

# East Fork Fire Protection District Financial Policies

Approved 2/21/2017

## ***Purpose of Financial Policies***

Primary among the responsibilities that East Fork Fire Protection District has to its citizens is the care of public funds and wise management of government finances while providing for the adequate funding of the services desired by the public and the maintenance of public facilities. These financial management policies, designed to ensure the fiscal stability of the East Fork Fire Protection District, have been designed to provide guidance for the development and administration of the annual operating and emergency fund budgets. These financial policies address revenues, operating budget, capital improvements, accounting, audits, and emergency fund use.

The Board of Directors of each shall prepare annual budgets in accordance with [NRS 354.470](#) to [354.626](#), inclusive.

## ***General Authority***

Nothing contained within this policy prohibits the District Board from deviating from the District's financial policies and funding goals, as they find reasonably necessary, to address economic conditions as part of any rate-setting process provided, however, any change does not violate state law, existing bond or loan covenants, or generally accepted accounting practices.

## ***Financial Objectives***

- To protect the policy-making ability of the Board of Directors by ensuring that important policy decisions are made proactively and are not dictated by financial problems or emergencies when possible.
- To enhance the policy-making ability of the Board of Directors by providing accurate information on program costs.
- To assist sound management of the District by providing accurate and timely information on the District's financial condition.
- To provide sound principles to guide the important decisions of the Board of Directors and of management which have significant fiscal impact.
- To set forth operational principles which minimize the cost of government and financial risk.

- To employ revenue policies that prevent undue or unbalanced reliance on certain revenues, which distribute the costs of government services fairly, and which provide adequate funds to operate desired programs.
- To provide essential public facilities and maintain the District's infrastructure and assets
- To protect and enhance the district's credit rating and prevent default on any debt issue of the district.
- To insure the legal use of all district funds through a sound system of administrative policies and internal controls.

### ***Achieving Financial Policy Objectives***

To achieve and maintain the aforementioned objectives, the District Accountant, at the direction of the District Fire Chief , will conduct an annual analysis of projected financial condition and key financial indicators. This analysis will be presented in the form of regular operating reports, special financial reports, and within the annual Adopted Operating and Emergency Fund Budget. This analysis will be reviewed by the District Fire Chief and the Board of Directors prior to and during the budget process.

It is the focus of this analysis to:

- a) Identify the areas where the District is already reasonably strong in terms of protecting its financial condition;
- b) Identify existing or emerging problems in revenue sources, management practices, infrastructure conditions, and future funding needs;
- c) Forecast expenditures and revenues to the best of their ability with consideration given to such external factors as State and Federal actions, economic conditions, and management options based on best practices by other local governments, and labor relations and contracts
- d) Review management actions taken during the last budget cycle; and
- e) Review District Board actions taken during the last budget cycle.

Further, the prior year Comprehensive Annual Financial Report, (CAFR) which includes the District's audited financial statements, also serves as a valuable resource to evaluate financial performance.

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# Revenue Policy

## ***Section 1. Fund Balance***

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- To maintain the District's credit rating and meet seasonal cash flow needs, the budget shall target a designated ending fund balance of at least 8.3% of estimated annual operating expenditures for the Operation's Fund. This designated ending fund balance is not an available resource and shall be exclusive of all reserves not anticipated to be readily available for use in emergencies and contingencies.
- For funds other than the Operating the District Chief shall analyze each fund to determine or verify the appropriate fund balance. The District Chief shall take into account cash flow requirements, future capital needs, and significant revenue and expenditure trends as well as reserve policies. The District Board shall amend or approve the recommended appropriate fund balance through adoption of the annual budget.
- In the event the total fund balance is higher than an appropriate level, the difference may be budgeted for the following types of expenditures and uses:
  - a) Designated reserves and contingency accounts; see Section 2. Contingency and "Reserves Policy"
  - b) One-time capital expenditures which do not significantly increase ongoing District costs;
  - c) Other one-time expenditures such as employee lump sum payments, services, supplies and capital outlay; and
  - d) Ongoing or new District programs provided such action is considered in the context of Directors approved multi-year projections of financially sustainable revenues and expenditures.
- Generally, the fund balance levels are dictated by:
  - a) Cash flow requirements to support operating expenses;
  - b) Susceptibility to emergency or unanticipated expenditure;
  - c) Credit worthiness and capacity to support debt service requirements;
  - d) Legal or regulatory requirements affecting revenues, disbursements, and fund balances; and
  - e) Reliability of outside revenues.

If, at the end of a fiscal year, the fund balance falls below 8.3% of budgeted operating expenditures in the Operations Fund, the District shall develop a plan to restore the fund balance the following fiscal year, but not longer than within a five year period.

## ***Section 2. Contingency***

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- As defined in NRS 354.506, a Contingency account is an account showing assets or other resources which have been appropriated to provide for unforeseen expenditures or anticipated expenditures of an uncertain amount.
- NRS 354.608 places a limit on the maximum amount that may be appropriated for such a contingency account. The limit is 3% of the money otherwise appropriated to the fund, exclusive of any amounts to be transferred to other funds.
- Therefore, to meet emergency conditions, the budget shall provide for an appropriated contingency of 1.0% to 3.0% of estimated annual operating expenditures, but in no cases less than 1.0%. The Operations Fund is the only fund which shall maintain a contingency. The contingency shall also be exclusive of reserves not anticipated to be readily available for use in emergencies or designated for capital expenditures. Any unused contingency shall be carried forward to the next fiscal year to fund that year's contingency commitment.

Where correction of a fund balance deficit causes the contingency to fall below 1.0% of estimated annual operating expenditures, then the District shall develop a plan to restore the fund balance the following fiscal year, but not longer than within the five years.

## ***Section 3. Sources of Revenue***

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- The District will strive to develop and maintain a diversified and stable revenue system to shelter the government from short-run fluctuations in any one revenue source and ensure its ability to provide ongoing services.
- Restricted revenue shall only be used for the purposes legally permissible. Programs and services funded by restricted revenues will be clearly designated as such.
- Certain intergovernmental revenues (i.e. State and Federal Grants) shall be used to finance only those capital improvements that are consistent with the capital improvement needs and the District's priorities, and whose ongoing operation and maintenance costs have been included in operating budget forecasts. Intergovernmental revenue or grants that are restricted for specific operating purposes will be expended consistent with those restrictions.

#### ***Section 4. Revenue Collection***

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- The District shall manage its revenue collections by actively pursuing collection of all revenues owed to the District using best practices in revenue collection methods as well as legal actions as required.

#### ***Section 5. Fees-Licenses, Permits & Misc. Items***

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- All fees for licenses, permits, fines, and other miscellaneous charges shall be set to recover the district's expense in providing the attendant service. These fees shall be reviewed and reported to the District Board on a regular basis. Fees regulated by State law shall be set accordingly.
- Ambulance User Fees will be assigned and reviewed annually and in accordance with all Federal and State requirements. Increases in fees will be approved by the Board of Directors in concert with the development of the annual budget.
- Plan Review Fees will be assigned and reviewed annually and in accordance with all Federal and State requirements. Increases in fees will be approved by the Board of Directors in concert with the development of the annual budget.
- A Annual Fee Manual listing all such fees and charges of the District shall be maintained by the District Accountant and updated annually.
- Fees for the direct costs of containment and cleanup of hazardous materials will be assessed to the responsible party for all hazardous material responses by the East Fork Fire Protection District and in accordance with all applicable laws and regulations governing such fees.

#### ***Section 6. Grants***

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- The District shall pursue all grant opportunities; however, before accepting grants, the District will consider the current and future administration, operating requirements and implications of either accepting or rejecting the monies.
- In reviewing potential awards of grants, the District Accountant will evaluate each grant offer and make their recommendation to the District Fire Chief after considering:
  - a) The amount of the matching funds required and available;
  - b) In-kind services that are to be provided;

- c) Length of grant and consequential disposition of service (i.e., is the District obliged to continue the service after the grant has ended); and
  - d) The related operating expenses including, administration, record keeping, and auditing expenses.
- The District Board shall approve acceptance of grants. Only grants that have been awarded and accepted by the District Board shall be included in the annual adopted budget with the exception of those grants associated with the District serving as the Emergency Management Agency for Douglas County. Grants awarded and accepted by the District Board after the adoption of the annual budget may be augmented into the budget as necessary.
- Once the grant has been accepted and approved by the District Board it is the responsibility District Accountant to ensure compliance with grant regulations in accordance to the Office of Management & Budget (OMB) Circular A-133, OMB Circular A-87, and Cost Principles of State, local and Indian Tribal Governments.

### ***Section 7. Donations and Bequests***

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- Gifts, donations and/or bequests given to the District for the use of any of its divisions and accepted shall be used solely for the purpose intended by the donor. Unrestricted gifts will be expended on the recommendation of the District Fire Chief, if applicable. Gifts of real property or equipment must be approved by the Board of Directors.
- Gifts and donations will be evaluated to determine what, if any, obligations are to be placed upon the District. Gifts and bequests will be considered as "over and above" basic District appropriations.
- Gifts, donations and bequests shall be audited in accordance with District accounting principles.

### ***Section 8. Federal Funds***

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- Federal funds shall be actively sought. The District will use these funds to further the applicable stated national program goal. Because Federal funds are not a guaranteed revenue source and are intended for a specific purpose, they will not be relied upon as an alternative source for ongoing operating funds unless specifically approved.
- Use of one-time Federal funds should generally be designated for one-time expenditures such as capital improvement projects.

- Use of Federal funds shall not have a negative effect on the Operations Fund

### ***Section 9. Transfers***

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- To the maximum extent, feasible and appropriate, Operating Fund transfers to other funds shall be defined as payments intended for the support of specific programs, services, or debt. Amounts not needed to support such specific program, services, or debt expenses shall revert to the Operations Fund fund balance, unless District Directors direct the transfer to be used for other purposes.
- Transfers from the Operations Fund shall be made quarterly throughout the fiscal year, unless cash flow requirements dictate otherwise.
- Intra-fund and inter-fund transfers shall follow State of Nevada requirements, as outlined in NRS 354.606 and 354.6117 if applicable.

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# Operating Budget Policy

## ***Section 1. Structurally Balanced Budget***

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- The District shall maintain a structurally balanced budget, and if possible, where recurring revenues equal or exceed recurring expenditures. The District shall balance recurring operating expenditures with recurring revenues reasonably expected to continue year to year if possible.
- Recurring expenditures are operating costs that are funded each year, such as, salaries, benefits, services, supplies and asset maintenance costs. Non-recurring expenditures are one-time costs such as acquisitions or replacements of capital assets.
- Property taxes are an example of recurring revenue, while off district fire response is a non-recurring revenue.
- Revenues that have both recurring and non-recurring components require judgment in determining how much of the source is truly recurring. For example, plan review revenues rise in a period of high growth in the community, but can be volatile as economic conditions change. The District will review its revenue portfolio to identify revenues with potentially volatile components and avoid over reliance on these revenue sources in its budget projections.
- The District shall maintain reserves at their desired policy levels. Using reserves to balance the budget shall only be considered in the context of a plan to return to structural balance. The plan to return to structural balance must include a specific length of time for replenishing the fund balance and remediating the negative impact of any other short-term balancing actions that may be taken.

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## ***Section 2. Pay-As-You-Go***

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- The District shall conduct its operations from existing or foreseeable revenue sources. Achieving pay-as-you-go funding requires the following practices:
  - Current direct and indirect costs for operations and maintenance will be controlled and will be funded with current revenues.
  - Sound revenue and expenditure forecasts will be prepared annually for all Operating fund as part of budget discussions.
  
- Costs attributable to the mandates or services of other governmental agencies shall be included in the annual budget.

## ***Section 3. Budget Performance Reporting***

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- The District Accountant shall submit regular operating reports to the District Fire Chief and Board of Directors comparing actual revenues and expenditures with budgeted revenues and expenditures.
  
- Where practical, the District shall develop and employ performance measures to be included in the budget.

## ***Section 4. Maintenance, Repair & Replacement Goals***

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- As a goal, all equipment replacement and maintenance needs for the next five years will be projected and the projection will be updated each year. A maintenance and replacement schedule based on this projection will be developed and potential funding sources identified.
  
- Replacement of capital outlay items shall be planned to increase efficiency and productivity considering the availability of funds. When possible, replacement plans shall be timed at stable intervals so as not to spend excessively in one year and restrictively in the next.

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## ***Section 5. Maintenance of Capital Assets***

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- The budget should provide sufficient funds for the regular repair and maintenance of all East Fork Fire Protection District capital assets. The budget should not be balanced by deferring these expenditures unless a complete analysis has been made and all appropriate considerations made.
- Future maintenance needs for all new capital facilities will be identified during the Capital Improvement Program process.

## ***Section 6. Personnel Services***

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- The District shall strive to pay competitive market rates of salaries, wages and benefits to its employees. The funding of competitive market rates will be balanced against the District's ability to fund short and long-term costs and to maintain quality public services.
- The District shall periodically conduct a comprehensive total compensation survey of public sector employers as necessary and this survey can be the basis for determining prevailing market rates.
- In establishing pay rates, a cost analysis of rate increases will be conducted and shall include the effect of such increases on the District's share of related fringe benefits and unfunded liabilities (including non-salary related benefits).
- Long-term costs of changes in benefit packages shall be estimated and fully disclosed to the District Board before negotiated labor agreements are affirmed and as required under NRS.
- New personnel should be included in the base budget and as part of the annual budget process.

## ***Section 7. Services & Supplies***

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- In developing the annual operating budget, total departmental Services & Supplies budgets are not to increase from the current year's total adopted budget. If an increase in an account appropriation is needed, departments should first reduce a subsequent account's budget by the same amount. Requests to increase the total adopted budget above the prior fiscal year's levels are to be made via a memorandum sent to the District Fire Chief outlining and justifying the request.

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## **Section 8. Capital Outlay/Projects**

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- Capital asset acquisitions and/or projects are to be budgeted in the Capital Outlay/Projects budget line items and the five-year Capital Improvement Plan as follows:

Asset Type	Threshold
Land & Improvements	Capitalize All
Buildings & Improvements	\$50,000
Infrastructure & Improvements	\$50,000
Vehicles, Machinery & Equipment	\$10,000
Assets Paid For With Federal Funds	\$5,000

Asset acquisitions that are capital in nature, but below these thresholds, should be budgeted as follows:

Budget Account Name
Small Equipment Expense
Small Projects Expense

Major Repairs and Maintenance of capital assets are defined as outlays that do no more than return a capital asset to its original condition, regardless of the amount, and should be budgeted as follows:

Budget Account Name
Repairs & Maintenance-Major

## **Section 9. Use of Interest on Investment Earnings**

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- The amount of interest on investment earnings fluctuates depending on both the interest rate and the amount invested. It is not advisable for the District to rely on this source of revenue to fund ongoing operations given the significant fluctuations in investment earnings. Therefore, the amount of investment earnings that can be budgeted to fund operations for the next fiscal year is limited to the estimated investment earnings that would be generated from the lowest interest rate and lowest investment amount in the preceding five fiscal years by fund. Any amount in excess can only be used to fund one-time purchases or placed in an appropriate reserve account for future one-time purchases.

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## Section 10. Budget Management

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The Budget will be managed in accordance with State of Nevada Local Government Budget Act contained in the Nevada Revised Statutes (NRS 354.470-354.626) and in the Nevada Administrative Code (NAC 354.400-354.600).

- *Definitions:*
  - *“Budget” is a plan of financial operation embodying an estimate of proposed expenditures and expenses for a given period and the proposed means of financing them.*
  - *“Budget Functions” are the following mandatory categories: General Government, Judicial, Public Safety, Public Works, Sanitation, Health, Welfare, Culture and Recreation, Community Support, Debt Service, Intergovernmental.*
  - *“Budget Augmentation” is a procedure for increasing appropriations of a fund with the express intent of employing previously unbudgeted resources to carry out the increased appropriations.*
  - *“Budget Transfer” is a procedure for transferring budgeted resources within a function, or between functions, funds or contingency accounts.*
  
- Divisions shall manage their budgets responsibly and be accountable for compliance with NRS 354.626, which requires that no governing body or member thereof, officer, office, department or agency within the District may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated in the budget for that function, with the exception of bond repayments, medium-term obligation repayments and any other long-term contracts expressly authorized by law.
  
- Budget Augmentations:

If anticipated resources actually available during a budget period exceed those estimated, the budget may be augmented. Budget Augmentations to increase the appropriations of a fund when actual resources exceed those previously budgeted must be approved by a resolution of the governing body at a regularly scheduled meeting. Budget augmentations become effective upon filing of the resolution with the Department of Taxation. The District Accountant presents budget augmentations to the District Board for approval three times annually, or as necessary.

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- Budget Augmentations for Grants-In-Aid, Gifts or Bequests

Budget Augmentation resulting from grants, gifts or bequests previously approved by the District Board may be approved by District Chief.

- Budget Amendments Due to Legislative Action:

An amended budget due to legislative actions to increase or decrease the revenues or expenditures of a local government not anticipated in the local government's final adopted budget, may be filed within 30 days of adjournment of the legislative session with the Department of Taxation.

- Budget Transfers Within a Function:

Transfers within a Function may be approved by the District Chief upon consultation with the District Accountant.

- Budget Transfers Between Functions, Funds or Contingency Accounts:

Budget transfers between functions, funds or contingency accounts must be approved by the District Board via resolution, at a regularly scheduled meeting and recorded in the official minutes of the meeting.

- Budget Appropriations

Budget appropriations shall lapse at the end of the fiscal year and shall revert to the available balance of the fund from which appropriated per NRS 354.620. Exceptions include encumbered budget for carryover purchase orders and/or carryover projects.

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# Capital Improvements Policy

## ***Section 1, Capital Improvement Plan***

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- A five-year Capital Improvement Plan (CIP) shall be developed and presented annually by staff to the Board of Directors. This plan shall contain all capital improvements from all funds and Divisions of the district. The first year of the plan shall reflect the next year's capital budget.
- A high priority shall be placed on repair or replacement of capital assets before such items have deteriorated to the point of becoming hazardous, incur high maintenance costs, are negatively affecting property values, and/or are no longer functionally serving their intended purposes.
- Capital improvements constructed in the District shall be based on construction standards that minimize construction costs, while assuring that accepted useful life and minimum maintenance costs will result.
- The five-year Capital Improvement Plan includes the following two separate components, which will be budgeted as outlined in the Operating Budget Policy, Section 8., Capital Outlay/Projects:
  - Capital Asset Acquisitions and Projects
  - Major Repair and Maintenance

## ***Section 2, Intergovernmental Assistance***

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- Certain intergovernmental revenue (i.e. State and Federal grants), specifically approved for capital projects by the grantor agency, shall be used to finance only those capital improvements that are consistent with the capital improvement plan and local government priorities, and whose operations and maintenance costs have been included in operating budget forecasts.

## ***Section 3, Operations and Maintenance Impacts***

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- As a goal, standards of maintenance to adequately protect the District's capital investments shall be developed and periodically updated. The annual budget should be prepared to meet established maintenance schedules.
- Future operating budget impacts for new capital facilities will be analyzed as part of considering a proposed capital project, in accordance with State law.

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## ***Section 4, Financing***

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- Within the limitations of existing law, various funding methods may be used to finance capital improvements and acquisitions, including pay-as-you go funding and debt financing when appropriate. Capital improvement projects proposed for inclusion in the budget will be accompanied by a financing plan utilizing appropriate revenue sources, and in accordance with the District's debt management policies.
- Upon completion of capital projects, the District Chief shall certify any unspent funds from the project. The most restrictive project revenues shall be used first so that unused funds will have the fewest restrictions on future use. Unspent capital project funds, except bond funds, shall be returned to their original source. If there are unspent funds from a bond issue, those monies will be allocated according to stipulations in the bond indenture.
- Interest earnings from capital improvement financing sources shall be separately accounted for within the capital construction fund and will be allocated to capital projects as a funding source through the CIP process unless otherwise dictated by grant or bond requirements.

## ***Section 5, Capital Improvement Project Management***

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- The District Chief will assign a project manager to each capital project or acquisition within their Division.

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# Procurement Policy

## ***Section 1, Authority***

- The Nevada Revised Statutes authorizes the District Board to “...*expend money for any purpose which will provide a substantial benefit to the inhabitants of the District.*”
- The Nevada Revised Statutes assign the responsibility for all procurement actions and the expenditure of such funds to the governing body.
- The District Fire Chief may, with the approval of the Board of Directors, retain such assistants and other employees as are necessary to the proper functioning of his office.
- Under the Nevada Revised Statutes, the Board of Directors may designate “*authorized representatives*” including the District Fire Chief and such assistants and employees with the authority and responsibility to perform procurement actions.

## ***Section 2, Purchasing Policy and Practice***

- The East Fork Fire Protection District purchasing function is a decentralized operation in which each Division is permitted to purchase the goods and services needed to accomplish its mission in accordance with applicable laws, policies and procedures, and requisite approvals.
- The Board of Directors have delegated to the District Fire Chief, Deputy Fire Chief's, District Accountant and Executive Office Manager the authority to manage and administer the purchasing function within established guidelines, policies and state law.

## ***Section 3, Review and Approvals***

- The expenditure of funds for procurement will be in accordance with District budget policies and procurement policies.
- The District Fire Chief may approve purchases and contracts up to \$50,000 if funding has already been approved within the current year's budget. Procurements in excess of \$50,000 must be approved by the District Board.
- The District Board must approve all leases involving District real property and equipment if lease payments exceed \$50,000 over the term of the lease.

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## Accounting Policy

### ***Section 1, Accounting System, Standards, and Financial Reporting***

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- The District's accounting and reporting system shall demonstrate the following characteristics:
  - a) Reliability, accuracy, consistency, timeliness, efficiency, responsiveness; and
  - b) Be in conformance with all legal requirements.
- The District's accounting system and its financial reporting practices shall be maintained in such a way to conform to generally accepted accounting principles (GAAP) and with the requirements of the Governmental Accounting Standards Board (GASB).
- The District shall provide for an independent annual audit of its financial statements, by a qualified Certified Public Accounting firm. Each annual audit must be concluded and the auditor's report submitted to the governing body no later than five months after the close of the fiscal year.
- The District shall publish the auditor's report together with the financial statements in a Comprehensive Annual Financial Report prepared within the format and guidelines of the Government Finance Officers Association presented in a public meeting of the governing body held not more than thirty days after the report is submitted to it as required in NRS 354.624. The General Purpose Financial Statements shall include but not be limited to:
  - a) An explanation of the nature of the reporting entity,
  - b) A management's discussion of the financial results of the activities conducted by the District,
  - c) Comparison of actual activity to final budget,
  - d) An explanation of the District's fiscal capacity,
  - e) Disclosure of short and long term liabilities of the District,
  - f) Capital assets reporting,
  - g) Cash policies and compliance reporting, and
  - h) Accounting policies, controls and management responsibilities.
  - i) Historical financial, statistical and demographic data

It is the District's objective that the financial statements receive an unqualified opinion from the independent auditors each year.

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- Accounts receivable due to the District shall be recorded in accordance with GAAP and collection of delinquent accounts pursued in accordance with administrative policies.

## ***Section 2, Fund Structure***

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- The District shall establish, by Board of Director resolution(s), and maintain only those funds that are necessary by law and for sound financial administration. Each fund shall be structured and categorized appropriately in a manner consistent with GAAP and GASB standards, to maximize the District's ability to audit, measure and evaluate financial performance.
- The fund structure will be reviewed annually and recommendations for changes to improve compliance with accounting standards, District Board policies, financial planning, and resource allocation and service delivery will be made by the District Accountant and the District Fire Chief as necessary.

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# **Governmental Funds Reserve Policy Existing Reserves**

## ***Section 1, Unappropriated Reserve***

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- This reserve is the District's unrestricted fund balance. There is no reserve level established for this account, although it is recommended that these reserves are intended for specific needs, such as planned capital projects.

## ***Section 2, Board Designated***

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- This reserve is located in the capital section of the budget in the line item Board Designated. It is part of the District's unrestricted fund balance in the Operation Fund. Per NAC 354.410, local governments cannot augment a general fund or special revenue fund budget using reserves.
- Board Designated allows the district to use reserves for specific needs during the year as outlined in the adopted budget.

## ***Section 3, Emergency Fund***

- Under State statute the District is may establish and Emergency Fund to meet unforeseen emergencies. The district emergency fund must be used solely for emergencies and must not be used for regular operating expenses. The money deposited in the district emergency fund must not exceed the sum of \$1,000,000. Any interest earned on the money in the district emergency fund that causes the balance in that fund to exceed \$1,000,000 must be credited to the district fire protection operating fund.
- An emergency includes, without limitation, any event that:
  - Causes widespread or severe damage to property or injury to or the death of persons within the district;
  - As determined by the district fire chief, requires immediate action to protect the health, safety and welfare of persons who reside within the district; and
  - Requires the district to provide money to obtain a matching grant from a state agency or an agency of the Federal Government to repair damage caused by a natural disaster that occurred within the district.
  - Insurance programs which protect the fund

# Debt Management Policy

## ***Section 1, General Policies***

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- The District will conduct its debt management functions in a manner designed to maintain or enhance its existing credit ratings. Effective communication will continue with bond-rating agencies concerning the District's overall financial condition.
- Debt issuance will be utilized by the District only in those cases where public policy, equity and efficient use of limited resources favor debt over cash financing. Decision criteria considered shall include the following:
  - (a) Debt shall be self-supporting whenever possible. Self-supporting is the use of revenue bonds, special assessments, or other capital improvement charges. This may include dedicated tax revenue approved by the voters.
  - (b) Debt shall be primarily used to finance capital projects with a relatively long life expectancy, i.e., ten (10) years or greater.
  - (c) Debt shall be issued in such a way so that the term of the financing does not exceed the useful life of the asset.

## ***Section 2, Debt Service Coverage***

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- The coverage test is based on a commitment made by the District when issuing bonds. Annual coverage equal to or above the debt service payment is a requirement of bond issues and some other long-term debt. Failure to comply with minimum annual coverage requirements can lower the District's bond rating and jeopardize its ability to sell revenue bonds in the future. Higher coverage levels can result in more favorable bond terms.
- The minimum required coverage factor assuming debt financing through the Nevada State bond Bank is 1.0 – meaning no additional cushion above the level of annual debt service is required. However, the District's goal is to set rates sufficient to maintain a coverage factor of at least 1.23. This practice enhances the District's creditworthiness and improves its financial position should the District ever require debt financing from selling its own revenue bonds, which typically require a factor around 1.25 to 1.35. Excess revenues generated to meet the internal policy can be used to fund capital projects or to help build other under-funded reserves.

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### ***Section 3, Management***

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- It shall be the responsibility of the District Accountant and his/her staff to maintain all necessary files associated with the issuance of district debt to ensure proper accounting, timely payment of debt service and compliance with debt covenants and continuing disclosure requirements
- The District Accountant shall review the fiscal impact of any new debt with the District Fire Chief before District Board action to authorize a project involving the issuance of debt. The fiscal impact review should include, at a minimum, an estimate of the debt service to be required at the time of long-term debt issuance and a calculation showing the impact of this additional cost. The fiscal impact review shall provide information on any projected user fee rate increases in the case of revenue bond financing.