

PUBLIC UTILITY DISTRICT NO. 1 OF WAHKIAKUM COUNTY

FINANCIAL MANAGEMENT POLICY

The mission of Public Utility District No. 1 of Wahkiakum County (The District) is to provide the most reliable electric and water service at the most reasonable cost along with quality customer service to The District's ratepayers. The District is committed to accurate and responsible financial management to ensure financial matters are accomplished with integrity, consistency and within the best interests of the District and its ratepayers.

Revenues

The District will strive to maintain financially responsible rate structures. Rates will be reviewed annually as part of the annual budget process. The operating and maintenance budget will be established at levels sufficient to maintain facilities in good condition and provide adequate staffing to ensure safe and continuous operation. The District will prepare timely utility billings to customers and follow collection policies to provide adequate cash flow to carry out operation and maintenance obligations. The District distinguishes between operating revenues from non-operating revenues. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the District are charges to customers for electric and water sales and services. Sources of non-operating revenue could be, but are not limited to, interest or pole contact revenue.

Banking and Deposits

The District maintains two bank accounts: a petty cash account that does not exceed \$3,500 and a deposit account that is used for daily cash deposits and required electronic remittance (see "Expenditures/Procurement/Cash Disbursements"). Customer Service Representatives receipt and deposit funds on a daily basis. The Auditor will perform monthly reconciliation of the deposits and the reconciliations will be reviewed by the General Manager. The Auditor will make periodic electronic cash transfers to transfer District funds to the Wahkiakum County Treasurer's account for investment.

Investments

The Wahkiakum County Treasurer acts as the Treasurer for The District and makes all investments on The District's behalf. Funds are periodically transferred electronically from the PUD daily deposit account to the County Treasurer's account for investment in

the Local Government Investment Pool. The County Treasurer provides monthly investment balances to The District which are reconciled by The District's Auditor.

Cash Reserves

Reserve levels are established by Resolution of the Board of Commissioner of The District.

Expenditures/Procurement/Cash Disbursements

District management oversees expenditures to ensure appropriate use of resources and to prevent inappropriate or unnecessary spending and waste. Management is responsible for adhering to regulatory requirements of Washington State competitive bidding processes and Small Works Roster guidelines. Purchases are initiated by the General Manager or his/her designee. The Auditor will verify goods or services received and prepare warrants for Board approval. The District uses a warrant system where all warrants require dual signature. The General Manager, the Auditor and three active Commissioners have signatory authority.

The District uses the full-accrual basis of accounting and recognizes expenses when incurred. The District will accrue one hundred percent (100%) of expenses received through February 29 and after that date will accrue expenses over \$20,000 if received by April 30. The District may accrue expenses for invoices received after February 29 at management's discretion.

Payments required to be remitted electronically (monthly payroll taxes, monthly Department of Retirement remittance and monthly and annual Department of Revenue amounts due) will be scheduled by the Auditor and remitted through The District's daily deposit account.

The District maintains a small petty cash account where disbursements may be made upon approval of the General Manager or Auditor.

Debt

It is the intent of The District to maintain cash reserves at a sufficient level to cover operating and maintenance costs and debt service. District management may find it is in the best interest of The District and its ratepayers to use debt to finance certain activities or projects. Capital projects funded through debt issuance will not be financed for a term longer than the expected useful life of the project asset. Both debt and pay as you go financing may be used to finance capital needs of the District, however the debt financing component will be managed to minimize annual volatility in rate

requirements. Capital surcharges may be added to monthly customer utility billings for customer or system specific capital improvements.

The General Manager has the authority to negotiate and sign loan documents on behalf of The District with the approval of the Board.

Internal Controls

Internal Controls are an always changing and improving process of evaluation and management of performance, practices and standards of the District. The goal of The District is to run efficiently, effectively, maintain compliance with applicable laws and regulations and to provide reasonable assurance through transparency that the public assets of the District are being protected by management and governing body of The District. Internal and external risk controls will be communicated to staff through formal (written) or informal communication.

To the extent as practical and reasonable, the District will practice a segregation of duties to ensure one person is not in the position to commit and conceal an erroneous act.

Financial Statements and Audits

The District Auditor will prepare annual financial statements according to Generally Accepted Accounting Principles. The financial statements and supporting documentation will be reviewed by a Certified Public Accountant contracted by the District and the General Manager of The District. Audits are currently performed on a bi-annual basis by the Washington State Auditor's Office unless regulatory requirements mandate otherwise.