

## **Indian Hills General Improvement District Purchasing Policy**

- 1. Purpose:** The purposes of this policy on purchasing are:
  - 1.1 to confirm and/or establish certain internal controls on the process of obligation of District funds from among several internal accounts,
  - 1.2 to establish specific authorization requirements for certain levels of purchasing, and
  - 1.3 to set in place certain procedural requirements for budgeting, purchasing of goods and services as budgeted, making budgetary line item revisions, and processing purchases under “emergency” conditions.
  
- 2. Budgeting:** In accord also with law and regulation, the District’s annual budget shall:
  - 2.1 Display all projected revenues from all sources, providing also a clear separation between public tax-based revenues and other revenues including enterprise activity receipts;
  - 2.2 Display all projected expenses through an effective chart of accounts with sufficient detail as to enable effective management of those budgeted expenses;
  - 2.3 Display General Fund accounts with subsidiary accounts each for administration, parks, and streets sections;
  - 2.4 Display Enterprise Fund accounts with subsidiary accounts each for the water and the sewer sections;
  - 2.5 Contain a separate enumeration in each section budget for capital outlay expenditures; and
  - 2.6 Contain Budget Justifications for specific contents of line item amounts for expenditures which, individually as to account line items in all budgets, exceed \$2,000.

3. **Purchasing:** For all purchases of goods and services other than personnel expenses, which are regulated by the Personnel Policies of the District, the following apply:
  - 3.1 Controls:
    - 3.1.1 Routine monthly bills, such as rent, telephone, electricity, and gas and others are considered on-going contracts and will be exempt from the requirement for a purchase order.
    - 3.1.2 Periodic payments under contracts, such as copier maintenance or generator engine maintenance, once contracted, are exempt from the requirement for a purchase order.
    - 3.1.3 A petty cash account, amounting to not more than \$250 will be managed by the administrative office and may be used for purchases of less than \$40.00, with pre-authorization required by the Chief Financial Officer or the General Manager and accounting done after purchase to continue the balances in the petty cash account as well as to distribute the costs of items across appropriate budget line items. Petty cash transactions so made are exempt from the requirement for a purchase order.
    - 3.1.4 All other purchases for goods or services require an approved Purchase Order before obligation of the purchase.
  - 3.2 Purchase Order Authorization levels:
    - 3.2.1 The General Manager is authorized to approve purchase orders on his signature only in amounts not to exceed \$5,000, **provided** that the item(s) of expense is/are included, if required, in the Budget Justifications accompanying the approved Budget from which the items are to be purchased.
    - 3.2.2 Purchase Orders, in amounts exceeding \$5,000, **provided** that the item(s) of expense is/are included in the Budget Justifications accompanying the approved Budget from which the items are to be purchased, shall require the approval of the Board of Trustees and shall carry a second approved signature prior to obligation of the purchase, except under “Emergency Conditions” defined below.
    - 3.2.3 For effective and efficient administration of operations, the General Manager may delegate a portion of his authority to purchase, with the delegation not to exceed \$750 per purchase order, to designated staff department heads.

3.3 Emergency conditions: Emergency conditions can arise in operating water and sewer utilities. Defining these “emergency conditions” to include operational needs to make purchases for utility-related infrastructure, equipment, rentals, supplies, and/or labor associated with conditions which, for protection of public health, cannot wait for an opportunity to establish a Board meeting, certain procedures may be followed which include:

3.3.1 Purchase orders which are for amounts less than \$5,000 and for which funds are available within the approved Budgets, whether or not specified in the budget justifications, may go forward, on the approval of the General Manager, except that a report to the Board from the General Manager shall follow explaining the emergency condition;

3.3.2 Purchase orders in excess of \$5,000 which are required and for which there is no pre-approved budget or justification may be approved by the General Manager provided that the purchase order shall also carry the signature of the Chairman of the Board of Trustees and shall be labeled as an “Emergency Purchase”. Appropriate budget augmentation, if necessary, shall follow these designated purchases at the end of the fiscal year.

#### 4. **Purchase Orders Restricted:**

4.1 Except for Emergency Purchases as described above, **no purchase** obligation shall be made by Purchase Order in an amount exceeding \$2,000 which has **not** been specified in an approved budget justification.