ACCOUNTING

The accrual basis of accounting shall be used so that expenses are recorded at the time liabilities are incurred and revenues are recorded when earned in conformity with Generally Accepted Accounting Principles (GAAP). All receipts and disbursements shall be posted promptly and, at a minimum, on a monthly basis.

SECTION 107 - ADOPTION OF THE BUDGET

The Agency's budget will be adopted by the Board prior to the first day of the fiscal year. The proposed budget shall be submitted by the CFO/AGM and transmitted to members of the Board for review at a minimum of 10 days before the required date of adoption. However, if for a valid and sufficient reason, the budget cannot be adopted by the first day of the fiscal year, the budget shall be adopted no later than 45 days subsequent to the beginning of the fiscal year. If the budget is not adopted prior to the beginning of the fiscal year, a resolution authorizing the continuation of necessary and essential expenses to operate the Agency shall be adopted prior to the beginning of the fiscal year.

The budget, as adopted, shall be a balanced budget with anticipated sources of funds including appropriated unencumbered fund balances and reserves equal to appropriated uses of funds. Each fund within the budget shall also be balanced.

The adoption of the budget shall be accomplished by the approval of a budget resolution. The resolution must be entered into the minutes of the Board meeting at which it was adopted.

SECTION 108 - BUDGET, A PUBLIC RECORD

At the time the proposed budget is submitted by the CFO/AGM and delivered to members of the Board for its review, a summary of the proposed budget shall be made available for public inspection during regular business hours at the Agency's administrative office and website for a

minimum of 10 days before the required date of adoption. At a minimum the summary of the proposed budget should include the Sources and Uses of Funds by Funds reports, program rates and fees, and a listing of all projects.

When the proposed budget has been approved by the Board, the adopted budget document shall be made available for public inspection, during regular business hours at the Agency's administrative office; as well as, on the Agency's website (www.ieua.org).

SECTION 109 - BUDGET AMENDMENTS

Budget amendments must be approved by a majority of the Board prior to obligating funds in excess of the budgeted appropriations to ensure they pose no financial risk to the Agency's overall financial health. The only exceptions to prior Board approval are; emergency procurements and the use of the GM Contingency Account(s) to support unplanned expenditures.

- Emergency procurements can be approved by the GM or designee and submitted for ratification by the Board at the next regularly scheduled meeting, as defined in the Agency's Procurement Ordinance.
- Solely in the case of the GM Contingency Account(s), the GM or designee is authorized to reallocate the GM Contingency budget to other funds and account categories as needed to support unplanned expenditures, as defined in the Agency's Budget Amendment Policy. Replenishment of the GM Contingency Account are considered budget amendments and are subject to approval by the majority of the Board.

Changes to the second year of the Adopted Biennial Budget are considered budget amendments. These budget amendments shall be made through the mid-year budget review process which takes place in the second half of the first year of the biennial budget cycle.

Encumbered, obligated or unexpended funds at the end of the fiscal year carried forward to the following fiscal year, as defined in the Agency's Fiscal Year End Carry Forward of Encumbrances and Related Budget, are considered budget amendments and require approval by the majority of the Board.

PART II – RESPONSIBILITIES

SECTION 201 - APPROVAL AND RESPONSIBILITIES

All Agency employees shall comply with the provisions of this Ordinance to ensure the responsible and prudent use of public funds, and to maintain the preservation of the public trust.

The CFO/AGM, under the direction of GM, is authorized as follows:

- Administration, control, oversight, and reporting of the financial affairs of the Agency;
- Oversight of disbursement of all monies;
- Exercise of budgetary control over expenditures to ensure that annual appropriations and total project budget as approved by the Board are not exceeded; and
- Confirmation that appropriation will be encumbered and no expenditure shall be made unless sufficient unencumbered fund balance is available.

The GM and the CFO/AGM are authorized to approve reallocation of appropriations between departments within the same fund and account category, as defined in the Budget Amendment Policy.

Department managers are responsible for monitoring their budgets and determining if a budget amendment or budget transfer is necessary.

SECTION 202- UNENCUMBERED FUND BALANCE

All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year shall lapse and shall become part of the unrestricted fund balance after adjustment for required fund reservations. The final unrestricted fund balance at the end of a fiscal year may be appropriated in the following fiscal year.

SECTION 203 - FINANCIAL POLICY AND REPORTING

Financial Policies to support the Agency's business goals of fiscal responsibility at the direction of the GM and CFO/AGM shall be presented to the Board upon revision or update, based on regulatory changes or staff recommendations and updated in accordance with California code.

Financial reports shall be prepared and presented to the Board during the fiscal year, amongst them:

- Monthly report on the Agency's cash and investments activities and status.
- Monthly report on detailed disbursements.
- Quarterly report on current conditions of all major accounts compared to the Adopted or Amended Budget, including budget transfers and budget amendments implemented during the report period.
- A Comprehensive Annual Financial Report shall be prepared and published no later than six months after the conclusion of each fiscal year.
- Single Audit, as required.

All financial reports shall be posted on the Agency's website.

SECTION 204 - ANNUAL INDEPENDENT AUDIT

All funds, accounts, and financial transactions of the Agency, including a single audit for grants related activities if required, shall be subjected to an annual audit by an independent certified public accountant.

SECTION 205 - IMPLEMENTATION RESPONSIBILITY

The responsibility for the proper execution of the provisions of this Fiscal Control Ordinance shall be with the CFO/AGM under the direction of the GM, except where responsibility is explicitly given to the Board.

SECTION 206 - SEVERABILITY

In the event any section, subsection, sentence, clause, or phrase of this Ordinance shall be declared or adjusted invalid or unconstitutional, such adjudication shall in no manner affect the other sections, subsections, sentences, clauses, or phrases of this Ordinance, which shall remain in full force and effect, as if the section, subsection, sentence, clause or phrase so declared or adjudged invalid or unconstitutional were not originally part hereof.

SECTION 207 - REPEAL OF PRIOR ORDINANCES

Upon adoption of Ordinance No. 102, Ordinance No. 90 is hereby repealed in its entirety.

SECTION 208 - EFFECTIVE DATE AND EXECUTION

This Ordinance shall take effect immediately upon adoption by the Board, and execution of said Ordinance by the President and Secretary/Treasurer thereof.

ADOPTED, this 18th day of May, 2016.

Terry Catlin
President of Inland Empire Utilities
Agency*, and of the Board of Directors

thereof

ATTEST:

Steven J. Elie,
Secretary of the Inland Empire Utilities
Agency* and the Board of Directors
Thereof

* A MUNICIPAL WATER DISTRICT

STATE OF CALIFORNIA)
COUNTY OF) SS
SAN BERNARDINO)

I, Steven J. Elie, Secretary of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Ordinance being No. 102, was adopted at a regular Board Meeting on May 18, 2016, of said Agency by the following vote:

AYES: Hall, Elie, Camacho, Catlin

NOES: None

ABSTAIN: None

ABSENT: Koopman

Steven J. Elie, Secretary/Treasurer

(SEAL)

* A MUNICIPAL WATER DISTRICT