

LAKE CHELAN RECLAMATION DISTRICT

RULES AND REGULATIONS

Lake Chelan Reclamation District has operated the Manson Domestic Water System since the District was formed on May 8, 1920. The domestic system was in operation as a private enterprise prior to its conveyance to the District. The District has operated the Manson Sewer System since the merger with and dissolution of the Manson Sewer District on January 2, 1979. Title 87 of the Revised Code of Washington enables irrigation districts to be domestic water purveyors and to provide sewerage collection services within their boundaries.

A. DEFINITIONS.

1.1 Residence: A single family dwelling or trailer home. Only one residence is allowed per meter.

1.2 Apartment: Multi-family residential units built for two residences or more.

1.3 ERU: An equivalent residential unit (ERU) is a unit of measure that compares all users to the typical use patterns of an average single-family household.

1.4 ADU: An Accessory Dwelling Unit as defined by Chelan County code. An ADU with livable floor area of 1,000 square feet or less will qualify for one-half (1/2) of an ERU for allotment and assessment purposes. An ADU with livable floor area greater than 1,000 square feet will be treated as a full residence.

1.5 Orchard Cabin: A temporary dwelling occupied for six months per year or less, for agricultural workers. Orchard cabins can be on their own meter, with a residence, or with other cabins. An Orchard Cabin is treated as One-Half (1/2) of an ERU for allotment and assessment purposes.

- a. If an orchard cabin is on its own meter and has usage for more than six months per calendar year, it then becomes a residence.
- b. If a cabin is on the same meter as a residence and has usage more than six months per calendar year or if a residence has excess for more than six months per year, than the cabin becomes an apartment.
- c. If two or more cabins are on the same meter and has usage more than six months per calendar year the cabins become a residence plus apartment for each additional cabin.
- d. Once a cabin changes categories it cannot change back until the most recent twelve months show usage during only six months or less.

1.6 Shares and Electors: Shares in the District are assigned based on assessable lands, assessed land and ERU's. Each acre of assessable land within the District's boundaries is entitled to one share. Each acre of assessed land is entitled to one share (i.e., an acre of assessed land receives two shares, one for being assessable and one for being assessed. An acre assessable but not assessed receives one share). Each ERU receives two shares. All shareholder shall be

entitled to participate in the election of District directors as “Electors.” (See voting rules under General Terms 1.6, below).

B. DOMESTIC SYSTEM

I. Allotments, Assessments and Payments

1.1 Allotment: The basic allotment of domestic water per ERU is 700 cubic feet per month at the base rate. There is no credit or carry-over for use less than the base allotment for each two-month billing cycle.

1.2 Assessments: The basis for assessing domestic charges shall be the ERU. The rate per ERU is set by the Board of Directors. Domestic service shall be billed for every two months, shall be combined with the sewer service charges on one invoice, and shall be due when rendered, net 30 days. Domestic service charges may be attached to the irrigation assessment as a special assessment.

1.3 Excess Rates: All excess water will be billed at the rate as designated by the District Board of Directors.

1.4 Connection Charges: The connection charge for new users to the domestic system is based upon a pro-rata share of all joint use facilities plus physical appurtenances. Rates are set by the Board of Directors and are payable on a per ERU basis. Water availability will not be guaranteed within the District until applicable service fees for water are paid.

1.5 Payments: Bills are due when delivered and delinquent when 30 days past due.

II. System Operations

2.1 Service Requirements: Any District property owner may be served by the District’s domestic water system if they are located within the domestic retail service area, are located at or below the elevation 1250’ pressure zone, and pay all applicable fees. Any potential new customer must fill out a ‘Request for Letter of Availability’ form and if the requirements are met for service, an ‘Application for Water Service’ form is to be completed and submitted with applicable fees. Any property not adjoining an existing domestic water main may be required to extend existing mainlines and/or obtain easements for utility access. See ‘Meter Location’ section for additional information. If a service will provide water beyond the pressure zone, a private booster pump system may be required. Providing service beyond the pressure zone is at the discretion of the Secretary-Manager.

2.2 Meter Size and Installation: The District establishes the available meter sizes for residential and commercial users. The District provides a 3/4” x 5/8” meter as a part of a residential hookup purchase. For meters 1” and larger, when deemed appropriately sized by the District, the customer shall be responsible for an additional costs associated with the larger meter installation. In addition to the meter assembly, the District will provide a customer shut off valve and backflow device on the customer’s side of the meter. The customer is responsible for the protection and maintenance of the shut off valve and backflow device.

2.3 Meter Location: The District delivers water to the meter. For a property to be eligible for District service, the property must border on a right-of-way containing a domestic mainline or within 150' from a mainline. If the property to be served is not adjoining the right-of-way, then the owner must obtain legal easement access for utilities to cross parcel(s) between the meter location and parcel to be served. Owners/developers with properties over 150' from a right-of-way containing a District mainline will be required to install a domestic mainline extension to District standards and specifications. Any exceptions to this 150' maximum distance from a mainline must first be reviewed and approved by the District Board of Directors. All materials between the main and the meter remain the property of the District, and all other materials after the meter are the responsibility of the property owner.

2.4 Meter Testing: Water users may request to have their domestic meters tested for accuracy by District personnel on the District meter testing equipment. Such requests may be subject to a testing fee established by the District board unless the results show the meter to have an error margin of 5% or more.

2.5 Shared Meters: Domestic meters may not be shared between two or more residences or between a residence and cabins or between cabins unless they are pre-existing and in the same ownership. On new meter installations, each residence must be on a separate meter. On new connections, cabins may cluster onto one meter but must be separated from residences.

2.6 Extensions: All domestic extensions shall be subject to the latest version of the District's Standards, Conditions and Specifications for Water Main Extensions. Developer must enter into a Developer Extension Agreement and pay the required deposit to cover the District's costs associated. The Developer is required to pay all legal fees, third-party engineering review fees, surveying fees (if any), plot fees as well as other miscellaneous material and out-of-pocket costs the District may incur.

2.7 District-Initiated Extensions: From time to time, the District may choose to extend domestic main lines into lands within the Urban Growth Boundary that do not presently have service. In these cases, the costs of the domestic extension will be documented and customers that connect to the extension shall reimburse the District on a pro-rata basis for the total cost of construction in addition to the regular service fees.

2.8 Disconnects: Water users may request to discontinue service, if service is no longer needed. Disconnects will only be considered for properties that do not have any residence on them. All requests for disconnection must be made by the owner. If service is later requested to be reinstated, the user will be subject to a full connection charge as if services had never been provided.

2.9 Irrigation Delivery through Domestic System: Lands retaining irrigation water rights but served through the domestic system will receive three-acre feet per acre additional allotment during the months of March through October. There shall be an inter-company transfer from irrigation to domestic for all assessments collected including parcel fees for all parcels receiving irrigation water through the domestic system. The irrigation system shall reimburse the domestic system the assessment rate per acre plus the parcel fee collected for all parcels receiving

irrigation water through the domestic system. Irrigation use served through the domestic system in excess of the three-acre feet per acre shall be billed at the domestic excess rate and credited to the domestic system. The irrigation allotment will not be credited to the meter until the irrigation assessment is paid in full. "Irrigation only" meters on the domestic system will be converted to domestic meters by paying the applicable domestic connection charges.

2.10 Leaks: Leaks that occur in the private underground service lines or lines under the floor or within the walls of the residence or business that cannot be readily seen are eligible for a water charge rebate. Leaks within an irrigation system do not qualify. The rebate will be limited to 50% of billed water in excess of average consumption and shall not exceed two billing periods. The District must inspect and approve repairs for correction of all leaks prior to processing a rebate. If the water user has a second leak on the same line within one year, the District may at its discretion, require the entire line to be replaced before a third rebate will be processed. This policy applies only to lands within the District boundary and not to users outside the boundary served by special contracts. Leaks do not include hose bibs, drain valves and fixtures that are left on or leak in a manner that is avoidable or detectable. Leaks also do not include overuse where a leak cannot be identified unless the water user chooses to replace the entire line in lieu of searching for the individual leak.

2.11 Non-Use by Existing Customers: An existing user whose home has been removed and/or have had their water meter removed by the District may qualify for a reduced bill calculated at 75% of the full O&M rate at the request of the customer and at the discretion of the Secretary-Manager.

2.12 Illegal Connection: Any person or entity intentionally making connection to the District domestic distribution system without prior consent shall be subject to a \$500 fine plus costs of disconnection, in addition to possible criminal prosecution.

2.13 Recreational Vehicle Parks: RV Parks may have a single ownership or spaces may be sold individually. Where a single ownership exists, the park may be metered by master meters measuring all spaces collectively. The first pad shall be one equivalent residential unit (ERU) and each pad thereafter equal to 0.25 ERU's. Where individual spaces may be sold, each pad shall be metered and shall be billed per the domestic classification.

2.14 Trailer Parks and Mobile Home Parks: Every pad available at trailer and mobile home parks shall be metered either individually or by a master meter for the entire property. This determination is at the discretion of the Secretary-Manager.

2.15 Cross Connections: Domestic customers are expected to be familiar with the District's Cross Connections Control Policy and Procedures, as adopted by the board per board resolution number 2014-03 and attached, Washington State Department of Health and regulations or the Washington Code of Administrative Regulations.

2.16 Inspection Authority: The District reserves the right to enter all properties served by the domestic water system in order to inspect, observe, measure, test all processes directly correlated to waste discharges. All District employees and agents shall notify the property owner in advance and observe all safety rules.

C. SEWER SYSTEM

I. Assessments and Payments

1.1 Assessments: The basis for assessing sewer charges shall be the ERU. The rate per ERU is set by the Board of Directors. Sewer service shall be billed for every two months, shall be combined with the water service charges on one invoice, and shall be due when rendered, net 30 days. Sewer service charges may be attached to irrigation bills as a special assessment.

1.2 Connection Charges: The connection charge for new users to the sewer system is based upon a pro-rata share of all joint use facilities plus physical appurtenances. Rates are set by the Board of Directors and are payable on a per Equivalent Residential Unit (ERU) basis. Sewer availability will not be guaranteed within the District until applicable service fees for sewer are paid.

II. System Operations

2.1 Service Requirements: All new single-family residences on existing lots and existing single or multi-family residences with failing on site systems whose property lies within five hundred feet of planned gravity or low pressure sewerage collection facilities and within the Chelan County urban growth boundary shall extend gravity collection or low pressure collector mains if needing service to District facilities. Pumped services are not allowed except within planned low pressure collection service areas or when gravity collection mains are over 500 feet away, and then only on a temporary basis until gravity service is available. New short plats within the Chelan County urban growth boundary are required to extend gravity collection mains or low pressure collection mains for service as identified in the District planning areas. Pumped services are not allowed for short plats except within planned low pressure collection service areas or when gravity collection mains are over 1,000 feet away, and then only on a temporary basis until gravity service is available. Short plats allowed to temporarily pump must provide easements and make provisions for gravity service in the plat covenants. New plats or developments larger than 4 lots or 4 ERU and within the Chelan County urban growth boundary are required to extend gravity collection mains or low pressure collection mains for service as identified in the District planning areas. Pumped services are not allowed. Sanitary sewer service is not allowed outside of the urban growth area except as identified in the comprehensive sewer plan and allowed by the Chelan County land use plan. Any deviation from this policy is at the discretion of the Secretary-Manager.

Sewer service outside of the urban growth area is reserved to parcels adjoining the existing sewer system whose property can be served without a sewer extension or for areas of environmental concern. Extending sanitary sewer service to areas of environmental concern must be approved by the Board of Directors, by the Washington State Department of Ecology, by the Chelan County Planning Department and must be consistent with agreements with the City of Chelan and environmental compliance.

2.2 Side Sewers: Side sewers shall be installed by and at the expense of the owner. The District shall inspect the side sewer installation prior to trench backfill. Side sewers shall be a minimum of four inch. The District shall approve sizes for all commercial or industrial customers. The owner shall be responsible for any or all damages associated with side sewer

construction. Side sewers shall be installed to all applicable state codes including but not limited to Chelan County building and plumbing code, ASTM specifications, WPCF Manual 9, and the pipe manufacturer's specifications. Side sewers shall be gas and watertight. No roof drains or other gray water discharges are allowed without prior written approval. No side sewer shall be extended to serve more than one ownership except at District's Discretion.

2.3 Connection Permit: A "Sewer Hook Up Application" must be filed and approved by the District prior to physical connection to the sewerage collection system. Any connection done without written approval shall be considered an illegal connection.

2.4 Connections: The applicant shall notify the District when connection is to be made. All connections will be made under the supervision of District personnel or its agents.

2.5 Domestic Wastewater: Only water carrying human wastes, including kitchen, bath, and laundry wastes from residences, buildings, industrial establishments or other places, together with such ground water infiltration or surface waters as may be present, is permitted. Property runoff including gutter and storm water collection systems, and pool discharges, are expressly prohibited from being introduced to the sewer system. Discharges shall be limited to those allowed by the City of Chelan Wastewater Treatment Plant rules and regulations: Sewer System. Certain discharges requiring special monitoring, sampling, measurement or treatment may be subject to special assessments as determined by the District. Wastewater strength in terms of BOD5 and TSS shall not exceed 300 mg/l without written approval of the District.

2.6 Industrial Wastewater: Water or liquid-carried waste from industrial or commercial processes, are distinct from domestic wastewater. These wastes may result from any process or activity of industry, manufacture, trade or business, from the development of any natural resource, or from animal operations such as feed lots, poultry houses, or dairies. The term includes contaminated storm water and, also, leachate from solid waste facilities. All discharges shall be limited to those allowed by the City of Chelan Wastewater Treatment Plant Rules and Regulations.

2.7 Inspection Authority: The District reserves the right to enter all properties served by the sewerage collection system in order to inspect, observe, measure, test all processes directly correlated to waste discharges. All District employees and agents shall notify the property owner in advance and observe all safety rules.

Measurement, sampling, tests and analysis of industrial wastewater shall be performed in accordance with APHA standard methods. The District may at its discretion require an on-site inspection manhole to inspect, observe, measure, sample or test the industrial wastewater discharge. The District may also conduct testing on the next available sewerage manhole downstream.

2.8 Disconnects: Sewer users may request to discontinue service, if service is no longer needed. Disconnects will only be considered for properties that do not have any residence on them. All requests for disconnection must be made by the owner. If service is later requested to be reinstated, the user will be subject to a full connection charge as if services had never been provided.

2.9 Non-Use by Existing Customers: An existing user whose home has been removed and/or have had their water meter removed by the District may qualify for a reduced bill calculated at 75% of the full O&M rate at the request of the customer and at the discretion of the Secretary-Manager.

2.10 Illegal Connection: Any person or entity intentionally making connection to the District sewer collection system without prior consent shall be subject to a \$500 fine plus costs of disconnection, in addition to possible criminal prosecution.

2.11 Extensions: All sewer extensions shall be subject to the latest version of the District's Standards, Conditions and Specifications for Sewer Main Extensions. Developer must enter into a Developer Extension Agreement and pay the required deposit to cover the District's costs associated. The Developer is required to pay all legal fees, third-party engineering review fees, surveying fees (if any), plot fees as well as other miscellaneous material and out-of-pocket costs the District may incur.

2.12 District-Initiated Extensions: From time to time, the District may choose to extend sewer main lines into lands within the Urban Growth Boundary that do not presently have service. In these cases, the costs of the sewer extension will be documented and customers that connect to the extension shall reimburse the District on a pro-rata basis for the total cost of construction in addition to the regular service fees.

D. IRRIGATION SYSTEM

I. Assessments, Allotments and Payments

1.1 Classification: All lands receiving irrigation water from the District must be classified as irrigable and be assessed. Lands within the District boundary that have never been classified or are class 6 lands that may be irrigable can petition to be reclassified. Reclassifications must be done and approved by USBR agronomists at the landowner expense.

1.2 Assessable Lands: All lands within the District Boundary are assessable. Lands within the District Boundary are presently assessed only for direct services received. Assessable lands are measured by the number of shares. The number of shares or fraction thereof is equivalent to the number of acres of assessable land.

1.3 Assessments: The District assessments shall be due in full on April 1st of each year and shall be payable prior to receiving District water. Interest charges of one percent (1%) shall be charged after April 30th, and shall accrue at one percent (1%) per month simple interest thereafter until paid in full. Assessments shall be delinquent on May 1st, unless one-half of the assessment is paid on or before April 30th. If one-half of the assessment is paid on or before April 30th, the remaining balance shall be due on or before the following October 31st and shall be delinquent after that date. Assessments are based upon the number of shares in the system. The number of shares or fraction thereof is equivalent to an equal number of units of benefit.

1.4 Allotments: The base allotment for irrigation supplies shall be 36 acre-inches per season. If water supplies are available, excess water may be purchased. The excess rate shall be

calculated based upon the annual O & M rate per acre-inch exclusive of construction repayment costs. The first six acre-inches of excess usage shall be at 100% of the excess rate. Any excess above 42 acre-inches per acre shall be at 120% of the excess rate. No credit shall be given for use less than the base allotment.

1.5 Irrigation Meter Capacity: Maximum delivery through any meter shall be the manufacturers recommended meter capacity. Users exceeding meter capacity shall be shut off and reminded of the meter capacity on the first offense. Repeat offenders shall be subject to some or all of the following: reduced pressures, flow restricting devices, meter repair costs and possible turnoffs.

1.6 Meter Testing: Water users may request to have their irrigation meters tested for accuracy by District personnel on the District testing equipment. Such requests may be subject to a testing fee as set by the District board unless the results show the meter to be over-reading.

1.7 Rationing: System capacity allows for approximately 6.5 gallons per minute per acre. The District will endeavor to provide higher rates of flow if they are available. During periods of high demand, rationing will occur on certain laterals or individual systems. The basis for rationing shall be irrigable acreage. Turnouts exceeding current rationing levels shall be turned off and reminded of current levels. Repeat offenders will be subject to some or all of the following: reduced pressures, flow restricting devices and possible turnoffs.

1.8 Short Water Supplies: In the event water supplies are limited due to drought, transmission or mechanical failure, the District assumes no liability for crop damages. The District will endeavor to supply an equitable, proportionate share of the total water supplies available.

1.9 Water Conservation: Lake Chelan Reclamation District promotes water conservation. The District encourages water users to have their distribution systems designed by qualified persons. Growers should utilize modern application and scheduling techniques as encouraged by the local conservation district. All irrigation water use must be beneficially used. Excess use that results in runoff, ponding, deep percolation or other effects of misapplication may be subject to some or all of the following: reduced pressures, flow restricting devices and possible turnoffs.

1.10 Segregation of Assessments: After an assessment roll has been filed, the Board of Directors may, at their discretion, allow the segregation of the assessments against any tract or parcel in accordance with the provisions of 87.03.285 through 87.03.305. The party making the request may be required to pay all costs associated with these procedures including but not limited to advertising costs, research and title costs, mailing costs and filing fees.

1.11 Shared Meters: District will consider all acreage as one farm when rationing or determining excess. Separate ownership may install their own internal metering system but any readings or monitoring must be done between parties.

1.12 Water Right Requests: The District will accept requests for additional water rights. These requests will be held with priority amongst the written requests given to agricultural lands with the earliest date of request. Requests retain their priority over time only for the person and

land requesting additional water. The request and its priority may stay with the land under a change in ownership only if specified in the sales contract. As water rights become available, they will go first to lands on the same pump system as those relinquished by entering into a contract for Reclassification of Land and Transfer of Water Allotment. Any lands requesting water rights must be classified as irrigable by the Secretary of Interior. The District reserves the right to establish overall priorities for new water rights and to change priorities when in the best interest of the District. The Board of Directors shall set the per acre rate of new water rights offered. Requests from lands outside of the District boundary will not be accepted until all requests from inside the boundary are satisfied. All requests outside the boundary will be separately held with priority among outside requests given to those lands with the earliest date of request. Annexation of properties outside the District will be a prerequisite to a water right offer.

1.13 Water Right Relinquishments: Water rights are appurtenant to the land. Any water user within the District who desires to relinquish their right to irrigation water must apply in writing to the District. The District reserves right to grant or deny the request solely at their own discretion. If the request is granted an agreement for permanent release of water allotment is executed and the water right is kept in trust by the District to be made available to other lands or kept as the District deems appropriate. Once lands have relinquished their water right they lose all priority to that right, and will become equal to all other lands requesting additional rights.

1.14 Water Right Sales: Water rights are not personal property rights of the water user. The District does not recognize any attempt of landholders to sell the water right from their land. The District reserves the right to sell water rights as allowed by the repayment contract with the U.S.B.R.

1.15 Water Right Transfers: Water rights are appurtenant to the land. Any water user within the District who desires to transfer the water right from one landholding to another must first apply in writing to the District. The landowner must own both properties fee title and provide evidence thereof. No transfers will be allowed from a lower system to a higher system. Any lands requested for transfer must be classified as irrigable by the Secretary of Interior. The District reserves the right to grant or deny the request solely at their own discretion. Two contracts must be executed to validate the transfer. First an agreement for Permanent Release of Water Allotment followed by a contract for Reclassification of Land and Transfer of Water Allotment.

II. System Operations

2.1 Domestic Use: District irrigation water absolutely may not be used as domestic supply or supplemented drinking water. Any person drinking District irrigation water do so at their own risk and is prohibited.

2.2 Unauthorized Use: Only lands classified as irrigable and assessed for District water may use District water. Any user found to be overplanted or otherwise using District water outside of its intended use will be notified and steps to resolve the issue will be determined by the District. The user will be responsible for resolving the unauthorized use.

2.3 Irrigation Season: The regular irrigation season shall be from April 1st to October 15th. The Board of Directors reserves the right to forward or extend the season at their discretion. Emergency situations may arise to alter the regular irrigation season.

2.4 New Irrigation Service: All irrigable lands entitled to water through the irrigation system and not currently connected may hook up to their assigned turnout. It is the responsibility of the new user to obtain easements or permits to cross other private or public properties.

2.5 Turnouts: All irrigable lands within the District have an assigned turnout on either the irrigation system or the domestic system. The District responsibility extends through the turnout to and including the outside valve. The outside valve, also referred to as the customer valve, may be operated by the customer. All other valves, piping, and fixtures, associated with the turnout are to be operated by authorized District personnel only. Any damages associated with unauthorized persons operating these devices will be subject to repair costs. The outside valve may not be used for regulating flow. Measurement of flow is by the District meter. Turnouts with upstream pressures in excess of one hundred psi will normally include a pressure regulator at the discretion of the District. Water user systems shall be designed to operate normally at the downstream pressures but to withstand pressures equal to the upstream pressure plus potential surge pressure caused by air entrapment. Customer must connect to the designated customer valve with a removable coupler to allow for District personnel to perform maintenance on the customer valve. Failure to do so will result in District personnel cutting the connecting pipe and notifying customer to repair.

2.6 New Turnouts: The District will install new turnouts only for ownerships of five (5) acres or larger, or at the discretion of the Manager. The acreage left on the existing turnout must also be five (5) acres or larger. The materials and labor costs of the new turnout must be borne solely by the parties requesting.

2.7 Spray Water: District water may be used for spray water at the users risk. Backflow prevention such as an air gap must be utilized to insure no contamination can enter the irrigation system at times of potential negative pressure. Irrigation use is the only recognized beneficial use of District water. The irrigation season will not be extended or forwarded to supply District water for spray uses.

2.8 Herbi-Fertigation: Herbigation or fertigation is allowed only on the users side of the turnout. It is the users responsibility to insure that District approved backflow prevention devices have been installed prior to beginning applications unless the District's Board of Directors authorizes an exception. Any damages caused to adjacent users or other users due to backflow or chemical trespass will be the sole responsibility of the user. Any person practicing herbigation or fertigation without District approved backflow prevention will be subject to discontinuation of District water use. Any deviation from this policy must be first approved by the District's Board of Directors in writing on a case by case basis. The user must also take responsibility in writing for any damages and agree to indemnify the District from damages that could be attributed to their use of unprotected fertigation. The irrigation season will not be extended or forwarded to supply water for herbigation or fertigation purposes. The cost for a District installed back flow shall be set by the Board of Directors.

2.9 Frost Protection: District water will not be provided for frost protection. Irrigation use is the only recognized beneficial use of District water. The irrigation season will not be extended or forwarded as a frost protection measure.

2.10 Fruit Cooling: District water will not be provided for fruit cooling. Irrigation use is the only recognized beneficial use of District water.

2.11 Cross-Connection: Farm irrigation lines shall not be connected to a secondary source of water without a District approved backflow prevention device. Cross-connections to the District domestic system will not be allowed under any circumstances.

2.12 System Alterations: Should any alterations to the existing irrigation system become necessary, the property owner will pay a deposit to the District to initiate any such project. The property owner/developer will be required to pay all legal fees, third-party engineering review fees, surveying fees (if any), plot fees as well as other miscellaneous material and out-of-pocket costs associated with design services. Should the costs exceed the deposit amount, the remaining balance will be billed to the property owner/developer and paid within 30 days.

2.13 Access to Lands: District employees, representatives and authorized agents shall receive free access at all hours to any and all tracts supplied with District water. The purposes of such access shall include but not be limited to making records, reading and observations on usage of District water. Water users refusing free access to said lands will be subject to a severance of water delivery until free access is granted.

2.14 Drainage: The District assumes no responsibility for drainage problems outside the operation and maintenance of USBR designated drains. The responsibility for other drainage problems may be assumed by the District on their own merits and at the discretion of the District.

2.15 Encroachment: All District facilities are held in title by the U.S. Bureau of Reclamation. No facilities within right of ways, easements, or Act of 1890 easements shall be encumbered in any way so as to restrict the District's ability to operate and maintain those facilities.

2.16 Free Water for Community Interest: No water will be available for community irrigation projects through the irrigation system. Approved air valve cans may be fitted for fire hose adapters and water withdrawn for emergency fire-fighting purposes.

2.17 Reclamation Reform Act: Lake Chelan Reclamation District has current repayment obligations with the U.S. Bureau of Reclamation. The District has conformed to the discretionary provisions of the Reclamation Reform Act. All qualified recipients who hold title and/or lease a total of 240 acres west wide in Bureau projects must file annual reporting forms with the District. All limited recipients who hold title and/or lease a total of 40 acres west wide in Bureau projects must also file annual reporting forms with the District. Failure to follow the requirements of the Reclamation Reform Act could lead to disqualification of water eligibility and/or penalties and full cost assessments.

2.18 Obligation to Repayment Contract: Lake Chelan Reclamation District has current repayment obligations and contractual obligations with the U.S. Bureau of Reclamation. All landowners of assessable lands shall be tied individually and collectively to those obligations.

E. GENERAL TERMS

1.1 Delinquent Accounts: A delinquency notice will be sent with a fifteen-day allowance to pay without further notice. If no payment is made within that fifteen day grace period, the District shall have the right to shut off or disconnect the customer from domestic water service. Delinquent accounts will be subject to a late fee as determined by the District Board of Directors or 1% per month of the outstanding balance, simple interest, whichever is greater. Additional posting and turn-off fees will be added for those whose service is posted and/or disconnected as a result of nonpayment and a reconnect fee will be charged for those whose services are reconnected following a nonpayment disconnect. The posting fee, turn off and reconnect fees will be set by the District Board of Directors.

Accounts delinquent over six months may be formally certified as a lien against the real property and recorded with Chelan County. Such liens shall not be removed until the assessment and plus all applicable fees are paid in full.

This policy does not preclude the District from bringing suit in foreclosure by civil action after one year as allowed by RCW 87.03.445 if it is in the best interest of the District. It only attempts to establish a methodology for collection of charges that provides for the maximum notice and the minimum additional costs to the property owners.

1.2 Transaction Process Fees: The Secretary-Manager may choose to accept forms of payments allowed under RCW 87.03.277 for the following specific transactions without adding the cost of the transaction if it is in best interest of the District: payment transactions made for a specific category of payments due the District, including, but not limited to, assessments, fines, interest, penalties, special assessments, fees, rates, tolls and charges.

1.3 Damage to District Facilities: Any person or entity doing damage to District facilities either intentional or non-intentional will be responsible for the costs of repairs. All repairs will be done with District materials by District personnel or its agents and shall be due and payable in full within 30 days. Interest penalties on delinquent invoices shall be at the rate of 1% per month.

1.4 Annexation: Lands outside the service area identified in the current addition of the District comprehensive plan must first make written request to the District. Acceptance will be based upon Board approval, and, as necessary, Washington State Department of Health approval, Washington State Department of Ecology approval, compliance with Chelan County land use regulations, compliance with agreements with the City of Chelan, and environmental compliance. Lands also outside of the District boundary must follow the procedures outlined in RCW 87.03.560 through RCW 87.03.610 unless special service contracts are executed.

1.5 District ROW/Property: Unauthorized use of District right of way or property is not allowed. Authority to use District right of way or property can be revocably granted by the

Board of Directors at their discretion or through the Bureau of Reclamation for Bureau of Reclamation rights of way. Sale of District right of way or property shall be in accordance with state and/or federal laws regarding surplus properties, typically the Assessed value plus costs for adjacent owners.

1.6 Elections: Elections for District Directors shall take place by vote of the Shareholders. Each shareholder (“elector”) shall be entitled to two votes for each five shares or fraction thereof. The total number of shares is the aggregate total of shares received from assessable lands, units of benefits for irrigation purposes, ERU’s for domestic purposes and equivalent residential units for sewer purposes. There shall be no additional votes for ADU’s. The division of votes for community properties or properties having multiple ownerships will follow the provisions of RCW 87.03.051.

1.7 Severability: If any provision of these rules and regulations or its application to any person or circumstance is held invalid, the remainder of the rules and regulations or the application of the provision to other persons or circumstances is not affected.

1.8 Disputes: In the event a customer has a dispute regarding any aspect of the District’s operations, including assessments, a complaint shall be filed with the District manager. In the event that the District manager is unable to resolve the dispute, the customer may present the complaint to the District Board of Directors.

1.9 Locates: Customer shall have the responsibility to call the District in the event any activity occurs on their property that would potentially disturb District infrastructure. This includes making all calls necessary to properly locate underground utilities, “Call Before You Dig 811 Utility Notification Center” as required by State or local laws or regulations. Damages incurred during digging without proper locates shall be subject to up to treble damages and repairs as provided by RCW 19.122.070.

1.10 Cross-Connection Control: RCW 87.03.015 establishes that irrigation districts have the authority to provide domestic water service. The pumps, pipes and treatment facilities that make up the domestic system are defined as a community public water system. Chapters 70.119 and 70.119A RCW require that public water systems like the Lake Chelan Reclamation District system conform to the rules and regulations adopted by the secretary of the department of health. WAC 246-290-490 was adopted by the secretary and requires that all community water systems comply with the cross-connection control requirements specified.

The District will be responsible for provisions as outlined in WAC 246-290-490 for premise isolation. Chelan County Building Department will be responsible for in-premise isolation. Backflow devices will be required on all premises that are assessed by a certified cross-connection specialist as posing a degree of hazard for backflow contamination. All backflow devices must be inspected and tested on an annual basis by a certified backflow assembly tester, and repaired or replaced if necessary. The backflow assembly tester shall certify the test as complete on a form provided by the District. If the water user with a backflow device fails to contract for the annual test, the District will perform inspections, testing and repairs to all backflow devices at the owner’s expense. If any water user should fail to test their devices and in turn deny

the District reasonable access to the backflow device, the District shall shut off water service until the water user complies.

1.10.1 Conditions for Service: As adopted by the District board, Resolution 2014-03 states the Conditions for Providing Service are based on the following terms and limitations:

- a. The customer agrees to take all measures necessary to prevent the contamination of the plumbing system within his/her premises and the District's distribution system that may occur from backflow through a cross connection. These measures shall include the prevention of backflow under any backpressure or backsiphonage condition, including the disruption of the water supply from the District's system that may occur during routine system maintenance or during emergency conditions, such as a water main break.
- b. The customer agrees to install, operate, and maintain at all times his plumbing system in compliance with the current edition of the Uniform Plumbing Code having jurisdiction as it pertains to the prevention of contamination and protection from thermal expansion, due to a closed system that could occur with the present or future installation of backflow preventers on the customer's service and/or at plumbing fixtures.
- c. For cross-connection control or other public health-related surveys, the customer agrees to provide for the District's employees, or agents, free access to all parts of the premises during reasonable working hours of the day for routine surveys and at all times during emergencies. Where agreement for free access for the District's survey is denied, the District may supply water service provided that premises isolation is provided through a DOH- approved reduced-pressure principle backflow assembly (RPBA).
- d. The customer agrees to install all backflow prevention assemblies requested by the District and to maintain those assemblies in good working order. The assemblies shall be of a type, size, and make approved by DOH and acceptable to the District. The assemblies shall be installed in accordance with the District's construction standards and specifications.
- e. The customer agrees to:
 - i. Have all assemblies (e.g., RPBA's and/or DCVAs) that the District relies upon to protect the public water distribution system tested upon installation, annually thereafter and/or more frequently if requested by the District, after repair, and after relocation;
 - ii. Have all testing done by a District-approved and currently DOH-certified Backflow Assembly Tester (BAT);
 - iii. Have the RPBA or DCVA tested in accordance with DOH-approved test procedures; and
 - iv. Submit to the District the results of the test(s) on District-supplied test report forms within the time period specified by the District.

- e. The customer agrees to bear all costs for the aforementioned installation, testing, repair, maintenance and replacement of the RPBA, RPDA, DCVA or DCDA installed to protect the District's distribution system.
- f. At the time of application for service, if required by the District, the customer agrees to submit to the District plumbing plans and/or a cross-connection control survey of the premises conducted by the District's Cross-Connection Control Specialist (CCS). The cross-connection control survey shall assess the cross-connection hazards and list the backflow preventers provided within the premises. The results of the survey shall be submitted prior to the District turning on water service to a new customer. The cost of the survey shall be borne by the customer.
- g. For classes of customers other than single-family residential, when required by the District, the customer agrees to periodically submit to a cross-connection control re-survey of the premises by the District's CCS. The District may require the re-survey to be performed in response to changes in the customer's plumbing or water use, or performed periodically (annually or less frequently) where the District considers the customer's plumbing system to be complex or subject to frequent changes in water use. The cost of the re-survey shall be borne by the customer.
- h. Within 30 days of a request by the District, a residential customer shall agree to complete and submit to the District a "Water Use Questionnaire" for the purpose of surveying the health hazard posed by the customer's plumbing system on the District's distribution system. Further, the residential customer agrees to provide within 30 days of a request by the District access for a cross-connection control survey of the premises by the District's CCS.
- i. The customer agrees to obtain the prior approval from the District for all changes in water use, and alterations and additions to the plumbing system, and shall comply with any additional requirements imposed by the District for cross-connection control.
- j. The customer agrees to immediately notify the District and the local health jurisdiction of any backflow incident occurring within the customer's premises (i.e., entry of any contaminant/pollutant into the drinking water) and shall cooperate fully with the District to determine the reason for the backflow incident.
- k. The customer acknowledges the right of the District to discontinue the water supply within 72 hours of giving notice to the customer, or a lesser period of time if required to protect public health, if the customer fails to cooperate with the District in the survey of premises, in the installation, maintenance, repair, inspection, or testing of backflow prevention assemblies or air gaps required by the District, or in the District's effort to contain a contaminant or pollutant that is detected in the customer's system. Without limiting the generality of the foregoing, in lieu of discontinuing water service, the District may install an RPBA on the service pipe to provide premises isolation, and recover all costs for the installation and subsequent maintenance and repair of the assembly, appurtenances, and enclosure from the customer as fees and charges for water. The failure of the customer to pay

these fees and charges may result in termination of water service in accordance with the District's water billing policies.

- l. The District will require premises isolation for a customer that is of the high-hazard type or category requiring "Mandatory Premises Isolation" established by the DOH regulations (Table 9, WAC 246-290-490).
- m. Where the District imposes mandatory premises isolation in compliance with DOH regulations, or agrees to the customer's voluntary premises isolation through the installation of a RPBA immediately downstream of the District's water meter, the customer acknowledges his obligation to comply with the other cross-connection control regulations having jurisdiction (i.e., Uniform Plumbing Code). Although the District's requirements for installation, testing, and repair of backflow assemblies may be limited to the RPBAs used for premises isolation, the customer agrees to the other terms herein as a condition of allowing a direct connection to the District's service pipe.
- n. The customer agrees to indemnify and hold harmless the District for all contamination of the customer's plumbing system or the District's distribution system that results from an unprotected or inadequately protected cross connection within the customer's premises. This indemnification shall pertain to all backflow conditions that may arise from the District's suspension of water supply or reduction of water pressure, recognizing that the air gap separation otherwise required would require the customer to provide adequate facilities to collect, store, and pump water for his/her premises.
- o. The customer agrees that, in the event legal action is required and commenced between the District and the customer to enforce the terms and conditions herein, the substantially prevailing party shall be entitled to reimbursement of all incurred costs and expenses including, but not limited to, reasonable attorney's fees as determined by the Court.
- p. The customer acknowledges that the District's survey of a customer's premises is for the sole purpose of establishing the District's minimum requirements for the protection of the public water supply system, commensurate with the District's assessment of the degree of hazard. It shall not be assumed by the customer or any regulatory agency that the District's survey, requirements for the installation of backflow prevention assemblies, lack of requirements for the installation of backflow prevention assemblies, or other actions by the District's personnel constitute an approval of the customer's plumbing system or an assurance to the customer of the absence of cross connections therein.
- q. The customer acknowledges the right of the District, in keeping with changes to Washington State regulations, industry standards, or the District's risk management policies, to impose retroactive requirements for additional cross-connection control measures.

F. FISCAL OPERATIONS

1.1 Capitalization Policy: In general, costs meeting the following criteria will be capitalized as fixed assets:

- a. Generally, an individual purchase cost must exceed \$5,000. Grouping of individual costs less than \$5,000 is not appropriate unless the costs are individual components of an entire project (e.g. machine components purchased with the machine as a unit).
- b. The expected useful life must exceed five years.
- c. Expenditures must result in something of physical existence or substance supporting District operations; or expenditures must benefit future years through increased revenues or reduced expenses.

In addition, “small attractive assets”, such as personal computers and peripherals and certain shop equipment and radios, which the District wishes to track, are capitalized for tracking purposes as determined by the Secretary-Manager.

1.1.1 Guidelines: All costs associated with obtaining a fixed asset (land, buildings, landscaping and paving, equipment) and getting it ready for its intended use are capitalized.

- a. In general, costs incurred to achieve greater future benefits are capitalized, whereas expenditures that simply maintain a given level of services are expensed. In order for costs to achieve greater future benefits, one of three conditions must be met: (1) the useful life of the asset must be increased from its original estimated life and not restoring an asset in poor condition to its original estimated life; (2) the quantity of services produced from the asset must be increased; (3) the quality of the units or services provided must be enhanced. If costs do not meet this criteria or are less than \$5,000 then they are expensed.
- b. Generally, existing facilities have the following three major types of costs: additions, improvements and replacements, and repairs/maintenance.
- c. Commissions owed on leases shall be capitalized at the inception of the lease, and amortized over the term, excluding any options to renew or extend the lease.
- d. Studies, master plans, strategic plans, development plans, updates to plans and other such costs may be capitalized as an intangible asset and amortized over the period of usefulness, generally for not more than 5 years.

Asset lives, for depreciation purposes, are assigned by the accounting assistant or internal auditor.

Depreciation begins in the accounting year following purchase or year after placed in service. If costs are incurred with original capitalization intent, and the decision is later made to abandon the project, costs incurred will be expensed in the current period.

1.2 Capital Purchases: The Secretary-Manager is responsible for approving all capital purchases over \$250. A capital purchases budget will be developed each year outlining the overall approved expenditures. The Secretary-Manager has authority to make any and all capital purchases under \$20,000 and within the overall capital purchases budget. Any purchases over \$20,000 or over the capital purchase budget shall be approved by the Board of Directors. The Secretary-Manager shall determine which purchases will be capitalized along with its depreciation schedule.

1.3 Deposits Policy and Procedures

1.3.1 Policy: Reconcile all cash receipting for the District and ensure proper balancing of all types of payments (i.e. cash, checks, money orders, cashier's checks, electronic funds transfers, and credit card payments). Reconcile and prepare for deposit all cash deposits while ensuring appropriate internal controls and safeguards are adhered to. Ensure all checks have been scanned to the District's banking institution. Hold all scanned checks in the vault for a minimum of one month before destroying. Initiate all electronic funds transfers (EFT) as approved by the Secretary-Manager and/or Board of Directors. Reconcile all credit card transactions with bank statements and CBSW Gateway Report.

1.3.2 Procedures: This process is done by counting all cash on a daily basis. At the end of the cash count, the Imprest Fund shall be maintained at the monetary level stated in Resolution 17-07 'Revolving Fund' or it's replacement. If at any time the cumulative amount of cash exceeds \$2,500, it is the District's policy to make a deposit by taking the cash deposit to the bank. Additional deposits may be made at the discretion of District employees. At the end of the day, all checks and cash remaining are secured.

All funds received are verified to be in balance and posted to the Revenue spreadsheet. All customer transactions billed through CBSW are posted to the individual customer accounts in the CBSW billing system, while all miscellaneous revenue is posted to the Revenue Ledger spreadsheet.

At the end of the month, the Bookkeeper reconciles the two checking accounts using the Bank Statements and matching reports from CBSW, the Gateway report, the Revenue spreadsheet, and the Revenue Ledger spreadsheet. The LGIP Statement is also reconciled monthly using a spreadsheet. Adjustments are reconciled with CBSW and journal entries are posted in QuickBooks to balance Accounts Receivables with the individual CBSW accounts (i.e. irrigation, irrigation excess, domestic, and sewer).

1.4 Small Works Roster:

1.4.1 Cost: The District need not comply with formal sealed bidding procedures for the construction, building, renovation, remodeling, alteration, repair, or improvement of real property where the estimated cost does not exceed Three Hundred Thousand Dollars (\$300,000), which includes the costs of labor, material, equipment and sales and/or use taxes as applicable. Instead, the District may use the small works roster procedures for public works projects as set forth herein. The breaking of any project into units or accomplishing any projects by phases is prohibited if it

is done for the purpose of avoiding the maximum dollar amount of a contract that may be let using the small works roster process.

1.4.2 Number of Rosters: The District may create a single general small works roster or may create a small works roster for different specialties or categories of anticipated work.

1.4.3 Contractors on Small Works Roster(s): The small works roster(s) shall consist of all responsible contractors who have requested to be on the roster(s), and where required by law are properly licensed or registered to perform such work in this state. Contractors desiring to be placed on a roster, or rosters, must keep current records of all applicable licenses, certifications, registrations, bonding, insurance, or other appropriate matters on file with the District.

1.4.4 Publication: At least once a year, the District shall publish in a newspaper of general circulation within the jurisdiction a notice of the existence of the roster or rosters and solicit the names of contractors for such roster or rosters. Responsible contractors shall be added to the roster, at any time they submit an application and necessary records. The District may require master contracts to be signed that become effective when a specific award is made using a small works roster. An interlocal contract or agreement between the District and other local governments establishing a small works roster or rosters to be used by the parties to the agreement or contract must clearly identify the lead entity that is responsible for implementing the small works roster provisions.

1.4.5 Electronic Rosters: In addition to paper and/or electronic rosters kept on file, the District may also use the state wide electronic database developed and maintained jointly by the Daily Journal of Commerce and the Municipal Research and Services Center of Washington.

1.4.6 Telephone or Written Quotations: The District shall obtain telephone, written or electronic quotations for public works contracts from contractors on the small works roster to assure that a competitive price is established and to award contracts to the lowest responsible bidder, as defined in RCW 43.19.1911(9) as follows:

- a. A contract awarded from a small works roster need not be advertised. Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished. However, detailed plans and specifications need not be included in the invitation. This paragraph does not eliminate other requirements for architectural or engineering approvals as to quality and compliance with building codes.
- b. Quotations may be invited from at least five, or all, appropriate contractors on the small works roster in a manner that will equitably distribute the opportunity among the contractors on the roster. If the estimated cost of the work is from one hundred-

fifty thousand dollars (\$150,000) to three hundred thousand dollars (\$300,000), the District may choose to solicit bids from less than all the appropriate contractors on the appropriate small works roster but must also notify the remaining contractors on the appropriate small works roster that quotations on the work are being sought. The District has the sole option of determining whether this notice to the remaining contractors is made by:

- i. publishing notice in a legal newspaper in general circulation in the area where the work is to be done;
 - ii. mailing a notice to these contractors; or
 - iii. sending a notice to these contractors by facsimile or other electronic means.
- c. For purposes of this resolution, "equitably distribute" means that the District may not favor certain contractors on the small works roster over other contractors who perform similar services. At the time bids are solicited, the District representative shall not inform a contractor of the terms or amount of any other contractor's bid for the same project;
- d. A written record shall be made by the District representative of each contractor's bid on the project and of any conditions imposed on the bid. Immediately after an award is made, the bid quotations obtained shall be recorded, open to public inspection, and available by telephone inquiry.

1.4.7 Limited Public Works Process: If construction, alteration, repair, or an improvement project is estimated to cost less than thirty-five thousand dollars (\$35,000), the District may award such a contract using the limited public works process provided under RCW 39.04.155, subsection (3). The District will solicit electronic or written quotations from a minimum of three contractors from the small works roster and shall award the contract to the lowest responsible bidder as defined under RCW 43.19.1911(9).

1.4.8 Determining Lowest Responsible Bidder: The District shall award the contract for the public works project to the lowest responsible bidder provided that, whenever there is a reason to believe that the lowest acceptable bid is not the best price obtainable, all bids may be rejected and the District may call for new bids. RCW 43.19.1911(9) states:

In determining 'lowest responsible bidder', in addition to price, the following elements shall be given consideration:

- a. The ability, capacity, and skill of the bidder to perform the contract or provide the service required;
- b. The character, integrity, reputation, judgment, experience, and efficiency of the

- bidder;
- c. Whether the bidder can perform the contract within the time specified;
- d. The quality of performance of previous contracts or services;
- e. The previous and existing compliance by the bidder with laws relating to the contract or services;
- f. Such other information as may be secured having a bearing on the decision to award the contract.

1.4.9 Award: The Secretary Manager or his/her designee shall present all telephone quotations/bids and recommendation for award of the contract to the lowest responsible bidder to the Board of Directors. However, for public works projects under twenty-five thousand dollars (\$25,000) the Secretary Manager shall have the authority to award public works contracts without Board of Directors approval, provided that the Board of Directors shall ratify the Secretary Manager's approval at the next scheduled Board of Directors meeting. For public works projects over twenty-five thousand dollars (\$25,000) the Board of Directors shall award all public works contracts by resolution.

1.5 Investment Policy:

- a. It is the policy of the Lake Chelan Reclamation District to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds.
- b. The purpose of this Investment Policy is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and custodial procedures necessary for the prudent management and investment of the funds of Lake Chelan Reclamation District.

1.5.1 Scope: This investment policy applies to all financial assets of the Lake Chelan Reclamation District and include all monies in the General Fund or any new fund created by the Lake Chelan Reclamation District Board of Directors, unless specifically exempted.

1.5.2 Prudence: Investments shall be made with judgement and care, and in the context of managing an overall portfolio. Investments are not for speculation, but for investment, considering the probable safety of the capital as well as the probable outcome to be derived. The investment officer shall act in accordance with the investment policy.

- 1.5.3 Objective: The primary objectives in the District's investment activities shall be:
 - a. Safety: Safety of the principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- b. **Liquidity:** The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements that might be reasonably anticipated.
- c. **Return on Investment:** The District's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles.

1.5.4 **Delegation of Authority:** Authority to manage the Lake Chelan Reclamation District's investment program is hereby delegated to the Secretary-Manager-Treasurer. The Secretary-Manager-Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

1.5.5 **Authorized and Suitable Investments:** The Lake Chelan Reclamation District is empowered to invest in the following types of securities:

- a. Savings on time accounts, including certificates of deposit, in designated qualified public depositories, commercial banks, savings and loan associations, and mutual savings banks doing business in this state in accordance with RCW 39.58, in an amount not in excess of FDIC or FSLIC insurance coverage.
- b. Certificates, notes, or bonds of the United States, or other obligations of the U.S. government or its agencies.
- c. Federal home loan bank notes and bonds and land bank bonds.
- d. Bonds of the state of Washington and any local government in the state of Washington that carry one of the three highest ratings of a nationally recognized rating agency.
- e. Shares of money market funds with portfolios consisting of securities otherwise authorized by law for investment by local governments.
- f. Washington State Local Government Investment Pool.

1.5.6 **Safekeeping and Custody:** All security transactions entered into by the District shall be conducted on a delivery-versus-payment basis. Securities purchased by the entity will be delivered against the payment and held in a custodial safekeeping account. The Secretary-Manager-Treasurer will designate a third party custodian and safekeeping receipts will evidence all transactions.

1.5.7 **Maximum Maturities:** To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. The District will not directly invest in securities maturing more than five (5) years from date of purchase.

1.5.8 **Internal Controls:** The transactions will be audited by the Washington State Auditor's Office, in accordance with its biennial audit of the District.

1.5.9 Reporting: The Secretary-Manager-Treasurer shall provide the District's Board of Directors with periodic accurate and meaningful reporting of the investment portfolio. The reporting will include, but not limited to, average life and final maturity of each investment, earnings rate, par and market value.

1.6 Small and Attractive Assets:

1.6.1 Purpose: The following policy and procedure documents a small and attractive assets system designed to ensure control over items that may not be noticed immediately after their disappearance. The intent of this policy is to obtain accountability over items that do not meet the criteria of a fixed asset and would NOT be noticed immediately upon disappearance or replacement.

1.6.2 Policy: It is the policy of the Lake Chelan Reclamation District to maintain accountability over all tangible items that may have the likelihood of disappearing without being noticed. The Deputy Treasurer shall maintain records to be verified by the Field Supervisor, or his designee, with a physical inventory. The Deputy Treasurer will monitor and record differences between years.

- a. General: A small and attractive item is an item that is priced under the \$5,000 criteria for fixed assets, that is priced over \$500, and has a life expectancy of more than one year. This item also is not likely to be missed immediately upon disappearance and could be replaced without suspicion. Examples include, but are not limited to: projectors, shop tools, laptops, mobile power equipment, etc. This would not include more permanent fixtures such as desks, tables and shelving, and specifically excludes small tools and minor equipment such as shovels, hand tools, supplies, etc.
- b. Asset Identification: The asset list will contain the serial number, model or other identifying information. Each piece of property will be tagged with the District's name, city and telephone number. Tags will be removed only when the item is sold, scrapped, or otherwise disposed of.

1.6.3 Procedures:

- a. Additions: Lake Chelan Reclamation District may acquire property via purchase, construction, donation, or lease. Regardless of how it is acquired, when the property is received, either at date of acquisition or within the same calendar year, the Deputy Treasurer will add it to the Small & Attractive Assets Inventory List and mark the item with the District's name, city and telephone number tags.
- b. Deletions: Items previously acquired will eventually be disposed of and need to be deleted from the District's list. Deletions may be required due to a sale of the asset, scrapping, mysterious disappearance (lost), or involuntary conversion (fire, flood, theft, etc.) The Field Supervisor, or his designee, will determine when an asset is to be removed from the list. If an item is deleted, the Field Supervisor, or his

designee, will note the reason and/or means of disposal and inform the Deputy Treasurer to have the reason added to the Notes section of the Small & Attractive Assets Inventory List.

1.7 Financial Management Policies – adopted July 14, 2020

1.7.1 Statement of Purpose: The financial integrity of Lake Chelan Reclamation District (the “District”) is of utmost importance. To discuss, write, and adopt a set of financial management 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 management 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 members change. While these policies will be amended periodically, they will provide the basic foundation and framework for many of the issues and decisions facing Lake Chelan Reclamation District. They will promote sound financial management and assist in the District’s stability, efficiency, and effectiveness.

1.7.2 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
- Managers and 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

1.7.3 Financial Policies

Lake Chelan Reclamation District financial management policies address the following major areas:

- | | |
|--------------------------------|--|
| I. General Policies | VII. Debt Policies |
| II. Revenue Policies | VIII. Communication Policy |
| III. Expenditure Policies | IX. Compliance Policy |
| IV. Operating Budget Policies | X. Investment & Cash Management Policies |
| V. Capital Management Policies | XI. Reserve Policies |
| VI. Accounting Policies | |

These policies may be addressed in this policy or separate policies, including but not limited to a Post-Issuance Compliance Policy for Bonds.

I. General Policies

1. Lake Chelan Reclamation District may adopt resolutions to set financial policies to assure the financial strength and accountability of the District.
2. The Secretary-Manager shall develop administrative directives and general procedures for implementing the Board of Directors' 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 employees necessary for providing high quality services, the District shall establish and maintain a competitive compensation and benefit package.
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 level.
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.

General Revenues

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.
3. Operations and Maintenance Funds and other unrestricted revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by the Board of Directors or required by law, or the accepted accounting practices stated in the BARS manual prescribed by the Washington State Auditor's office. All non-restricted revenues will be deposited into the Construction Fund and utilized by the District in accordance with the approved budget and/or Board of Directors approval.

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 an aggressive and professional policy of collecting revenues. When necessary, discontinuing service, foreclosure, liens and other methods of collection, such as imposing penalties and late charges, may be used.

Fees and Charges

1. Enterprise operations will be self-supporting.
2. The District will maximize the use of service users' charges 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. Charges for providing utility services shall be sufficient to finance all operating, capital outlay, and debt service expenses of the District's enterprise funds, including operating contingency, planned capital improvements, and reserve requirements.
 - b. Other reimbursable work performed by the District (labor, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated actual cost.
 - c. 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 shall maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees and charges, and utility rates will be reviewed annually.
 - d. The District will consider market rates and charges levied by other municipalities for like services in establishing rates, fees, and charges.
 - e. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery

Grants and Gifts

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 wishes and instructions of the donor.

Proprietary Funds

Operations and Maintenance Funds: The Operations and Maintenance Funds are the primary operating accounts and are used for the payment of operating and maintenance expenses, including labor costs related to the day-to-day operation of the District.

Construction Funds: The Construction Funds are used for the construction of capital projects and may be used for debt payments as approved by the Board of Directors.

Debt Service Funds: Revenue Bond Accounts are maintained to pay the principal and interest payments associated with bond issues. Monies are transferred from the Operations & Maintenance Funds in the amount of the debt service payment(s) to the related Revenue Bond Account when required by Bond documents.

Bond Reserve Funds: The Bond Reserve Fund is maintained to meet bond covenants and to provide an additional source to draw upon if an unforeseen revenue decrease occurs when required by Bond documents.

Cash Drawer: The District's Cash Drawer shall be balanced, and funds deposited to the Depository Account when the cumulative amount exceeds \$2,500. Additional deposits may be made at the discretion of the District employees. Any out-of-balance conditions (Cash Over/Short) shall be immediately reported to the Secretary-Manager, reviewed, and posted. Cash over/short conditions of more than \$100 shall be reported to the Board of Directors no later than the next regular Board meeting.

Depository Account: All monies collected from customers are receipted and deposited into the Depository main account at the District's Bank. All District funds received shall be deposited within one business day of receipt, except when staffing levels are inadequate to timely make such deposits, but in such event such deposits shall be made as soon as possible.

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.

1. Unrestricted Cash Reserve – The District's goal is to maintain an unrestricted cash reserve that is equivalent to 6 months of operating expenditures or greater. (The

Unrestricted Cash Reserve goal of 6 months or greater, include the Operations & Maintenance Funds and the Construction Funds).

2. Bond Reserve Fund – The Bond Reserve Fund is a restricted fund and may be legally required for specific debt issues subject to the determination by the Secretary-Manager. Bond Reserve Funds will be established in accordance with the legal covenants of the debt issue. The Bond Reserve Fund may be funded from bond proceeds, purchase of a Surety Policy from a bond insurance company, or surplus cash that is available.

Parity Debt Service Coverage Ratio of 2.00X or higher

The District shall strive to maintain a minimum target goal for “parity debt service coverage ratio” (gross revenue of the utilities less operating and maintenance expenses (not including depreciation, taxes and debt payments) of 2.00 times or higher on the combined parity annual debt service payments.

Use of General Accepted Rate Setting Methods

The analysis associated with “generally accepted” rate-setting techniques includes the following:

1. Revenue Requirement Analysis – Establishes the overall level of financial and rate needs of the District.
2. Cost of Service Analysis – Design rates to collect the appropriate level of revenue and to meet the goals and policies of the District.
3. The water and sewer rate structure shall be designed to work toward encouraging conservation and efficient use of resources and discourage excessive or wasteful usage.
4. As appropriate, the connection charges shall be established at a level to ensure that all customers seeking to connect to the District’s system shall bear their equitable share of the cost of the system.
5. Rates and connection fees shall be reviewed annually to ensure sufficient revenues.
6. Updates to the District’s internal rates and fees study will be reviewed annually to update assumptions to ensure long-term solvency and viability of the District’s utilities.
7. The District shall track and maintain asset records for all new additions, replacements or retirement of assets on a yearly basis. This information shall be maintained on an on-going basis in an asset management spreadsheet and report.

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 budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues.
2. Department managers are responsible for managing their budgets within the total appropriation for their department.
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 contingencies. The District 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. The District will assess funds for services provided internally by other funds. Interfund service fees charged to recover these costs will be recognized as revenue to the providing fund.
6. Emphasis will be placed on improving individual and work group productivity rather than adding to the work force. The District may invest in technology and other efficiency tools to maximize productivity. The District may hire additional staff only after the need for such positions has been demonstrated and documented.
7. All compensation planning will focus on the total costs of compensation which includes direct salary, health care benefits, pension contributions, and other benefits which are a cost to the District.
8. 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.
9. The District will make every effort to maximize any discounts offered by creditors/vendors.

IV. Operating Budget Policies

1. The District 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 unappropriated balances for use in maintaining reserve levels set by policy and will be available for capital expenditures and/or "one-time" only expenditures.
6. The District will provide for adequate maintenance and the orderly replacement of capital assets and equipment.
7. The operating budget shall serve as the annual financial plan for the District. It will serve as the policy document of the District for implementing the Board of Directors' goals and objectives. The budget will provide the staff and resources necessary to accomplish the determined service levels.
8. The Secretary-Manager shall present a draft annual operating budget to the Directors by the November board meeting. The Board of Directors must adopt a final balanced budget no later than December 31.
9. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the Board of Directors.
10. Budget control and accountability is maintained at the departmental level.
11. The Secretary-Manager has 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 Directors without a budget amendment. Amendments to the budget are approved by the Board of Directors.

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.

Capital Improvement Plan:

1. The District may develop a Capital Improvement Plan (CIP) which is consistent with the District's Water & Sewer Comprehensive Plan. The CIP Plan shall be for a period of 6 to 10 years.
2. The CIP will include all projects to maintain public capital facilities required to maintain service levels at standards established by the District. It may also include for consideration such other projects as requested by the Directors.
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 the District's 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 Secretary-Manager or his/her designee to the Directors.

Capital Asset Management

1. The District will maintain its capital assets at a level adequate to protect the capital investment and to minimize future maintenance and replacement costs. 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 in excess of five years. All small and attractive assets under the \$5,000 threshold shall have an assigned asset number when placed into service and shall be listed on the Small and Attractive Asset Inventory List, during its useful life.
3. The Secretary-Manager and/or the Deputy Treasurer will conduct an annual physical count/inspection of all capital assets.
4. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical count/inspection.

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 BARS Manual.

1. The District uses a basis of accounting allowed within the Washington State BARS Manual.

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. Monthly budget reports showing the current status of revenues and expenditures will be prepared and presented to the Directors. Board approved budgets will be available for public inspection on the District's website.
4. Monthly financial updates will be presented to the Directors.
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 in 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 and accountability audit (i.e., accountability for public resources and compliance with state laws and regulations and its own policies and procedures) shall be performed at least once every two years by the Washington State Auditor's Office, which will issue an official opinion on the comparative financial statements, as currently performed.
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. 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 Program (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 any 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 Directors shall:

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

The Secretary-Manager and/or Deputy Treasurer in consultation with the Directors shall:

1. Assume primary responsibility for debt management
2. Provide for the issuance of debt at the lowest possible cost and risk;
3. Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
4. Recommend to the Directors the manner of sale of debt;
5. Monitor opportunities to refund debt and recommend such refunding as appropriate.
6. 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.

7. 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;
8. Provide for and participate in the preparation and review of offering documents;
9. Comply with all terms, conditions and disclosure required by the legal documents governing the debt issued;
10. Submit to the Directors all recommendations to issue debt;
11. Provide for the distribution of pertinent information to rating agencies;
12. Comply with undertakings for ongoing disclosure pursuant to SEC Rule 15c2-12
13. Apply and promote prudent fiscal practices.

Ethical Standards Governing Conduct: The members of the District staff will adhere to the standards of conduct as stipulated by the Public Records Act, RCW 42.56, and Ethics in Public Service, RCW 42.52, as applicable.

Types of Debt Instruments:

The District may utilize several types of municipal debt obligations to finance long-term capital projects.

1. Revenue Bonds – The District shall use Revenue Bonds as permitted under State law for the purpose of financing construction or improvements to facilities of enterprise (i.e., utility) systems operated by the District in accordance with the Capital Improvement Plan.
2. Special Assessment/Utility 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.
3. Utility Local Improvement District (ULID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the District. ULID's are formed by the District after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and ULID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the LID and a LID Guaranty Fund, as required by State Law.
4. Short Term Debt – The District may 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 Director 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 Directors.
6. Public Works Trust Fund Loans – The District shall use Public Works Trust Fund Loans as provided under State law for the purpose of repairing, replacing or creating domestic water systems and sanitary sewer systems.

General Requirements

1. The District will not use long-term debt to pay for current operations. The use of bonds or certificates of participation 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.
3. The general policy of the District is to establish debt repayment schedules that use level annual principal and interest payments.
4. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond resolution, or 2) payment of debt service on the bonds.
5. 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 resolution 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 Director 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 Policy

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 Management's Discussion & Analysis shall be a vehicle for compliance with continuing disclosure requirements. The Management's Discussion & Analysis may be supplemented with additional documentation as required.
4. The District shall seek to maintain and improve its current bond rating.

IX. Compliance Policy

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 Post Issuance Compliance Policy (for Bonds) 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 will 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, reviewed and distributed to the Directors showing cash position, and year-to-date budgeted and actual expenditures.
5. The District will conduct bi-annual reviews of its internal controls and cash handling procedures.

XI. 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 undesignated and unencumbered constitute available reserves of the District.
2. The District will include all fund balances in the annual budget.

The District will maintain the following:

Unrestricted Cash Reserve - The District's goal is to maintain an unrestricted cash reserve that is equivalent to 6 months of operating expenditures or greater. (The Unrestricted Cash Reserve goal of 6 months or greater include the Operations & Maintenance Funds and Construction Funds).

Operations and Maintenance Funds - The Operations and Maintenance Funds are the primary operating accounts and are used for the payment of operating and maintenance expenses, including labor costs related to the day-to-day operation of the District.

Construction Funds - The Construction Funds are used for the construction of capital projects and may be used for debt payments as approved by the Board of Directors.

Debt Service Funds - Revenue Bond Accounts are maintained to pay the principal and interest payments associated with bond issues. Monies are transferred from the Operations & Maintenance Funds in the amount of the debt service payment(s) to the related Revenue Bond Account when required by Bond documents.

Bond Reserve Funds - The Bond Reserve Fund is maintained to meet bond covenants and to provide an additional source to draw upon if an unforeseen revenue decrease occurs when required by Bond documents.

Additional Reserves - Additional reserve accounts may be created by the District to be set aside for specific purposes or special projects, for known significant future expenditures, or as general operational reserves.

CLASSIFICATION OF DOMESTIC USERS

| <u>CLASSIFICATION</u> | <u>EQUIVALENT RESIDENTIAL UNITS</u> |
|--|---|
| 1. Single Family Residential Units (on-site, manufactured or modular Construction) – For Accessory Living units see classification #3. | 1 ERU |
| 2. Churches | 1 ERU |
| 3. Multi-Family Residential Units (duplex, triplex residential dwelling units or condominiums) | 1 ERU per dwelling unit, excepting additional living space designated as ‘accessory living’ units and under 1,000 sq. ft shall be 0.5 ERU for hookups and billing |
| 4. Motels (without Restaurants) | 1 ERU for the first unit <u>plus</u> 0.5 ERU for each additional unit |
| 5. Commercial Units (on-site, manufactured or modular construction) | 1 ERU |
| 6. Nursing Homes, Rest Homes, or Convalescent Homes | 1 ERU |
| 7. Offices, Small Retail Establishments and Home Businesses (without food services) | 1 ERU |
| 8. Coin Operated or self-service Laundromats | 1 ERU |
| 9. Schools; public, parochial and preschools | 1 ERU |
| 10. Service Stations | 1 ERU <u>plus</u> 1 ERU for trailer/camper sewage dump stations |
| 11. Car Wash | 1 ERU |
| 12. Orchard Cabins | 0.5 ERU if used less than 6 months per year for agricultural purposes, <u>plus</u> 0.5 ERU if used more than 6 months. Multi-unit used more than 6 months for agricultural purposes are 1.0 ERU for first unit <u>plus</u> 0.5 per each additional unit |
| 13. Worker Housing and H-2A | 1 ERU per 10 person occupancy |
| 14. Bowling Alleys | 1 ERU |
| 15. Restaurants, Cafes, Taverns, Bakeries, Pizza Parlors and Delicatessens | 1 ERU |
| 16. Drive-in Eating Places | 1 ERU |
| 17. Shopping Centers | 1 ERU |

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| 18. Supermarkets and Grocery Stores | 1 ERU |
| 19. Small Markets and Convenience Stores | 1 ERU |
| 20. Conference Centers and Club Houses | 1 ERU |
| 21. Large retail businesses (no food svc) | 1 ERU |
| 22. Swimming Pools | 1 ERU |
| 23. Apartments | 1 ERU for first unit, <u>plus</u> 0.5 ERU for each additional unit |
| 24. Recreational Vehicle or Travel Trailer Courts (Individually Metered) | 1 ERU for first pad, <u>plus</u> 0.25 ERU per pad for each additional pad with no more than 1 BR and 400 sq. ft. (without laundry facilities or garbage disposal units); <u>plus</u> 0.25 ERU per pad if used more than 6 months per year or if 2 BR or more, or if more than 400 sq. ft., or with garbage disposal <u>plus</u> 0.5 ERU if with laundry facilities or if used more than 6 months and either 2 BR or more than 400 sq. ft. or garbage disposal |
| 25. Multi-Unit Industrial Parks | 1 ERU for first unit <u>plus</u> 0.5 ERU for each additional unit |
| 26. Multi-Office Commercial Buildings | 1 ERU for first business, <u>plus</u> 0.5 ERU for each additional business |
| 27. Legion Halls and Grange Halls | 1 ERU |
| 28. Boat Moorage Water Service | 1 ERU for first slip <u>plus</u> 0.06 ERU for each additional slip if for a marina |
| 29. Mobile Home or Travel Trailer Courts (Master Metered) | 1 ERU per dwelling unit <u>plus</u> a \$25 turn-on fee and \$50 refundable deposit |

CLASSIFICATION OF SEWER USERS

| <u>CLASSIFICATION</u> | <u>EQUIVALENT RESIDENTIAL UNITS</u> |
|--|--|
| 1. Single Family Residential Units (on-site, manufactured or modular Construction) – For Accessory Dwelling units see classification #3. | 1 ERU |
| 2. Churches | 1 ERU |
| 3. Multi-Family Residential Units (duplex, triplex residential dwelling units or condominiums) | 1 ERU per dwelling unit, excepting additional living space designated as 'accessory dwelling' units and 750 sq.ft. or less shall be 0.5 ERU for hookups and billing |
| 4. Motels (without restaurants) | 1 ERU for the first unit <u>plus</u> 0.5 ERU per for each additional unit |
| 5. Commercial Units (on-site, manufactured or modular construction) | 1 ERU |
| 6. Nursing/Rest/Convalescent Homes | 2 ERU's <u>plus</u> 0.5 ERU per month |
| 7. Offices, Small Retail Establishments and Home Businesses (w/o food svcs) | 1 ERU |
| 8. Coin operated or self-service Laundromats | 0.05 ERU per pound of washing machine capacity |
| 9. Schools; public, parochial, and preschools | 2 ERU's <u>plus</u> : (Grade Schools) + 0.04 ERU per Pupil and employed personnel; (Jr/Sr High Schools) + 0.06 ERU per pupil and employed personnel |
| 10. Service Stations | 1 ERU <u>plus</u> 1 ERU for trailer/camper sewage dump stations |
| 11. Car Wash | 3 ERU if properly filtered and recycled, 1 ERU per 5,200 gallons if not |
| 12. Orchard Cabins | 0.5 ERU if used less than 6 months per year for agricultural purposes |
| 13. Worker Housing and H-2A | 1 ERU per 10 person occupancy |
| 14. Bowling Alleys | 2 ERU up to 8 lanes <u>plus</u> 0.5 ERU per lane additional <u>plus</u> 0.015 ERU per seat of seating capacity of restaurant or bar |
| 15. Restaurants, Cafes, Taverns, Bakeries Pizza Parlors and Delicatessens | 1 ERU <u>plus</u> 0.015 ERU per seat measured by max seating capacity |
| 16. Drive-in Eating Places | 1 ERU <u>plus</u> 1 ERU if restrooms are available for Customers |
| 17. Shopping Centers | 2 ERU <u>plus</u> 0.07 ERU per 1000 sq. ft. for retail space over 1000 sq. ft. |
| 18. Supermarkets and Grocery Stores | 2 ERU <u>plus</u> 0.07 ERU per 1000 sq. ft. for retail space over 1000 sq. ft. <u>plus</u> 0.5 ERU per garbage disposal |
| 19. Small Markets and Convenience Stores | 2 ERU <u>plus</u> 0.07 ERU per 1000 sq. ft. for retail space over 1000 sq. ft. <u>plus</u> 0.5 ERU per garbage disposal. ERU's can be reduced to 1 ERU subject to verification that average monthly water use is at or below 700 cubic feet per month and no garbage disposal units are used |

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| 20. | Conference Centers and Club Houses | 1.2 ERU's <u>plus</u> 0.6 ERU per kitchen <u>plus</u> 0.5 ERU per garbage disposal <u>plus</u> 0.025 ERU per seat measured by max seating capacity of the conference center or club house |
| 21. | Large retail businesses (no food service) | 1 ERU per <u>plus</u> 0.14 ERU per employee per 8-hour shift over 7 employees |
| 22. | Swimming Pools | 0.5 ERU per 1500 sq. ft. if tied into sewer |
| 23. | Apartments | 1 ERU for first unit, <u>plus</u> 0.5 ERU for each additional unit, <u>plus</u> 0.5 ERU for each additional unit with laundry facilities <u>plus</u> 0.05 ERU per pound of washing machine capacity of commercial laundry facilities |
| 24. | RV or Travel Trailer Court | 1 ERU for first pad, <u>plus</u> 0.25 ERU per pad for each additional pad with no more than 1 bedroom and 400 sq. ft. (w/o laundry facility or garbage disposal units) <u>plus</u> 0.25 ERU per pad if used more than 6 months per year or if 2 bedrooms or more or if more than 400 sq. ft. or with garbage disposal <u>plus</u> 0.5 ERU if with laundry facilities or if used more than 6 months and either 2 bedroom or more than 400 sq. ft. or garbage disposal |
| 25. | Multi-unit Industrial Parks | 1 ERU for first unit plus 0.5 ERU for each additional unit |
| 26. | Multi-office Commercial Buildings | 1 ERU per toilet |
| 27. | Legion Halls and Grange Halls | 1 ERU |
| 28. | Trailer/Camper Sewage Dump or Boat Pump-out Sewage Dump | 1 ERU |
| 29. | Boat Moorage Sewage Service | 1 ERU for first slip <u>plus</u> 0.06 ERU for each additional slip if for a marina |
| 29. | Industrial Sewage – Off Season (Nov. 1 st to Apr. 20 th only) | ERU's shall be based upon total metered off-season wastewater quantity averaged over a 12-month period calculated on an averaged of 85,775 gallons per ERU per year. Industrial strength shall be limited to a max of 300 ppm BOD ₅ and TSS. O&M fees shall be estimated at the start of each off season and the billing adjusted for the actual flow at the end of each off season. The initial ERUs for hookup fees shall be estimated for the first year and adjusted for billing once at the end of the first season. |