



OLYMPIC VALLEY PUBLIC SERVICE DISTRICT BOARD REPORT



SUBJECT: Adopt New Financial Policies

EXHIBIT: F-5, 21 Pages

AUTHOR: Danielle Mueller, Finance & Administration
Manager

MEETING DATE: May 26, 2026

RECOMMENDED ACTION: Waive the reading and adopt Resolution 2026-08 adopting Policy 2035, *Capital Improvement Program*; Policy 2060, *Budget Preparation and Financial Planning*; Policy 2065, *Rate Setting*; Policy 2070, *Financial Reporting*; Policy 2080, *GASB 54 Fund Balance*; and Policy 2090, *Grant Funding and Compliance*.

DISCUSSION: The Government Finance Officers Association (GFOA) Distinguished Budget Presentation Awards Program recognizes governmental agencies that produce high-quality budget documents serving as policy documents, financial plans, operations guides, and communication tools. To be eligible for the award, participating agencies must have formal written financial policies in key areas of fiscal management. While the District values the recognition associated with award programs, these awards are pursued primarily for the best management practices they promote.

Staff has prepared the following six financial policies for Board adoption in support of the District's application for the GFOA Distinguished Budget Presentation Award:

Policy 2035 – Capital Improvement Program: Establishes the framework by which the District plans, prioritizes, funds, and oversees capital investments to ensure the long-term reliability and fiscal sustainability of its infrastructure and services.

Policy 2060 – Budget Preparation and Financial Planning: Provides a framework by which the District prepares, adopts and administers its annual budget to ensure fiscal responsibility, structural balance, and alignment with the long-term needs of the community.

Policy 2065 – Rate Setting: Defines principles by which the District sets, reviews, and adjusts rates for water, sewer, and garbage services to ensure full cost recovery, long-term financial sustainability, and equitable treatment of ratepayers.

Policy 2070 – Financial Reporting: Establishes the framework by which the District produces, distributes, and maintains financial reports that are accurate, timely, compliant with applicable standards, and accessible to the public.

Policy 2080 – GASB 54 Fund Balance: Establishes the classification, reporting, and expenditure hierarchy for governmental fund balances in accordance with GASB Statement No. 54 and provides a framework for maintaining financial stability.

Policy 2090 – Grant Funding and Compliance: Establishes uniform guidelines for the pursuit, acceptance, management, and compliance of grant funding to ensure accountability, transparency, and the responsible stewardship of public resources.

These policies have been reviewed by District staff and are consistent with GFOA best practices. Adoption of these policies will strengthen the District’s financial governance framework, formalize financial management best practices already in use by the District, improve consistency in financial administration and reporting, and support the District’s participation in the GFOA Distinguished Budget Presentation Awards Program.

FISCAL/RESOURCE IMPACTS: There are no direct fiscal impacts associated with adoption of these policies. The policies provide a governance framework for existing financial activities and do not authorize new expenditures.

STRATEGIC PLAN ALIGNMENT:

Focus Area: Finance | **Goal:** Maintain high standards in transparency, reporting accuracy, and operational efficiency.

ATTACHMENTS: Resolution 2026-08, Proposed Policies 2035, 2060, 2065, 2070, 2080, and 2090.

DATE PREPARED: May 11, 2026

RESOLUTION 2026-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE OLYMPIC VALLEY PUBLIC SERVICE DISTRICT ADOPTING FINANCIAL POLICIES IN COMPLIANCE WITH THE GOVERNMENT FINANCE OFFICERS ASSOCIATION'S DISTINGUISHED BUDGET PREPARATION AWARDS PROGRAM

WHEREAS, the Olympic Valley Public Service District is an independent special district, organized under Water Code section 30000, et seq. in 1964; and

WHEREAS, the Board of Directors authorized the development of a District Policy Manual on July 25, 2006 to set forth operating policies applicable to all District employees, and appointed and elected officials; and

WHEREAS, the Government Finance Officers Association (GFOA) administers the Distinguished Budget Presentation Awards Program, which recognizes governmental entities that produce high-quality budget documents that serve as policy documents, financial plans, operations guides, and communications tools; and

WHEREAS, the GFOA Distinguished Budget Presentation Awards Program requires participating agencies to adopt and implement formal written financial policies covering key areas of fiscal management; and

WHEREAS, District staff has prepared the following financial policies for Board consideration and approval, each designed to provide clear guidance and ensure compliance with GFOA standards:

- Policy 2035 – Capital Improvement Program
- Policy 2060 – Budget Preparation and Financial Planning
- Policy 2065 – Rate Setting
- Policy 2070 – Financial Reporting
- Policy 2080 – GASB 54 Fund Balance
- Policy 2090 – Grant Funding and Compliance

WHEREAS, the purpose of these policies is to enhance the District's financial planning, accountability, and transparency, and to further the District's eligibility for the GFOA Distinguished Budget Presentation Award.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Olympic Valley Public Service District hereby adopts *Capital Improvement Program*, Policy 2035; *Budget Preparation and Financial Planning*, Policy 2060; *Rate Setting*, Policy 2065; *Financial Reporting*, Policy 2070; *GASB54 Fund Balance*, Policy 2080; *Grant Funding and Compliance*, Policy 2090, copies of which is attached hereto.

Olympic Valley Public Service District
Resolution 2026-08
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PASSED AND ADOPTED this 26th day of May, 2026 at a regular meeting of the Board of Directors of the Olympic Valley Public Service District, by the following vote on roll call:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED:

Dale Cox, Board President

ATTEST:

Jessica Asher, Board Secretary

Policy 2035 Capital Improvement Plan

The Capital Improvement Plan Policy establishes the framework by which the District plans, prioritizes, funds, and oversees capital investments to ensure the long-term reliability and fiscal sustainability of its infrastructure and services.

PURPOSE

The District shall prepare a Capital Improvement Plan (CIP) for the upcoming budget year and the subsequent nine fiscal years, with a minimum of five years presented to the Board. The CIP systematically plans, prioritizes, schedules, and finances capital projects across all District service areas—water, sewer, fire protection and emergency medical services, solid waste, and administrative facilities—to ensure cost-effectiveness and conformance with established funding policies.

The CIP shall evaluate capital projects that replace or enhance existing assets, as well as those that expand the District's asset base. Given the District's infrastructure and the demands placed on its systems, disciplined long-term capital planning is essential to fiscal sustainability and reliable service delivery.

SCOPE

This policy applies to all District departments and service areas. A capital project is any expenditure resulting in the acquisition, construction, improvement, or replacement of a tangible asset with an expected useful life exceeding one year and a total cost of \$10,000 or more, consistent with the District's capitalization threshold. Expenditures below this threshold are treated as maintenance and repair and are charged to the operating budget.

Capital projects are organized into the following categories:

- Water System – transmission, pumping, storage, wells, and telemetry
- Sewer System – collection, pumping, interceptors, inflow and infiltration, and telemetry
- Fire and Emergency Medical Services – apparatus, stations, and equipment
- Solid Waste – related infrastructure
- Administrative – buildings, fleet, equipment, and information technology

POLICY

A. Annual Adoption

The Board of Directors shall review and adopt the CIP concurrently with the Annual Budget. The CIP shall include the upcoming fiscal year and projections for the following four fiscal years. Projects and funding identified beyond the current budget year are provided for planning purposes only and subject to future Board review and approval.

All capital expenditures must be formally appropriated by the Board through the annual budget resolution or subsequent Board-approved budget amendments. The Board retains sole authority to approve new projects or authorize the use of undesignated reserves.

B. Long-Term Capital Replacement Planning

The District shall maintain a long-term capital asset replacement plan for each major fund, tracking the estimated remaining useful life and projected replacement cost of each significant asset. Reserve contribution targets shall be set through the Cost of Service and Rate Study and reviewed at least every five years.

The capital replacement model plans shall be reviewed and updated annually to verify that reserve contribution targets are not changing considerably. Depreciation is calculated on the straight-line method using the following estimated useful lives: facilities and systems, 3–50 years; vehicles, furniture, and equipment, 3–20 years.

C. Funding Sources

Capital projects may be funded through one or more of the following sources:

Capital Reserve Funds – The District maintains dedicated reserve accounts for each service area (Water Capital, Water Reserve, Sewer Capital, Sewer Reserve, Fire Capital, Fire Reserve, Garbage Reserve, and Bike Trail Snow Removal Reserve), funded through operating surpluses, rates, property taxes, and connection fees.

Grants – The District actively pursues state and federal grants. Award amounts shall be incorporated into the CIP upon confirmation. Any required local match shall be budgeted in advance.

Connection and Impact Fees – Fees collected from new development shall be deposited into the applicable capital fund as required by law.

Long-Term Debt – Debt financing is considered only for large non-recurring projects when reserves are insufficient and the full cost of financing is justified. Any debt issuance requires Board approval and compliance with California law.

D. Project Management

Every approved capital project shall have a designated project manager responsible for preparing the project proposal, managing scope and schedule, authorizing expenditures within the approved budget, ensuring compliance with all applicable laws and grant conditions, and reporting project status to the General Manager and Board of Directors.

E. Amendments

The Board may amend the CIP at any time. Material changes—such as the addition or elimination of significant projects or changes in funding sources—require formal Board action. Minor administrative adjustments within the General Manager’s budgetary authority shall be reported to the Board at the next regular meeting.

TRANSPARENCY AND REPORTING

The District is committed to open and accountable capital planning. In support of that commitment:

1. **Public Availability** – The adopted CIP and annual budget shall be published on the District’s website at www.ovpsd.org and made available for public review prior to Board adoption.
2. **Annual Audit** – Capital expenditures and reserve fund balances shall be reflected in the District’s annual audited financial statements, prepared in accordance with Generally

Accepted Accounting Principles (GAAP) and Government Auditing Standards, and issued an independent auditor's opinion.

3. Project Monitoring – The General Manager or Finance Manager shall provide the Board with regular updates on active capital projects, including expenditures to date, budget status, schedule adherence, and grant compliance. At a minimum, monitoring shall confirm that scope is defined, expenditures are reviewed against the approved budget and total project life, and all grant conditions are met.
4. Reserve Reporting – Capital and reserve fund balances shall be reported to the Board quarterly and summarized in the annual financial report, ensuring the Board and public can assess progress toward funding the long-term capital replacement plan.
5. Policy Review – This policy shall be reviewed periodically and updated as necessary.

Policy 2060 Budget Preparation and Financial Planning

This policy establishes the framework by which the District prepares, adopts and administers its annual budget to ensure fiscal responsibility, structural balance, and alignment with the long-term needs of the community.

PURPOSE

The District shall prepare and adopt an Annual Budget for each fiscal year (July 1 – June 30). The budget serves as the District’s primary financial planning document, guiding the allocation of resources across all service areas—water, sewer, fire protection and emergency medical services, solid waste, and administration—in a manner that is transparent, fiscally sound, and aligned with the District’s Strategic Plan and long-term financial policies.

SCOPE

This policy applies to all District departments and funds, including the General Fund (Fire), Utility Enterprise Funds (Water, Sewer, Garbage), and all capital reserve accounts. It governs the preparation, adoption, amendment, and administration of the Annual Budget and applies to all revenues, expenditures, and fund transfers. The General Manager has the authority to approve administrative budget adjustments within an approved fund, provided such adjustments do not increase the total fund appropriation, create a new project, or add authorized staffing positions. The Board of Directors retains sole authority to approve new projects, create new positions, or draw on undesignated reserves.

POLICY

A. Structural Balance

The District shall maintain a balanced budget in which total proposed expenditures do not exceed total estimated revenues plus available fund balance, exclusive of reserves, for any fund. Current revenues shall be sufficient to support current expenditures. Beginning fund balances shall not be used as a revenue source to mask a structural imbalance. If a projected shortfall exists, the General Manager or Finance Manager shall present the Board with a corrective financial plan demonstrating that the imbalance will not recur.

B. One-Time Revenues

One-time revenues—such as grants, insurance proceeds, asset sales, or non-recurring receipts—shall be used only for one-time expenditures. They shall not be used to fund ongoing operating costs or mask a structural imbalance between recurring revenues and expenditures.

C. Operating Carryover

Unspent operating appropriations shall lapse at the fiscal year-end and shall not automatically carry over to the following year. Re-appropriation of lapsed funds requires Board approval. Capital project appropriations and grant-funded project budgets may be carried forward as needed to complete active projects.

D. Reserve Funding

Each annual budget shall include contributions to capital reserve accounts consistent with the District's Long-Term Capital Replacement Plans and the Cost of Service Analysis and Rate Study. Reserve targets for each service area—Water, Sewer, Fire, Garbage, and Bike Trail Snow Removal—shall be reviewed at least every five years and adjusted to reflect current infrastructure conditions, cost projections, and service demands. The District's goal is to minimize reliance on debt financing or sudden rate increases.

E. Debt and Long-Term Obligations

The Annual Budget shall fully appropriate all required debt service payments and mandated contributions, including CalPERS Unfunded Accrued Liability (UAL) payments and OPEB prefunding contributions to the California Employer's Retiree Benefit Trust (CERBT). Debt financing and any new long-term debt requires Board approval.

F. Multi-Year Financial Planning

In order to determine the effect of current-year decisions on the District's future, a five-year financial forecast, projecting revenues and expenditures for all operating funds, shall be developed as part of each year's budget process. Individual and aggregate revenue categories, as well as expenditures, shall be projected by revenue and expenditure type. Historical growth rates, inflation assumptions, and expenditure priorities will be used in developing the forecast. This tool shall be used as a planning document to develop the budget guidelines and to evaluate the future impact over the subsequent five years.

TRANSPARENCY AND REPORTING

The District is committed to open, accessible, and accountable budget practices:

- Public Process – The proposed Annual Budget shall be made available for public review prior to Board adoption, with opportunity for public comment at a noticed Board meeting.
- Website Publication – The adopted budget shall be published on the District's website at www.ovpsd.org.
- Annual Audit – Budget-to-actual results shall be reported in the District's Annual Comprehensive Financial Report, prepared in accordance with GAAP and audited by an independent CPA firm under Government Auditing Standards.
- Monthly Review – Staff shall present the Finance Committee with a monthly review identifying material variances, updated projections, and any recommended amendments.
- Policy Review – This policy shall be reviewed periodically and updated as necessary.

Policy 2065 Rate Setting

This policy establishes the framework by which the District sets, reviews, and adjusts rates for water, sewer, and garbage services to ensure full cost recovery, long-term financial sustainability, and equitable treatment of ratepayers.

PURPOSE

The District's utility services—water, sewer, and garbage—are operated as enterprise activities funded primarily through service fees. Rates shall be set at levels sufficient to recover the full cost of operations, maintain required reserves, and fund ongoing capital improvements, while remaining fair, transparent, and compliant with California law. Sound rate-setting practices protect ratepayers from sudden increases and protect the District from financial instability.

SCOPE

This policy applies to all District utility enterprise funds—Water, Sewer, and Garbage—and to any fees or special assessments collected by or on behalf of the District. It applies to the General Manager, Finance and Administration staff, and the Board of Directors in their respective roles in proposing, reviewing, and adopting rates. It does not apply to property tax revenues, grant funding, or Fire Department service fees, which are governed by separate policies.

POLICY

A. Full Cost Recovery

Each utility enterprise fund shall be operated to fully cover its total direct and indirect costs, including operations, maintenance, administrative overhead, debt service, and contributions to capital reserves. The District's goal is that revenues derived from rates shall not exceed the reasonable cost of providing the service.

B. Cost of Service Analysis and Rate Study

The District shall conduct a comprehensive Cost of Service Analysis and Rate Study no less than every five years. The study shall evaluate the full cost of service delivery for each utility, projected capital needs from the 10-year Capital Replacement Plans, reserve funding requirements, and the equitable allocation of costs among customer classes. Rate adjustments shall be based on the findings of this study and incorporated into a multi-year rate schedule to provide ratepayers with predictability.

C. Annual Rate Review

Rates shall be reviewed annually as part of the budget process. In years between formal rate studies, staff shall assess whether existing rates remain sufficient to cover costs and meet reserve targets. If interim adjustments are needed, they shall be based on documented analysis and presented to the Board for approval. Rate adjustments shall not be artificially deferred in a manner that creates future financial instability or requires sudden large increases. Connection fees and capacity charges shall comply with the Mitigation Fee Act (Government Code §66000 et seq.).

D. Proposition 218 Compliance

All rate increases shall comply with the requirements of Proposition 218 (California Constitution, Article XIII D), including written notice to property owners, a public hearing before the Board of Directors, and the protest process. The District shall complete all required noticing and hearings before any new rate schedule takes effect.

E. Delinquent Accounts

The District shall maintain a uniform process for collecting delinquent service fees. Delinquent balances may be submitted to Placer County for collection on the property tax roll, consistent with applicable California law. Delinquencies shall be reported to the Board and tracked as a percentage of total billed revenue. The District's shall monitor delinquency levels and seek to minimize unpaid accounts through consistent collection practices.

TRANSPARENCY AND REPORTING

The District is committed to open and understandable rate-setting practices:

- Rate Schedule Publication – The current rate schedule for all utility services shall be published on the District's website at www.ovpsd.org and updated promptly following any Board-approved change.
- Prop 218 Noticing – All required notices shall be mailed to property owners in advance of any public hearing on a proposed rate increase, in accordance with California law.
- Annual Financial Report – Revenue by service area, rate-to-cost comparisons, and reserve fund balances shall be disclosed in the District's Annual Comprehensive Financial Report and presented to the Board.
- Benchmarking – Rates shall be compared periodically to those of comparable public agencies to ensure the District's rates are reasonable and aligned with similar service providers.
- Policy Review – This policy shall be reviewed periodically and updated as necessary.

Policy 2070 Financial Reporting

This policy establishes the framework by which the District produces, distributes, and maintains financial reports that are accurate, timely, compliant with applicable standards, and accessible to the public.

PURPOSE

Clear, accurate, and understandable financial reporting provides accountability over all components of the District's financial affairs and ensures compliance with applicable statutory and regulatory requirements. The District's financial reports shall meet standards established by the Governmental Accounting Standards Board (GASB), Government Auditing Standards, and other applicable oversight bodies, and shall be made available to the public in a manner that supports informed decision-making and public trust.

SCOPE

This policy applies to all financial reporting produced by or on behalf of the District, including government-wide statements, fund financial statements, budget-to-actual schedules, and supplementary reports. It applies to the Finance and Administration Manager, the General Manager, and the Board of Directors in their respective roles in producing, reviewing, and receiving financial information. It covers all funds—the General Fund (Fire), Utility Enterprise Funds (Water, Sewer, Garbage), and capital reserve accounts.

POLICY

A. Accounting Practices

The District shall establish and maintain accounting practices that conform to Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). The District shall monitor and implement new GASB pronouncements on a timely basis. The Finance and Administration Manager is responsible for ensuring the District's accounting records and financial statements comply with GAAP and applicable California law.

B. Annual Financial Audit

An annual audit shall be performed by an independent certified public accounting firm engaged by the Board of Directors. The audit shall be conducted in accordance with GAAP and Government Auditing Standards issued by the Comptroller General of the United States. The District shall issue an Annual Comprehensive Financial Report (ACFR) no later than six months following fiscal year-end (December 31). The ACFR shall include the independent auditor's report, government-wide and fund financial statements, Management's Discussion and Analysis, required supplementary information, and statistical data. The District shall strive to meet the standards of the GFOA Certificate of Achievement for Excellence in Financial Reporting Program. Any management letter issued by the auditor shall be presented to the Board of Directors.

C. Periodic Financial Reporting

The Finance and Administration Manager shall submit financial reports to the Board of Directors on a regular basis to support informed governance and timely decision-making. At a minimum, the following reports shall be provided: a mid-year budget-to-actual report identifying material variances; quarterly capital and reserve fund balance summaries; and an annual year-end financial summary

presented alongside the ACFR. The General Manager may direct additional reporting as operational needs require.

D. Internal Controls

Management is responsible for the design, implementation, and maintenance of internal controls sufficient to provide reasonable assurance that the District's financial statements are free from material misstatement, whether due to fraud or error. The District shall maintain a comprehensive framework of internal controls over financial reporting, cash handling, payroll, procurement, and capital asset management. Internal control findings identified by the independent auditor shall be reported to the Board and addressed promptly by management.

TRANSPARENCY AND REPORTING

The District is committed to financial reporting that is open, accessible, and meaningful to the public:

- **Public Availability** – The ACFR, annual budget, and other financial reports shall be available for public inspection and posted on the District's website at www.ovpsd.org promptly following issuance.
- **State Reporting** – The District shall file all required financial reports with the California State Controller's Office, including the Annual Financial Transaction Report and Annual Compensation Report, within statutory deadlines.
- **Board Presentation** – The ACFR and independent auditor's report shall be formally presented to the Board of Directors at a noticed public meeting. Any management letter findings and management's responses shall be included in that presentation.
- **Policy Review** – This policy shall be reviewed periodically and updated as necessary.

Policy 2080 GASB 54 Fund Balance

This policy establishes the classification, reporting, and expenditure hierarchy for governmental fund balances in accordance with GASB Statement No. 54 and provides a framework for maintaining financial stability.

PURPOSE

This Fund Balance Policy establishes procedures for reporting fund balance classifications, establishes reserve requirements, and defines a hierarchy of fund balance expenditures for the Olympic Valley Public Service District (the "District"). This policy authorizes and directs the Finance and Administration Manager to prepare financial reports that accurately categorize fund balance per Governmental Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This policy is established to provide a measure of financial protection against unforeseen circumstances, to comply with GASB 54, and to ensure that fund balance classifications reflect the true nature and availability of the District's financial resources.

SCOPE

This policy applies to the District's governmental fund—the General Fund (Fire Department)—which is subject to GASB 54 reporting requirements. The District's utility enterprise funds (Water, Sewer, and Garbage) are proprietary funds governed by net position classifications rather than fund balance and are not subject to this policy. This policy applies to the Finance and Administration Manager, the General Manager, and the Board of Directors in their respective roles in classifying, committing, assigning, and expending fund balance.

POLICY

A. Fund Balance Components

Fund balance is the difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in a governmental fund. GASB 54 establishes five components of fund balance, each identifying the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent:

Non-Spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Items not in spendable form include prepaid items, accounts receivable, inventories, and the long-term portion of loans or notes receivable.

Restricted Fund Balance

The restricted fund balance classification includes amounts subject to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or

enabling legislation. Examples include mitigation fees to be used toward capital improvements and 115 trust contributions.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Directors—the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes or changes the commitment by formal Board action (resolution). Board action to commit fund balance must occur within the fiscal reporting period, though the specific amount may be determined subsequently. Fire Department committed funds designated by Board resolution are typically used for asset replacement and capital projects.

Assigned Fund Balance

The assigned fund balance classification includes amounts constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent is established by the Board of Directors, the General Manager, or the Finance Manager if expressly delegated that authority by the Board.

Unassigned Fund Balance

The unassigned fund balance classification includes amounts that do not fall into any of the above four categories. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The General Fund is the only governmental fund that may report a positive unassigned fund balance.

B. Authority to Commit and Assign Fund Balance

Commitments of fund balance require formal action by the Board, typically through adoption of a resolution, prior to the end of the fiscal reporting period. The resolution or formal action must identify the specific purpose of the commitment; however, the exact dollar amount may be determined subsequent to fiscal year-end as part of the preparation of the District's financial statements. Commitments may only be modified or rescinded through the same level of formal Board action used to establish the commitment.

C. Stabilization Arrangements

The District may formally set aside unrestricted fund balance amounts for use in emergencies, revenue shortfalls, or budget imbalances, as permitted under GASB 54. Such stabilization arrangements shall be established by Board resolution and reported in the General Fund as either restricted or committed fund balance, as appropriate. The notes to the District's financial statements shall disclose the authority for the arrangement, conditions under which amounts may be spent, and the year-end balance.

D. Hierarchy of Fund Balance Expenditure

When expenditure is incurred for which both restricted and unrestricted fund balance is available, restricted fund balance shall be spent first. When expenditure is incurred for purposes for which any of the unrestricted classifications of fund balance could be used, the District shall consider fund balance depleted in the following order:

- Committed amounts first
- Assigned amounts second
- Unassigned amounts last

This spending hierarchy shall be applied consistently in all financial reporting periods and shall be disclosed in the notes to the District's financial statements.

TRANSPARENCY AND REPORTING

The District is committed to accurate and accessible fund balance reporting:

- ACFR Disclosure – Fund balance classifications shall be reported in the District's Annual Comprehensive Financial Report in accordance with GAAP and GASB 54, with full disclosure in the notes to the financial statements of the nature and purpose of each classification.
- Board Reporting – Fund balance by classification shall be included in periodic financial reports to the Board and summarized at year-end alongside the ACFR presentation.
- Policy Review – This policy shall be reviewed periodically and updated as necessary.

Policy 2090 Grant Funding and Compliance

This policy establishes uniform guidelines for the pursuit, acceptance, management, and compliance of grant funding to ensure accountability, transparency, and the responsible stewardship of public resources.

PURPOSE

Grant funding allows the District to supplement local revenues and reserves to increase the efficiency and impact of capital projects, fire and fuels management programs, water and sewer infrastructure improvements, and other community services. Grants are not “free money”—they are legal, contractual, and binding agreements funded by tax dollars that carry stringent compliance and reporting requirements. Careful analysis shall be given before applying for or accepting any grant award.

This policy establishes guidelines for the Olympic Valley Public Service District (the “District”) in the pursuit, acceptance, management, and closeout of grant funding. It is intended to:

- Promote best practices and sound financial management in grant administration
- Ensure grant activity is consistent with the District’s Strategic Plan and Board priorities
- Maintain the District’s standing and credibility with granting agencies
- Ensure accountability for financial and programmatic elements of all grants
- Promote compliance with all applicable federal, state, and local requirements

The Board of Directors is responsible for adopting this policy and approving significant revisions. The General Manager is responsible for implementing administrative procedures consistent with this policy and is authorized to make minor administrative adjustments that do not significantly alter policy intent. All District personnel involved in grant activity are responsible for knowing and following this policy.

Public Records: All documents related to grant applications, contracts, expenditures, revenues, and compliance are public records subject to disclosure under the California Public Records Act (Government Code §7920.000 et seq.).

SCOPE

This policy applies to all District departments, staff, and Board members involved in identifying, applying for, accepting, administering, or closing out grant funding from any federal, state, local, or private source. It applies to all grant types, including capital grants, operating grants, fuels management grants, and pass-through awards. As a small special district, the General Manager and Administration Department serve the grant management functions described in this policy, with project managers assigned from the relevant department for each active grant.

POLICY

A. General Standards

Conflicts of Interest: No officer or employee of the District shall have any financial or personal interest, direct or indirect, that may reasonably be expected to bias the design, conduct, or reporting of a grant-funded project. Each project manager shall ensure that grant funds are used

without giving preferential treatment, compromising independence, or adversely affecting public confidence in the District. Conflicts shall be disclosed in writing to the General Manager and, where required, to the granting agency.

Code of Ethics: All personnel engaged in grant activity shall act in good faith, follow applicable grant laws and requirements, avoid conflicts of interest, and refrain from soliciting or accepting gifts or favors from vendors, contractors, or grant partners that may influence grant decisions.

Fraud, Waste, and Abuse: The District is committed to preventing fraudulent or dishonest use of grant funds. All employees are responsible for detecting and reporting suspected fraud or misuse to the General Manager. Violations may result in disciplinary action, restitution, referral for criminal prosecution, and civil action.

B. Grant Application

Planning and Opportunities: District staff may identify and research grant opportunities aligned with Board priorities, the Strategic Plan, the Capital Improvement Plan, and the Community Wildfire Protection Plan. Staff shall obtain approval from the General Manager before pursuing any grant application.

Determining Eligibility: Before submitting an application, staff shall evaluate:

1. Alignment with District priorities and adopted plans
2. Administrative burden, compliance costs, and match requirements
3. Long-term operation, maintenance, and staffing costs associated with the funded project
4. Whether long-term District costs, including match requirements, operations, maintenance, administration, or staffing obligations, may materially exceed the grant award amount—if so, the Finance and Administration Manager and General Manager approval is required before proceeding

Submitting Applications: The designated project manager shall prepare and submit a complete and competitive grant proposal consistent with grant guidelines and deadlines. The application budget shall include total project costs, staff time, administration, match contributions, and any ongoing operation and maintenance costs.

C. Grant Acceptance

Approval Process: Upon receipt of a grant award letter, the General Manager and the project manager shall review the grant contract to confirm the District's ability to meet all compliance requirements. An award letter alone does not constitute a contract—the District shall not proceed with grant-funded activity until a fully executed grant agreement is received.

Board Approval to Accept: All grant awards require Board of Directors approval before acceptance. The staff report shall include: grant contract details and all compliance requirements; anticipated revenues and balanced expenditures, match requirements; and a copy of the grant award contract. If no grant award contract is attached, the grant cannot be accepted, and the budget cannot be appropriated.

Budget: Grant revenues and associated expenditures shall be incorporated into the District's budget prior to incurring any grant-related expenditure. Budget must be verified as available before any purchase, contract, or professional services agreement is executed.

Execution of Award: Grants may be spent only after: the granting agency has signed the agreement; the Board has approved acceptance; the District's authorized signatory has signed the agreement; and grant revenues and expenditures have been loaded into the appropriate budget accounts.

D. Grant Management and Compliance

Roles and Responsibilities:

- Finance and Administration Manager or designated Administration Staff: Serves as the District's grants coordinator. Responsible for tracking grant activity at all stages; preparing reimbursement requests and financial reports; monitoring cash flow and accounts receivable; coordinating with project managers and granting agencies; and preparing the Schedule of Expenditures of Federal Awards (SEFA) for single audit purposes.
- General Manager or Board President: Serves as authorized signatory for grant agreements; approves grant applications, awards, and significant changes; ensures adequate staffing and resources for grant administration; and approves unusual or unbudgeted grant expenditures.
- Project Manager: Responsible for programmatic activities, budget monitoring, vendor and contractor oversight, invoice review, progress reporting, and ensuring compliance with all terms and conditions of the grant agreement.

Procurement: All grant-funded procurement shall follow the District's adopted Procurement Policy. Grant awards utilizing federal funds must also comply with 2 CFR Part 200 §200.317–200.327. Vendors and contractors paid with federal funds in excess of \$25,000 must be verified against the federal System for Award Management (SAM.gov) for suspension and debarment.

Compliance Standards: The District is responsible for compliance with all terms and conditions of each grant agreement throughout the life of the award. Non-compliance may result in loss of reimbursement, grant termination, repayment of funds, or suspension from future grants. Falsification of any grant documentation may result in disciplinary action, termination of employment, and/or criminal action.

E. Grant Accounting

Grant revenues shall be budgeted and tracked separately from other District revenue sources. Expenditures shall be coded to the appropriate account. The following accounting requirements apply to all grants:

1. Budget must be verified before any expenditure is incurred
2. Grant expenditures must be consistent with the approved grant application, award contract, and District annual budget
3. Invoices must be reviewed by the project manager for compliance with grant requirements and procurement rules before authorization for payment
4. Federal awards must comply with 2 CFR Part 200 (Uniform Guidance) in all aspects of accounting, cost principles, and audit requirements

Budget Monitoring: The project manager shall monitor project budgets, contractor invoices, and expenditures relative to the approved grant budget. Line-item adjustments to the grant budget must be approved by the granting agency per the terms of the agreement, and the Finance and Administration Manager must be notified concurrently.

Cash Management: To minimize the time between District outlay and receipt of grant reimbursement, invoices shall be submitted and paid promptly. Most grants are reimbursement-based—the District must first expend and pay, then request reimbursement. Reimbursement requests shall be prepared by the Administration Department, and submitted per the grant agreement schedule. Grant receivables shall be tracked until payment is received.

Staff Time: When staff time is charged to a grant or used as match, it shall be documented on timesheets reflecting actual hours worked per pay period, approved by the employee's supervisor, and calculated from payroll records. Federal grants require accounting for 100% of an employee's time during the applicable period per 2 CFR §200.430.

Capital Equipment: Equipment purchased with grant funds shall be inventoried, maintained, and disposed of in accordance with 2 CFR §200.313 for federal awards or the applicable state regulations. Property records shall include a description, serial number, funding source, acquisition date and cost, location, condition, and disposition data.

F. Post-Award Closeout and Audit

Closeout: Upon completion of all required performance activities, the project manager and Finance and Administration Manager shall complete grant closeout tasks per the grant agreement and 2 CFR §200.343 (for federal awards). Responsibilities include final performance and financial reports, final reimbursement requests, and ensuring revenues and expenditures balance to budget. All grant records shall be retained for a minimum of five years after the final closeout date, or longer if required by the grant agreement.

Audit: All granting agencies reserve the right to conduct a program or financial audit at any time during or after the grant period. Any District that expends \$1,000,000 or more of federal awards in a fiscal year is subject to a Single Audit under the Single Audit Act and 2 CFR Part 200 Subpart F. All grant activity shall be thoroughly documented to facilitate any audit. The Finance and Administration Manager shall prepare the SEFA and coordinate with the independent auditor and granting agencies as needed. Audit findings shall be reported to the Board and addressed promptly by management.

TRANSPARENCY AND REPORTING

The District is committed to transparent and accountable grant management:

- Board Reporting – Active grants, award amounts, expenditure status, and compliance matters shall be reported to the Board as part of regular financial updates and the annual budget process.
- ACFR Disclosure – Grant revenues and expenditures shall be disclosed in the District's Annual Comprehensive Financial Report, including the Schedule of Expenditures of Federal Awards (SEFA) when applicable.

- Records Retention – All grant-related records shall be retained in accordance with applicable grant requirements, California law, and the District’s records retention schedule, with a minimum retention of five years following closeout.
- Policy Review – This policy shall be reviewed periodically and updated as necessary.