ENUMCLAW FIRE DEPARTMENT
KING COUNTY, STATE OF WASHINGTON
RESOLUTION #2024-02

A RESOLUTION BY THE BOARD OF COMMISSIONERS OF ENUMCLAW FIRE DEPARTMENT, KING COUNTY FIRE PROTECTION DISTRICT #28, ESTABLISHING FINANCIAL MANAGEMENT POLICIES.

WHEREAS, the Board of Fire Commissioners of the Enumclaw Fire Department recognizes the importance of sound financial planning and clear polices and guidelines for financial management; and

WHEREAS, the Board of Fire Commissioners of the Enumclaw Fire Department recognizes that it is essential for the District to maintain adequate levels of fund balance and reserve funds to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures); and

WHEREAS, the Board of Fire Commissioners of the Enumclaw Fire Department recognizes the importance to maintain and further develop programs to ensure the long-term ability to pay all costs necessary to provide the level and quality of service required by the citizens; and

WHEREAS, the Board of Fire Commissioners of the Enumclaw Fire Department recognizes the importance to maintain a spirit of openness and transparency while being fully accountable to the public for the District's fiscal activities; and

WHEREAS, the Board of Fire Commissioners of the Enumclaw Fire Department desires to establish a set of financial policies to serve as guidance for the continued financial health and integrity of the District;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF ENUMCLAW FIRE DEPARTMENT, KING COUNTY, WASHINGTON DO HEREBY RESOLVE AS FOLLOWS:

Section 1: The Board of Fire Commissioners hereby adopts the Financial Management Policies attached hereto as Exhibit "A" and incorporated herein by this reference as the Financial Management Policies for the Enumclaw Fire Department.

PASSED, APPROVED AND ADOPTED in Open and Regular Session this 26th day of June, 2024.

Amy Trachte
Amy Trachte (Jun 28, 2024 15:21 PDT)
Amy Trachte, Commissioner

Jennifer Jones (Jun 28, 2024 14:35 PDT)
Jenny Jones, Commissioner

Angela Stubblefield
Angela Stubblefield (Jul 2, 2024 11:28 PDT)

Angela Stubblefield, Commissioner

Jim Zoll
Jim Zoll (Jun 28, 2024 16:07 PDT)

Jim Zoll, Commissioner

Eric T Heintzinger
Eric T Heintzinger (Jul 2, 2024 10:31 PDT)

Eric Heintzinger, Commissioner

ATTEST:

Erinn Tinney
Erinn Tinney (Jun 28, 2024 14:12 PDT)

Erinn Tinney, Board Secretary

EXHIBIT A
King County Fire District #28
(Enumclaw Fire Department)
King County, Washington
Financial Management Policies

(Updated on May 21st, 2025)

Statement of Purpose

The financial integrity of King County Fire District #28 (the "District") is of utmost importance. To discuss, write, and adopt a set of financial policies is a key element to maintaining this integrity. The set of policies within this document serve as a central reference point of the most important of our policies, which are critical to the continued financial health of our local government.

Written, adopted financial policies have many benefits, such as assisting the elected officials and staff in the financial management of the municipality, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as elected officials and staff change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing the District. They will promote sound financial management and assist the District's stability, efficiency, and effectiveness.

Financial Goals

Our financial goals seek to:

- Ensure the financial integrity of the municipality.
- Manage the financial assets in a sound and prudent manner.
- Improve financial information for decision makers at all levels:
    - Policy makers as they contemplate decisions that affect the municipality on a long-term basis.
    - Staff as they implement policy on a day-to-day basis.
- Maintain and further develop programs to ensure the long-term ability to pay all costs necessary to provide the level and quality of service required by the citizens.
- Maintain a spirit of openness and transparency while being fully accountable to the public for the District's fiscal activities.

Financial Policies

The District's financial policies address the following major areas:

I. General Policies
II. Revenue Policies
III. Expenditure Policies
IV. Operating Budget Policies
V. Capital Management Policies
VII. Debt Policies
VIII. Communication Policies
IX. Compliance Policies
X. Investment & Cash Management Policies
XI. Fund Balances and Reserve Policies

VI. Accounting Policies

These policies may be addressed in this policy or separate policies.

I. General Policies

1. The District may adopt resolutions to set financial policies to assure the financial strength and accountability of the District.
2. The Fire Chief shall develop administrative directives and general procedures for implementing the Board of Fire Commissioner's financial policies.
3. All departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected resources, and future service requirements.
4. To attract and retain staff necessary for providing high quality services, the District shall establish and maintain a competitive compensation and benefit package with the public and private sectors.
5. Efforts will be coordinated with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis, and support favorable legislation at the state and federal levels.
6. Initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
7. The District will strive to maintain fair and equitable relationships with its contractors and suppliers.

II. Revenue Policies

Design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired services.

<u>General Revenues</u>

1. Current expenditures will be funded by current revenues. The District will try to maintain a diversified and stable revenue system to protect programs from short-term fluctuations in any single source.
2. Budgeted revenues will be estimated conservatively using accepted standards and estimates provided by the state, other governmental agencies or reliable economic forecasters when available.
3. General Fund/Current Expense Fund and other unassigned revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by the Board of Fire Commissioners or required by law, or generally accepted accounting practices (GAAP). All unassigned revenues will be deposited into the 100280010 Enumclaw Fire Expense Fund and appropriated by the budget process.
4. If revenues from "one-time" or limited duration sources are used to balance the annual operating budget, it is to be fully disclosed and explained at the time the budget is presented. It is the District's goal to not rely on these types of revenues to balance the operating budget.

5. The District will not use deficit financing and borrowing to support on-going operations in the case of long-term (greater than one year) revenue downturns. Revenue forecasts will be revised, and expenses will be reduced to conform to the revised long-term revenue forecast or revenue increases will be considered.
6. The District will follow professional policies of collecting revenues.

<u>Fees and Charges</u>

1. The District may use service users' charges in lieu of ad valorem (property) taxes and subsidies from other District funds, for services that can be identified and where costs are directly related to the level of service provided.
    a. Other reimbursable work performed by the District (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated actual cost.
    b. Charges for services shall accurately reflect the actual or estimated cost of providing a specific service. The cost of providing specific services shall be recalculated periodically, and the fee adjusted accordingly. The District may maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees and charges will be reviewed every three years at a minimum.
    c. The District will consider market rates and charges levied by other municipalities for like services in establishing rates, fees, and charges.
    d. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery.

<u>Grants and Gifts</u>

1. Grant funding for programs or items which address the District's current priorities and policy objectives should be considered to leverage District funds. Inconsistent and/or fluctuating grants should not be used to fund on-going programs.
2. Before accepting any grant, the District shall thoroughly consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant.
3. All grants and other federal and state funds shall be managed to comply with the laws, regulations, and guidance of the grantor, and all gifts and donations shall be managed and expended in accordance with the District's policies and the wishes and instructions of the donor.

<u>General Fund</u>

The General Fund (Fire Expense Fund) is the primary operating account and is used for the payment of operating and maintenance expenses, including labor costs related to the day-to-day operation of the District.

<u>Capital Outlay Fund</u>

The Capital Outlay Fund is used for the purchase and replacement of capital assets or construction of capital projects and may be used for debt payments if approved by the Board of Fire Commissioners.

Special Revenue Fund

The Special Revenue Fund is a separate interest-bearing account for revenue the District receives from Fire Impact Fees and must be used for the purchase of new capital facilities, apparatus, and equipment and to preserve existing assets as identified in the Capital Facilities Plan.

Cash Drawer

The District does not have a cash drawer. All monies collected shall be receipted and deposited in accordance with the District's Cash Receipting Policy.

Fund Balance and Maintenance of Minimum Reserve Levels

The District shall strive to maintain adequate fund balances (reserves) in order to provide sufficient cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies. Operating expenditures shall include salaries, benefits, supplies, professional services, intergovernmental and interfund expenses, capital outlays and transfers (See "XI. Reserve Policies" herein for more details and specifics.)

III. Expenditure Policies

Identify priority services, establish appropriate service levels, and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.

1. The District will strive to adopt an annual General Fund budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues.
2. Administrative personnel and program/project coordinators are responsible for managing their budgets within the total appropriation for their department, program, or project and in accordance with the District's Procurement policy.
3. The District will take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of reserves. The Board of Fire Commissioners may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this will be avoided if possible.
4. Long-term debt or bond financing shall not be used to finance current operating expenditures.
5. Emphasis will be placed on improving individual and work group productivity rather than adding to the work force. The District will invest in technology and other efficiency tools to maximize productivity. The District will hire additional staff only after the need for such positions has been demonstrated and documented.
6. All compensation planning and collective bargaining will focus on the total costs of compensation (TCC) which includes direct salary, health care benefits, pension contributions, and other benefits which are a cost to the District. The rate of increase of

TCC of negotiated labor contracts will be the same or less than the growth rate in revenues projected in the Six-year Financial Forecast so as not to add to the structural gap. Contracts presented for approval by the Fire Chief that do not meet these requirements will have specific operational, legal or other compulsory items identified and discussed before ratification by the Board of Fire Commissioners will be considered.

7. Periodic comparisons of service delivery will be made to ensure that quality services are provided to our citizens at the most competitive and economical cost. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery where appropriate. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.
8. The District will make every effort to maximize any discounts offered by creditors/vendors.

IV. Operating Budget Policies

1. The Board of Fire Commissioners will adopt and maintain a balanced annual operating budget.
2. The District will strive to adopt a budget where current annual operating revenues will be equal to or greater than current operating expenditures.
3. Balanced revenue and expenditure forecasts will be prepared to examine the District's ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements. The forecast will encompass six years and will be updated annually.
4. In the event a balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one year, the planned use of reserves to balance the budget is permitted. In the event that a budget shortfall is expected to continue beyond one year, the planned use of reserves must be developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.
5. Any year-end operating surpluses will revert to unassigned balances for use in maintaining reserve levels set by policy and will be available for capital expenditures and/or "one-time" only General Fund expenditures.
6. The District will provide for adequate maintenance and the orderly replacement of capital assets and equipment. Vehicle and equipment replacement will be accomplished through the use of revenue from the Capital Outlay Fund or the Special Revenue Fund, when applicable. Contribution amounts from the General Fund to the Capital Outlay Fund will be reviewed annually to ensure that assigned funds in the Capital Outlay Fund are sufficient for the replacement of vehicles and equipment.
7. The operating budget shall serve as the annual financial plan for the District. Itwill serve as the policy document of the District for implementing the Board of Fire Commissioner's goals and objectives. The budget will provide staff the resources necessary to accomplish District determined service levels.
8. The Fire Chief and/or Finance Director and/or designee shall annually present a proposed

operating budget to the Board of Fire Commissioners no later than the last Wednesday in October of each year. The Board of Fire Commissioners must adopt, by resolution, a final balanced budget no later than the third Wednesday in November of each year.

9. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the Board of Fire Commissioners.
10. Budget control and accountability is maintained at the departmental level.
11. The Fire Chief and the Finance Director, or his/her designee, have the authority to approve appropriation transfers between programs or departments within a fund. In no case may total expenditures of a particular fund exceed that which is appropriated by the Board of Fire Commissioners without a budget amendment. Amendments to the budget are approved by the Board of Fire Commissioners.

V. Capital Management Policies

Review and monitor the state of the District's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

<u>Capital Improvement Plan</u>

1. The District may develop a Capital Improvement Plan (CIP) which is consistent with the District's Agency Evaluation and Strategic Plan. The plan shall be for a period of a minimum ten years.
2. The CIP will include all projects to maintain public capital facilities required to maintain service levels at standards established by the Board of Fire Commissioners. It may also include for consideration such other projects as requested by the Fire Chief or the Board of Fire Commissioners.
3. The CIP will provide details on each capital project plan including estimated costs, sources of financing and a full description of the project.
4. The District will finance only those capital improvements that are consistent with the adopted CIP and District priorities. All capital improvement operating and maintenance costs will be included in operating budget forecasts.
5. A status review of the CIP will be conducted annually, and a report will be presented by the Fire Chief or his/her designee, to the Board of Fire Commissioners.

<u>Capital Asset Management</u>

1. The District will maintain its capital assets at a level adequate to protect the District's capital investment, to minimize future maintenance and replacement costs, and in accordance with the District's Asset Management policy. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.
2. The capitalization threshold used in determining if a given asset qualifies for capitalization is $5,000 per item with a useful life of over one year. All capital assets shall have a District property tag affixed to it when placed into service.
3. Minor equipment that falls below the $5,000 threshold but is subject to shrinkage shall

have a District property tag affixed to it when placed into service and will be accounted for on the asset inventory list.

4. The District will conduct an annual physical inventory of all capital assets.
5. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical inventory.

VI. Accounting Policies

Comply with prevailing federal, state, and local statutes and regulations. Conform to a comprehensive basis of accounting in compliance with Washington State statutes and with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA) where applicable.

1. The District uses the cash basis of accounting which is a departure from generally accepted accounting principles (GAAP).
2. The District will maintain expenditure categories according to state statute and administrative regulation. The District will use the "Budgeting, Accounting & Reporting System" (BARS) prescribed by the State Auditor for its revenue and expenditure classification.
3. Quarterly budget reports showing the current status of revenues and expenditures will be prepared and distributed to appropriate legislative, staff and management personnel in a timely manner and made available for public inspection.
4. Monthly financial updates will be presented to the Board of Fire Commissioners.
5. Electronic financial systems will be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.
6. The Annual Financial Report will be prepared and submitted to the State Auditor's Office no later than 150 days from the end of the preceding fiscal year.
7. The Annual Financial Report will be prepared on the basis of accounting that demonstrates compliance with Washington State statutes and the BARS manual prescribed by the State Auditor. The report will provide full disclosure of all financial activities and related matters.
8. A financial audit shall be performed by the Washington State Auditor's Office every two years, which will issue an official opinion on the annual financial statements. The accountability audit (i.e., accountability for public resources and compliance with state laws and regulations and its own policies and procedures) shall also be performed every two years by the Washington State Auditor's Office.
9. The District's budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units, and as a communications device for all significant budgetary issues, trends and resources.

VII. Debt Policies

Establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

Purpose and Overview

The Debt Policy for the District is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the District. Adherence to the policy is essential to ensure that the District maintains a sound debt position and protects the credit quality of its obligations.

Capital Planning

The District shall integrate its debt issuance with its Capital Improvement Plan (CIP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays and competing projects. Long-term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs. For all capital projects under consideration, the District shall set aside sufficient revenue from operations to fund ongoing normal maintenance needs and to provide reserves for periodic replacement and renewal. The issuance of debt to fund operating deficits is not permitted.

Legal Governing Principles

In the issuance and management of debt, the District shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

1. State Statutes – The District may contract indebtedness as provided for by State law, subject to the statutory and constitutional limitations on indebtedness.
2. Federal Rules and Regulations – The District shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the Internal Revenue Code of 1986, as amended; the Treasury Department regulations there under; and the Securities Acts of 1933 and 1934.
3. Local Rules and Regulations – The District shall issue and manage debt in accordance with the limitations and constraints imposed by local rules, policies, and regulations.

Roles & Responsibilities

The Board of Fire Commissioners shall:

- Approve indebtedness;
- Approve the appointment of the bond underwriter and bond counsel;
- Approve the Financial Policy, including the section on the Debt Policy;
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt; and

The Fire Chief and the Finance Director and/or their designee, in consultation with the Board of Fire Commissioners shall:

1. Assume primary responsibility for debt management;

2. Provide for the issuance of debt at the lowest possible cost and risk;
3. Determine the available debt capacity;
4. Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
5. Recommend to the Board of Fire Commissioners the manner of sale of debt;
6. Monitor opportunities to refund debt and recommend such refunding as appropriate;
7. Comply with all Internal Revenue Service (IRS), Securities and Exchange (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance of debt;
8. Provide for the timely payment of principal and interest on all debt and ensure that the fiscal agent receives funds for payment of debt service on or before the payment date;
9. Provide for and participate in the preparation and review of offering documents;
10. Comply with all terms, conditions and disclosure required by the legal documents governing the debt issued;
11. Submit to the Board of Fire Commissioners all recommendations to issue debt;
12. Provide for the distribution of pertinent information to rating agencies;
13. Comply with undertakings for ongoing disclosure pursuant to SEC Rule 15c2-;
14. Apply and promote prudent fiscal practices.

Ethical Standards Governing Conduct

The members of the District's staff will adhere to the standards of conduct as stipulated by the Public Disclosure Act, RCW 42.17 and Ethics in Public Service, RCW 42.52.

Types of Debt Instruments

The District may utilize several types of municipal debt obligations to finance long-term capital projects. Subject to the approval of the Board of Fire Commissioners, the District is authorized to sell:

1. **Unlimited Tax General Obligation Bonds** – The District shall use Unlimited Tax General Obligation Bonds (UTGO), also known as "Voted General Obligation Bonds" for the purpose of capital improvements, remodels, equipment purchases and property acquisition. Voted issues are limited to capital purposes only. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the assent of 60% of the voters at an election to be held for that purpose, plus validation requirements.
2. **Limited Tax General Obligation Bonds** – A Limited-Tax General Obligation debt (LTGO), also known as "Non-Voted General Obligation Debt", requires the District to levy a property tax sufficient to meet its debt service obligations but only up to a statutory limit. The District shall use LTGO Bonds as permitted under State law for lawful purposes only. General Obligation debt is backed by the full faith and credit of the District and is payable from non-voter approved property taxes and other money lawfully available. LTGO Bonds will only be issued if:

a. District determines they can afford the payments;

b. A project requires funding not available from alternative sources;

c. Matching fund monies are available which may be lost if not applied for in a timely manner; or

d. Emergency conditions exist.

3. **Special Assessment/Local Improvement District Bonds** – The District shall use Special Assessment Bonds as permitted under State law for the purpose of assuring the greatest degree of public equity in place of general obligation bond where possible. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the District. LID's are formed by the Board of Fire Commissioners after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and LID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the District and an LID Guaranty Fund, as required by State Law.

4. **Short Term Debt** – The District shall use short term debt as permitted by State law for the purpose of meeting any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long-term funding has been secured but not yet received. The District may use inter-fund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Inter-fund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All inter-fund loans will be subject to the Board of Fire Commissioners approval and will bear interest at prevailing rates.

5. **Leases** – The District is authorized to enter into capital leases under State law, subject to the approval of the Board of Fire Commissioners.

General Requirements

1. The District will not use long-term debt to pay for current operations. The use of bonds will only be considered for significant capital and infrastructure improvements.

2. The term of the debt shall never extend beyond the useful life of the improvements to be financed; and the term of the debt will not exceed 20 years.

3. General obligation debt will not be used for self-supporting enterprise activity. The general policy of the District is to fund general-purpose public improvements and capital projects that cannot be financed from current revenues with voter-approved general obligation debt. Non-voter approved debt may be utilized when a new revenue source, or Levy lid lift revenue source can be identified to pay debt service expenses.

4. The general policy of the District is to establish debt repayment schedules that use level annual principal and interest payments.

5. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond ordinance, or 2) payment of debt service on the bonds. Proceeds from debt will be used in accordance with the purpose of the debt issue. Funds

remaining after the project is completed will be used in accordance with the provisions stated in the bond ordinance that authorized the issuance of the debt.

6. The District will use the most prudent methods of acquiring capital outlay items, including the use of lease-purchase agreements. In no case will the District lease-purchase equipment whose useful life is less than the term of the lease.
7. The District will maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved. The District will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.
8. The District shall use refunding bonds in accordance with the Refunding Bond Act, RCW 39.53. Unless otherwise justified, the District will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any refunding, unless otherwise justified.
9. With the Board of Fire Commissioners approval, interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an inter-fund loan as appropriate in the circumstances.

VIII. Communication Policies

1. It is the policy of the District to remain as transparent as possible.
2. The District shall manage relationships with the rating analysts assigned to the District's credit, using both informal and formal methods to disseminate information.
3. The District's Basic Financial Statements and Notes shall be a vehicle for compliance with continuing disclosure requirements. The Notes to the Financial Statements may be supplemented with additional documentation as required. Each year included in the Notes to the Financial Statements, the District will report its compliance with debt targets and the goals of the Debt Policies.
4. The District shall seek to maintain and improve its current bond rating.

IX. Compliance Policies

Investment of Proceeds
The District shall comply with all applicable Federal, State, and contractual restrictions regarding the investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds as well as restrictions on the time period over which some of the proceeds may be invested.

Legal Covenants
The District shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

Periodic Policy Review
At a minimum, the Debt Policy and the District's Post Issuance Compliance Policy will be reviewed and updated every five years.

X. Investment and Cash Management Policies

Manage and invest the District's operating cash to ensure its legality, safety, provide for necessary liquidity, avoid imprudent risk, and optimize yield.

1. Cash and Investment programs will be maintained in accordance with District regulations and will ensure that proper controls and safeguards are maintained. District funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.
2. The District may develop and adopt an investment policy. Currently the Local Government Investment Pool (LGIP), which is an investment vehicle maintained by the State Treasurer's Office to help local governmental entities achieve higher rates of return by pooling local funds for economies of scale, is the only authorized investment vehicle available to the District.
3. The District will maintain written guidelines on cash handling, accounting, segregation of duties, and other financial matters.
4. Monthly investment reports will be prepared and distributed to the Fire Chief and the Board of Fire Commissioners showing cash position, and year-to-date budgeted and actual expenditures.
5. The District will conduct annual reviews of its internal controls and cash handling procedures.

XI. Fund Balance and Reserve Policies

Maintain the reserves, contingencies, and ending fund balances of the various operating funds at levels sufficient to protect the District's credit as well as its financial position from emergencies.

1. At each fiscal year end the remaining dollars left in each fund that are unassigned and unencumbered constitute available reserves of the District.
2. The District will include all fund balances in the annual budget.

<u>General Fund-Fund Balance</u>

1. The District's goal shall be to establish and maintain a General Fund unassigned fund balance of at least 33 percent (approximately 4 months) of the General Fund budgeted expenditures.
2. The fund balance is defined as funds available for the purpose of addressing temporary revenue losses due to economic cycles or other time-related causes.
3. All expenditures drawn from the previous year’s ending fund balance shall require a prior approving vote by two-thirds majority by the Board of Fire Commissioners.

<u>General Fund-Unemployment Claims Reserve</u>

1. Sufficient reserves will be maintained to provide for unemployment claims that may arise. The General Fund ending fund balance reserved for this purpose shall be reviewed on an annual basis for sufficiency.
2. Contributions to the reserve shall require a prior approving vote by two-thirds majority by

the Board of Fire Commissioners and shall be based on General Fund resources available.

General Fund-Salary Savings Plan Reserve

1. Sufficient reserves will be maintained to provide for salary savings plan contribution liabilities. The General Fund ending fund balance reserved for this purpose shall be reviewed on an annual basis for sufficiency.

2. Contributions to the reserve shall require a prior approving vote by two-thirds majority by the Board of Fire Commissioners and shall be based on General Fund resources available.

General Fund-Compensated Absence Liability Reserve

1. Sufficient reserves will be maintained to provide for compensated absences liabilities. The General Fund ending fund balance reserved for this purpose shall be reviewed on an annual basis for sufficiency.

2. Contributions to the reserve shall require a prior approving vote by two-thirds majority by the Board of Fire Commissioners and shall be based on General Fund resources available.

Capital Outlay Fund-Capital Replacement/Acquisition Plan Reserve

1. The District's goal shall be to establish and maintain sufficient reserves to provide for the scheduled replacement of District vehicles and capital equipment at the end of their useful lives.

2. In addition, this fund should accumulate funds with the intent to support Capital purchases associated with the District's Capital Improvement Plan.

3. Annual contributions will be budgeted from the General Fund resources as available to establish and maintain the target reserve level.

Special Revenue Fund-Acquisition Plan Reserve

1. The District's goal shall be to establish, collect, and maintain sufficient Fire Impact Fee reserves for system improvements of Fire Protection Facilities that are reasonably related to new development and do not exceed a proportionate share of the costs of such improvements and reasonably benefit new development.

2. In addition, this fund shall accumulate Impact Fee funds to increase capacity by purchasing new fire protection facilities identified in District's Capital Facilities Plan that meet capitalization thresholds and in accordance with RCW 82.02, Enumclaw Municipal Code 19.24, and the District Policies.

3. The Special Revenue Fund shall only accumulate funds from Fire Impact Fees that are collected and the associated interest earned.

Additional Reserves

1. Additional reserve accounts may be created by the Board of Fire Commissioners to be set aside for specific purposes or special projects, for known significant future expenditures, or as general operational reserves.