



Topic: **Reservoir Committee Agenda Item 2.3**

July 22, 2022

Subject: **Accounting Policy**

Requested Action:

Adopt a new Accounting Policy to guide staff preparation of the Sites Project Authority financial statements.

Detailed Description/Background:

An Accounting Policy is a key document for public agencies. The Authority's most recent financial audit included a recommendation that an Accounting Policy is developed to direct the preparation of financial statements. The Policy gives the auditors a reference for evaluating the financial and cost accounting practices being implemented. This Accounting Policy has been developed to capture accounting foundations. These accounting foundations will be used to provide consistency and inform Staff level decision-making in day-to-day accounting.

The Policy addresses multiple financial areas including accounting, revenues, invoicing and accounts receivable, cash, bank accounts, credit cards, liabilities, general ledger, audit practices and reporting. The Policy references an Investment Policy and Asset Management Policy which are not yet completed but are planned to be created and brought to the Board in 2023.

Once adopted, the Policy will be used to confirm and create procedures that staff use to implement the Policy. For example, a procedure detailing credit card usage and authorization is currently in development.

The Policy acknowledges that as the project progresses, the accounting policy will need to be amended to reflect the accounting practices used by the Authority.

This Accounting Policy was reviewed by the Joint Budget and Finance Committee. The Committee provided significant input which has been addressed and the committee unanimously concurs with the approval of the proposed document.

Prior Action:

None.

Fiscal Impact/Funding Source:

There is no fiscal impact associated with the proposed policy.

Staff Contact:


Joe Trapasso

Primary Service Provider:

Brown and Caldwell - Project Controls.

Attachments:

Attachment A – Sites Project Authority Accounting Policy

	DOCUMENT TYPE	Policy
	DOCUMENT NO.	F05
	ADOPTED	TBD
	LAST UPDATED	TBD

SITES PROJECT AUTHORITY ACCOUNTING POLICY

1. Purpose:

This Accounting Policy describes the principles, practices, and conventions used by the Sites Project Authority (Authority) in preparing and presenting financial statements. The Authority is a sole purpose entity responsible for the planning, design, and construction of the Sites Reservoir Project. As the project progresses, these accounting policies will be amended.

2. Definitions:

Fiscal Year: The Authority’s Fiscal Year aligns with the calendar year, beginning on January 1 and ending on December 31 each year.

3. Policy:

Accounting: The Authority reports its operations using the accrual method of accounting. All accounting is performed in alignment with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board, Financial Accounting Standards Board and the Securities and Exchange Commission.

The Authority allocates costs to programs using cost accounting efforts customary for a California public water agency, including reviews of cost acceptability and accuracy.

Revenues: The Authority receives revenues via payments and reimbursements under agreements with local, state, and federal agencies. The Authority also receives revenue from interest and grants. The Authority’s revenues are categorized as Authority Revenue and Reservoir Revenue. Revenues are collected as checks, warrants, automatic payments through an automated clearing house, and incoming wire transfers.

Invoicing and Accounts Receivable: The Authority provides invoices for payment and reimbursement.

- a. The Authority Board Treasurer approves all invoices prior to issuance.
- b. An accounts receivable aging summary is generated and is reported to the Authority Board monthly.

- c. Unbilled receivables will be accrued on an annual basis.

Cash: The Authority operates on a non-cash basis. Cash in the form of hard currency is neither received nor expended by the Authority.

Bank Accounts: The Authority maintains the following bank accounts. In all cases the authorized signatory on the bank accounts includes the Authority Board Treasurer and an additional designated Authority Board member or alternate as approved by the Treasurer.

- a. **Checking Accounts:** Three separate non-interest-bearing checking accounts are maintained and designated as General, State Funds, Federal Funds.
- b. **Savings Accounts:** The Authority has one insured interest-bearing savings account. All interest earned is deposited into this account. The Authority will adopt an Investment Policy to address custodial risk associated with this account.
- c. **Reconciliation:** All bank accounts are reconciled at the conclusion of each month by the Authority authorized accountant.

Credit Cards: Credit cards may be used for purchases under \$2,000 per month for office supplies and office operating expenses. The Executive Director has the authority to authorize issuance of credit cards. Use and review of credit card purchases shall conform to the requirements of an internal controls procedure approved by the Authority Board Treasurer.

Assets and Asset Valuation:

- a. **Fixed Assets:** When a fixed asset is being considered, the Authority will adopt an Asset Management Policy.
- b. **Prepaid Expenses:** Prepaid expenses are amounts paid by the Authority that provide benefit in future periods.
- c. **Capital Assets:** The Authority defines capital assets as property, plant, equipment, and infrastructure assets with an initial individual cost of \$5,000 and a useful life of three years or more.

Liabilities: The Authority's liabilities generally consist of payments for goods and services and liabilities associated with agreement terms related to reimbursements for past project costs.

- a. **Accounts Payable:** All invoices for goods and services are received and processed through an Accounts Payable Policy and Procedures. An accounts payable summary and accounts payable aging summary is provided in monthly reports.
- b. **Leases:** All leases will follow guidance in GASB-87.
- c. **Long-Term Liabilities:** When a long-term liability is considered, the Authority will adopt a Debt Management Policy.
- d. **Accrued Liabilities:** A summary of accrued liabilities is prepared on an annual basis.

General Ledger: The General Ledger shall be developed and maintained by the Authority authorized accountant.

Audit Practices: An external audit shall be conducted after the conclusion of each fiscal year. The external audit process fulfills all audit requirements, including those specified in funding agreements.

4. Process:

All accounting is performed by independent consultants under contract with the Authority and under the oversight of the Authority's Program Operations Manager. The accounting performed by the consultants is in alignment with the respective consultants' accounting procedures and the Authority adopted policies and procedures as stipulated in Authority's contract with the consultants.

5. Policy Term:

This Policy will be reviewed as needed and any changes shall occur by way of a resolution adopted by the Authority Board.

6. Reporting:

All annual financial reports are provided to the Authority Board for approval.

All annual financial reports are prepared under the direction of the Executive Director and shall be made publicly available on the Authority's website at www.sitesproject.org.

The Sites Project Authority is a non-profit Joint Powers Authority following Internal Revenue Code subsection 501(c). The Authority's external auditor files the Special Districts Annual Report and other necessary to the California State Controller's Office after Authority approval of the annual financial report.