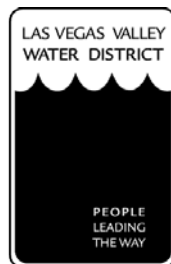


APPENDIX C:

FINANCIAL POLICIES



LAS VEGAS VALLEY WATER DISTRICT

FISCAL YEAR 2010/2011

OPERATING AND CAPITAL BUDGET

FINANCIAL POLICIES

The Las Vegas Valley Water District conducts a process to update and improve its operating policies and procedures on an ongoing basis. The attached financial policies represent a portion of the approved operating policies of the District.

LAS VEGAS VALLEY WATER DISTRICT P R O C E D U R E	SUBJECT: Financial Policies	NUMBER: 1
		ISSUE: 1
ISSUING DEPARTMENT: Finance	APPROVED BY: <hr/> GENERAL MANAGER	PAGE: 1 OF 3
	<hr/> DATE	

I. PURPOSE To establish policies supporting sound fiscal management.

II. APPLICABILITY Procedures apply to all District & SNWA Departments.

III. SCOPE

GENERAL

Balanced Budget. The District shall strive to adopt and adhere to a balanced budget. A balanced budget is defined as:

- 1) a budget where revenues are equal to or exceed expenses, or
- 2) a budget where revenues are less than expenses resulting in a projected end of year fund equity of not less than 25% of projected end of year total assets.

Long-Range Planning. The District shall adopt and maintain a long-term Strategic Plan, including goals and tactics, to guide all financial and operational decisions of the organization.

Asset Inventory. The District will capitalize assets in accordance with Government Finance Officers Association recommended guidelines. Asset Inventory records and a Comprehensive Asset Maintenance and Replacement System will be maintained.

Revenue Policies

Revenue Diversification. The District shall establish and maintain rates, charges and fees resulting in a diversified revenue stream with each revenue stream tied to the functions responsible for driving expenditures of the organization.

Revenue Segmentation. The District shall generally adhere to the policy of existing customers paying for current operations and system replacement costs and new growth paying for the additional financial burden imposed on the organization from the growth. This policy shall be implemented by the establishment and maintenance of various rates, fees and charges designed to generate segmented revenues sufficient to pay for the costs generated by the applicable business segments of the organization. Examples of segmented revenues are:

Water Rates to pay for current water system operating and replacement costs.

Water System Connection Fees to pay for the additional infrastructure and administrative costs driven by growth of the water delivery system.

Fees for the annual inspection and maintenance of system facilities.

Fees for any additional administrative or operating cost burden generated by certain customer activities.

Deposits to assure customer payment of financial obligations.

Use of One-time Revenues. The District shall generally tie the expenditure of one-time revenues to any one-time expenses generated by the revenues. The District will not establish ongoing programs or expenditure commitments dependent upon anticipated one-time revenues.

Use of Unpredictable Revenues. The District shall not establish ongoing programs or expenditure commitments dependent upon revenues in excess of what can be reasonably predicted. Reasonable prediction involves the use of historical data, projected data and prudent man judgment.

Expenditure Policies

Debt Capacity. The District has no fixed aggregate monetary debt limit. The District's ability to issue debt is governed by state law allowing for the pledge of revenues and the assessment of ad valorem taxes with the requirement that the Board of Directors establish reasonable rates and charges for the products and services provided. The District will avoid the assessment of ad valorem taxes and emphasize reliance on revenues to pay all debt obligations.

Debt Issuance and Management. The District will issue debt by either negotiated or competitive sale in accordance with Nevada law. Competitive sale awards shall be made to the underwriter(s) presenting bids resulting in the lowest interest rate. Negotiated sales may be utilized and underwriters will be selected in accordance with specific criteria specified in the District's Debt Management Policy. The Debt term will not exceed the useful life of the project or equipment being financed and bond insurance may be utilized.

Reserve/Stabilization Funds. The District will maintain a current ratio (current assets to current liabilities) minimum of 1.10 during all normal operating conditions to provide a financial cushion for unanticipated revenue shortfalls or unanticipated one-time expenditures.

Operating/Capital Expenditure Accountability. The District will establish and maintain budget and expenditure tracking systems to be used by the organization, and by each Department, to review actual expenditures as compared to budgeted amounts.

After the end of each fiscal quarter (September 30, December 31, March 31 and June 30) each Department will compare actual expenditures with budgets and the Finance Department will compare actual expenditures with budgeted expenditures for the organization as a whole. If, at

any time, a Department Director is concerned that total Department expenditures for the year will exceed the total Department budget, the Director will immediately notify the Director of Finance. If, at any time, the Finance Director becomes concerned the organization may exceed the Board of Directors authorized expenditures for the year, the Director of Finance will notify the Board of such concerns at their next scheduled meeting.

After the end of each fiscal year (June 30) each Department will review actual expenditures and budgets and provide the Director of Finance with written explanations of significant expenditure variances as required.

The District will establish and maintain an expenditure request review system to determine if each item in excess of \$25,000 has received prior budget approval by the Board of Directors.