

**RESOLUTION NO. 022**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE CRESTLINE SANITATION DISTRICT  
ESTABLISHING A POLICY FOR DISTRICT RESERVES**

WHEREAS, this Board is charged with responsibility for providing sewer collection and treatment service to and for customers located within the District's boundaries; for the construction, operation, maintenance, repair and replacement of facilities to treat waste water from District customers, and accumulation of revenues necessary to accomplish these purposes; and

WHEREAS, the implementation of District policy over a period of many years as resulted in the accumulation of funds to be utilized for a variety of District activities and to protect the District's customers and taxpayers from the financial impacts of catastrophic events and from fluctuations in District expenses; and

WHEREAS, this Board wishes to provide for the creation of certain unrestricted reserve accounts, and to set forth in writing the District's policy regarding the accumulation of reserves, the purposes for which they may be expended, and the levels which the District should strive to maintain;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Crestline Sanitation District hereby provides for the deposit of revenue into certain restricted funds, the creation of certain unrestricted reserve accounts, and the accumulation and administration of reserves in each, as follows:

1. Unrestricted Reserves.
  - a) Reserve for Operations. A "Reserve for Operations" is hereby created for the District's general account, to which the Board may appropriate unrestricted District revenues. Each such Reserve for Operations may be utilized to pay the cost of operating the District's general system, including unanticipated costs of operation. The District shall endeavor to maintain in each Reserve, for Operations an amount sufficient to pay for three months of normal operation but not exceed six months of normal operation. However, funds appropriated to any Reserve for Operations may be accessed at any time for any other District purpose, upon approval by the Board, Funds appropriated to a Reserve for Operations may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the District's Governmental General Fund.
  - b) Reserve for Replacement. A "Reserve for Replacements" is hereby created for the District's general account to which the Board may appropriate unrestricted District revenues. Each Reserve for Replacements may be utilized to replace the District's physical plant, as needed. The District shall endeavor to maintain in each Reserve for Replacements an amount approximately equal to twenty-five percent (25%) of the total accumulated amount of depreciation of the District's physical plant for the District's general system and as reflected in the annual audit of the District Presented to the Board each year. However, the funds appropriated to each Reserve for Replacements may be accessed at any time for any other District purpose, upon approval by the Board. Funds appropriated to a Reserve for Replacements may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the District's General Fund.
  - c) Reserve for Catastrophe Response. A "Reserve for Catastrophe Response" is hereby created for the District's general account to which the Board may appropriate unrestricted District revenues. Each Reserve for Catastrophe Response may be utilized to procure such

equipment and supplies, perform such repairs, employ such personnel, and take such other measures as may be necessary or appropriate in the event of a catastrophe or calamity requiring District response. The District shall endeavor to maintain in each Reserve for Catastrophe Response an amount approximately equal to twenty five percent (25%) of the original cost of the District's physical plant for the District's general system and as reflected in the annual audit of the District presented to the Board each year. However, the funds appropriated to each Reserve for Catastrophe Response may be accessed at any time for any other District purpose, upon approval by the Board. Funds appropriated to a Reserve for Catastrophe Response may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the District's General Fund.

2. Additional Accounts. In addition to the unrestricted accounts identified above, the Board may approve the creation of such additional accounts, whether temporary or permanent (such as Capital Improvement Projects and system update/replacement projects identified in the Budget and/or associated with the District's Long Term Strategic Plan), as the Board deems necessary or appropriate, by amendment to this resolution or by simple motion. In such event, the Board will identify the purposes, for which such additional accounts are created, provide guidance as to the amount which the District should endeavor to maintain in each such account, and establish the limits and restrictions pertaining thereto.

3. Annual Reports. Each year the District's General Manager shall provide the Board with a report indicating the beginning and ending balance for each of the reserve funds or accounts created pursuant to this resolution and the purposes for which expenditures have been made therefrom and shall make recommendations to replenish or augment fund or account balances as appropriate.

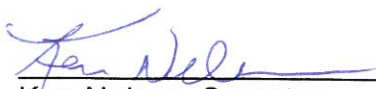
ADOPTED this 14th day of June, 2012.

  
Matthew Philippe, Chairman  
Crestline Sanitation District

I, Ken Nelson, Secretary of the Board of Directors of the Crestline Sanitation District, hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of said District at the regular meeting of said Board held on the 14th day of June, 2012 by the following vote:

AYES: Philippe, Nelson, Winsten, Fairbanks, Shubnell  
NOES: 0  
ABSENT: 0  
ASTAIN: 0

ATTEST:

  
Ken Nelson, Secretary  
Crestline Sanitation District

CRESTLINE SANITATION DISTRICT  
Reserve Policy  
2012/2013

BOARD DESIGNATED RESERVES

1. UNRESTRICTED RESERVES

a) RESERVE FOR OPERATIONS

Contingency and Operations - Six Months Operations

2012/13 Operating Budget Total \$ 3,252,450

Less:

Depreciation \$ 569,800

2,682,650

Six Months

x 6/12

Contingency and Operating Reserve \$ 1,341,000

Debt Service Reserve - CIEBD Loan (1 yr.) \$ 108,000

TOTAL RESERVE FOR OPERATIONS \$1,449,000

b) RESERVE FOR REPLACEMENT

Property, Plant, and Equipment Replacement Reserve

Accumulated Depreciation 6/30/12 \$ 18,372,000

Reserve % x 25% 4,593,000

TOTAL RESERVE FOR REPLACEMENT \$4,593,000

c) RESERVE FOR CATASTROPHE RESPONSE

Cost (Excluding Land) \$ 27,166,000

Less Accumulated Depreciation 18,372,000

8,794,000

Reserve % x 25% 2,199,000

TOTAL RESERVE FOR CATASTROPHE RESPONSE \$2,199,000

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital Budget Current Year 492,000

TOTAL RESERVE FOR CAPITAL PROJECTS \$ 492,000

TOTAL RESERVES \$8,733,000

Total Reserves Required 8,733,000

Unrestricted net assets available as of 06/30/12 8,391,037