

PANOCHÉ WATER DISTRICT

Review Report

ADMINISTRATIVE AND INTERNAL ACCOUNTING CONTROLS

March 1, 2013, through February 28, 2015



BETTY T. YEE
California State Controller

January 2017



BETTY T. YEE
California State Controller

January 31, 2017

John F. Bennett, President
Panoche Water District
52027 W Althea Ave
Firebaugh, CA 93622

Dear Mr. Bennett:

Enclosed is the report of the State Controller's Office review of the Panoche Water District's administrative and internal accounting controls. The review was conducted to assess the adequacy of the district's controls for safeguarding assets and ensuring proper use of public funds.

Our review found several instances of possible violations of Government Code section 8314 and Penal Code section 424 as well as weaknesses in the district's accounting and administrative controls system. We also noted numerous deficiencies described in the Findings and Recommendations section of our report.

As a part of the review, we assessed various aspects of the district's internal control components and elements based on the guidelines established by the Government Accountability Office's Internal Control Management and Evaluation Tool. Of the 79 control elements evaluated pertaining to internal control components, we found 59, or 76%, that were considered inadequate, and one control element that was not applicable.

The results of our review and evaluation of the elements of internal control are included in this report as an Appendix. Our assessments of the elements were based on the conditions that existed during our review period of fiscal year (FY) 2013-14 and FY 2014-15.

It should be noted that the district has taken substantial corrective actions and continues to make efforts to enhance its administrative and internal accounting controls. Therefore, the district should be commended for taking these matters seriously and being proactive in resolving the noted deficiencies. We would like to express our thanks to district staff and management, who were extremely helpful throughout our review process.

As always, my staff and I are available to address your questions. You may contact Efren Loste, Interim Chief, Local Government Audits Bureau, by telephone at (916) 324-7226, or by e-mail at eloste@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: Dennis Falaschi, General Manager
Panoche Water District
Julie Cascia, Office Manager
Panoche Water District
Suzanne Redfern-West, Vice-President
Panoche Water District
Michael Stearns, Secretary
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Ross Koda, Director
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Appendix—Evaluation of Elements of Internal Control

Attachment—Panoche Water District’s Response to Draft Review Report

Review Report

Introduction

The State Controller's Office (SCO) reviewed the Panoche Water District's system of administrative and internal accounting controls for the period of March 1, 2013, through February 28, 2015 (fiscal year [FY] 2013-14 and FY 2014-15). We expanded our testing as necessary to include current and/or prior-period transactions to follow up on issues identified through our interviews of district officials and through our review of the independent auditors' reports and other audit reports.

The review was conducted under Government Code section 12410, which requires the Controller to "... superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

Our review included an analysis of the administrative and financial internal controls and fiscal management practices. This included assessing the impact of allegations of wrongdoing by district officials and any findings on selected local, state, and federal programs administered by the district.

This report presents the results of findings and conclusions reached in our review of the district's administrative and internal accounting controls system.

Background

The Panoche Water District is a California Water District organized in 1950 under California Water Code Section 34000, et seq., by election of its landowners and validation by the Fresno County Superior Court. The district is comprised of approximately 38,000 gross acres in western Merced and Fresno Counties with approximately 63 landowners and 62 farming entities. The district is governed by a five-person Board of Directors comprised of landowners.

The district's primary purpose is to provide water for irrigation and to own, operate, and maintain a conveyance system to deliver water to irrigation water users. The district also delivers a small amount of municipal and industrial water incidental to irrigation and is responsible for addressing drainage generated by the irrigation. The district does not provide water to any cities, and there are no municipalities within its boundaries. The closest communities are the cities of Los Banos, approximately 17 miles to the north; Dos Palos, approximately 12 miles to the north; and Firebaugh, approximately 15 miles to the east.

The district also provides administrative, operation, and maintenance services to several neighboring or sister small agencies. These include:

- Panoche Drainage District
- Pacheco Water District
- Mercy Springs Water District
- Charleston Drainage District

Objectives, Scope, and Methodology

Our review objective was to evaluate the district's system of administrative and internal accounting controls to ensure:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Adequate safeguarding of public resources

We reviewed the district's system of administrative and internal accounting controls for the period of March 1, 2013, through February 28, 2015.

To accomplish our objective, we:

- Evaluated the district's formal written internal policies and procedures
- Conducted interviews with district employees and observed the district's business operations for the purpose of evaluating district-wide administrative and internal accounting controls
- Reviewed the district's documentation and supporting financial records
- On a limited basis, performed tests of transactions to ensure adherence with prescribed policies and procedures and to validate and test the effectiveness of controls
- Assessed various aspects of the district's internal control components and elements based on the guidelines established by the Government Accountability Office's (GAO) Internal Control Management and Evaluation Tool

Conclusion

We found several activities that appear to be outside the scope of the district's authority and which appear to violate Government Code section 8314 and Penal Code section 424, as well as weaknesses in the district's administrative and internal accounting controls system, resulting in numerous findings that should be addressed and corrected by the district.

These findings include:

- Management issued personal loans to employees, despite the
 - lack of legal authority to make such loans;
 - lack of policies and procedures regarding loans;
 - inconsistent processing of the loans; and
 - erroneous accounts receivable and questionable loan reimbursements.
- Employees used district-issued credit cards for personal expenses, despite the
 - lack of legal authority authorizing the personal use of the credit cards;

- non-compliance of written policies and procedures;
 - lack of supporting documentation;
 - lack of segregation of duties; and
 - lack of evidence of Board of Directors' approval of credit card payments.
- Lack of adequate controls over employee fringe benefits, such as
 - employee housing;
 - use of district vehicles; and
 - district-paid rent checks and utility payments.
- Significant deficiencies over fiscal functions. For instance,
 - bank reconciliations were not prepared and reviewed in a timely manner;
 - the district did not retain contracts and agreements with its vendors; and
 - there is a lack of segregation of duties for accounts payable, payroll, and credit cards.
- Lack of written policies and procedures
- Inadequate controls over hiring, training, and promoting, due to a lack of
 - employment agreements;
 - training policies; and
 - transparency over promotions.
- Overtime pay based on the management's estimate instead of actual hours
- Incomplete recordkeeping of the district's meeting minutes

As part of our review, we assessed various aspects of the district's internal control components and elements based on the guidelines established by the GAO's Internal Control Management and Evaluation Tool. Of the 79 control elements evaluated pertaining to internal control components, we found 59 (76%) for which controls were considered to be inadequate, and one control element that was considered not applicable. The results of our review and evaluation of elements of internal control are included in this report as an Appendix.

In light of the apparent violations of Government Code section 8314 and Penal Code section 424, the findings will be referred to the Attorney General for further consideration. Moreover, the district should develop a comprehensive corrective action plan to address these deficiencies. The plan should identify the tasks to be performed, as well as milestones and timelines for completion. The Board of Directors should require periodic updates at public meetings of the progress in implementing the corrective action plan.

**Views of
Responsible
Officials**

We issued a draft report on December 7, 2016. John Bennett, Board President, responded by email on January 5, 2017, and in a letter postmarked January 5, 2017. Dennis Falaschi, General Manager, followed up with a correction to the above-mentioned correspondence in a letter postmarked January 6, 2017. The district has taken substantial corrective actions and continues to make efforts to enhance its administrative and internal accounting controls. The district's response is included in this final review report as an attachment.

The following comments are provided to address the concerns the district had with the time to respond to the issued draft report and the GAO's Internal Control and Management Evaluation Tool inclusion in the final audit report.

Response TimeDistrict's Comments

The District was provided a very short timeline to respond to the Draft Report. The district's request for an extension until January 31, 2017 was denied and instead, an extension was granted from December 24, 2016 to January 6, 2017.

SCO's Comments

The district received the standard response time of 15 days the SCO provides an audited entity. The SCO accommodated the district's request for additional response time by extending the response time from December 24, 2016, to January 6, 2017.

GAO's Internal Control Management and Evaluation ToolDistrict's Comments

The district requests that the Government Accountability Office's Internal Control Management and Evaluation Tool be deleted from the final report. The Evaluation Tool as applied did not appear to be significantly tailored per State guidance to appropriately fit a small water district located in a rural area with very limited administrative personnel, resulting in a harsh, and the District believes, an inequitable checklist evaluation.

SCO's Comments

The evaluation tool from the final report serves as a guideline for administrative and internal accounting controls. The SCO uses the same evaluation tool on all of its administrative and internal accounting control reviews of local government agencies, regardless of size. Every entity varies in size and operation, and in meeting the objectives of the GAO's Internal Control Management and Evaluation Tool may implement other methods, including forms of compensating controls.

Restricted Use

This report is solely for the information and use of the Panoche Water District and the SCO; it is not intended to be and should not be used by anyone other than these parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

January 31, 2017

Findings and Recommendations

FINDING 1— Management issued personal loans to employees

The Panoche Water District issued personal loans to employees, using district money. There does not appear to be any legal authority authorizing the district to use public resources to make interest-free personal loans to employees. Additionally, the district's approval, issuance, and accounting of the loans are questionable.

Government Code section 8314 provides in relevant part:

- (a) It is unlawful for any elected state or local officer, including any state or local appointee, employee, or consultant, to use or permit others to use public resources for...personal or other purposes which are not authorized by law.
- (b) For purposes of this section:
 - (1) 'Personal purpose' means those activities the purpose of which is for personal enjoyment, private gain or advantage, or an outside endeavor not related to state business...
 - (3) 'Public resources' means any property or asset owned by the state or any local agency, including, but not limited to, land, buildings, facilities, funds, equipment, supplies, telephones, computers, vehicles, travel, and state-compensated time.

Penal Code section 424 provides in relevant part:

- (a) Each officer of this state, or of any county, city, town, or district of this state, and every other person charged with the receipt, safekeeping, transfer, or disbursement of public moneys, who either:
 - 1. Without authority of law, appropriates the same, or any portion thereof, to his or her own use, or to the use of another; or,
 - 2. Loans the same or any portion thereof; makes any profit out of, or uses the same for any purpose not authorized by law;...Is punishable by imprisonment in the state prison for two, three, or four years, and is disqualified from holding any office in this state.
- (b) As used in this section, "public moneys" includes the proceeds derived from the sale of bonds or other evidence or indebtedness authorized by the legislative body of any city, county, district, or public agency.

The district's practice of appropriating public money for the purposes of making personal loans to employees is a possible violation of Government Code section 8314 and Penal Code section 424.

According to the district, when an employee needs a personal loan, the employee submits a request to the district's General Manager. The General Manager approves and notifies the Payroll Clerk to issue the check through the payroll system. In certain cases, management issues the check through the accounts payable process. The district gives the employee a "Payroll Deduction Authorization Letter" to sign, which authorizes the district to deduct a portion of his or her gross earnings as a loan payment per pay period, bi-weekly. The loan amount and bi-weekly payroll deduction are recorded and tracked within the general ledger under accounts receivable for each employee.

We expanded our review period to include FY 2012-13 and FY 2016-17 and selected 16 loan samples for a total of \$86,084.88. According to the district's accounts receivable records, the loan amounts ranged from \$700 to \$31,142.84. As of July 31, 2016, \$51,325.63 in loans are still outstanding.

We found the following internal control issues regarding the employee loans:

- Lack of policies and procedures

The district did not have complete written policies and procedures on how to process employee loans, amount limits, interest charged, and payback period.

- There was no record that the Board of Directors approved of any individual loan or the practice of offering employee loans. We also could not find evidence that the Board delegated the authority to issue loans to district management.
- The district gave interest-free loans to employees.
- The district did not have a process for loan repayments. The district required employees to sign a "Payroll Deduction Authorization Letter" to allow the district to deduct \$50 to \$500 per month from the employees' paychecks. However, the repayment term agreement was lacking. There was no process in place for loan repayment in a timely manner and for employees who left the district. For example, the district paid \$30,142.84 in personal bills for an employee and set up a loan payment plan of \$50 per bi-weekly pay period. At this rate, it would take over 23 years to completely pay it off. If the employee separated from the district, it could be difficult to collect the debt.
- The district did not have formal written loan agreements. In many cases, the "Payroll Deduction Authorization Letter" did not show management approval and served solely as a way to recover a loan that had no record of proper approval.

- Inconsistent processing of the loans

- The district processed some employee loans through payroll as a form of compensation instead of recognizing them as loans. The district also withheld and paid payroll taxes on the employee loans including Federal Insurance Contributions Act (FICA), Medicare, and California State Disability Insurance (CA SDI). For example, during FY 2014-15, an employee requested a \$1,500 (net amount) personal loan. The district issued the loan in the form of a payroll check. The payroll check dated October 2, 2014 shows gross earnings of \$1,812.61 and net earnings of \$1,500 after total deductions of \$312.61: \$131.89 Federal Withholding, \$112.38 FICA, \$26.28 Medicare, \$23.93 CA State Withholding, and \$18.13 CA SDI.
- Some loans were a result of the district paying for employees' personal bills. Most loans were processed through payroll but in the few instances in which they were processed through its vendor payment process, management overrode its established control and signed the check. Typically, the Board is responsible for manually

signing all except payroll checks. Loan checks were some of the few checks that bypassed the Board's manual signature. By circumventing this control, management prevented the Board from reviewing the check. For example, the district loaned \$20,882.79 to an employee by paying his bill on October 15, 2014. The district did not process the loan through payroll but instead processed it as a tax payment and improperly recorded it as a district-related tax bill.

- Erroneous Accounts Receivable and questionable loan reimbursements
 - The district recorded and collected reimbursement for employee loans less than the actual cost of the loans. For example, on August 27, 2012, the district gave an employee a \$3,500 personal loan but the total cost of the loan was \$5,585.22 including payroll taxes (\$3,500 + \$2,085.22). The district only recognized and required the employee to pay back \$3,500 (net) instead of \$5,585.22 (gross).
 - The district did not record and collect loan payments in a timely manner. For example, the district loaned \$20,882.79 to an employee by paying off his bill on October 15, 2014, but the district did not record it in an account receivable until February 10, 2016, 16 months later.
 - The district increased employees' salaries by amounts that matched their loan payments. For example, in the case of the \$20,882.79 loan, the district increased the employee's salary by \$715.81, from \$2,708.02 to \$3,423.83, on February 26, 2016. Concurrently, the employee started a \$500 payroll deduction for the loan payments. The district claimed the pay raise was based on merit but could not provide any supporting documentation to justify the raise.

The Panoche Water District gave interest-free loans that appear to be in violation of Government Code section 8314 and Penal Code section 424. Moreover, such loans did not seem to serve in the best interest of the district's mission and goals.

Recommendation

The district should stop issuing employee loans and should take immediate action to recover any outstanding loans.

District's Response

Status: The recommendation under this finding has already been fully implemented.

On August 8, 2016, the Board of Directors of the District adopted a formal, written policy prohibiting loans to any persons, including employees, except as authorized by law. See Tab 4. On September 13, 2016 the Policy was incorporated into the Reasonable Expense Reimbursement/Use of Public Resources Policy Statement ("Reimbursement/Resources Policy"). See Tab 5.

The no-loan policy is also included in the Employee Handbook adopted by the Board on September 13, 2016 and updated on December 13, 2016 ("Employee Handbook"). See Tab 6. Employee training on the Reasonable

Expense Reimbursement/Use of Public Funds Policy was conducted by special counsel Christopher Brown of Dowling Aaron, Inc., a Fresno-based law firm. The Employee Handbook has been distributed and signed acknowledgments have been collected from all District employees. Training on the Handbook by the Districts' special counsel for labor issues commenced on December 14, 2016 and is ongoing.

Following the August 9, 2016, Board Meeting, and acting under its adopted Loan Policy, District management met with and arranged repayment of employee loans and has documentation showing that all such loans have been repaid, except for one, reducing the total balance of outstanding loans from the \$51,325.64 in the Draft Report to \$25,992.84 (a single loan) by December 31. The only individual with the outstanding balance has been subject to payroll deductions, and commencing in January 2017, is executing a written repayment agreement, including an increased salary deduction authorization and an acknowledgement that in the event the employee leaves District employment, the payment obligation remains enforceable by the District by all legal means and that the employee will not to seek to discharge the loan balance owed to the District. While the District has sought immediate repayment, the employee is a key operator of the District's system, who incurred this significant debt to provide for his wife's critical medical treatment. Either discharge from employment or demand for and attempted enforcement of immediate repayment is expected to cause the employee to declare bankruptcy and therefore does not appear to be in the best interest of the District.

Please note that Management, in authorizing employee loans, believed in good faith that employee loans served to retain qualified personnel who were facing personal financial crises, and that this served the District's interest in maintaining such experienced and qualified employees in its workforce and was within the District's authority and powers.

SCO's Comments

The district has implemented our recommendation. The finding remains as stated.

FINDING 2— Employees used district-issued credit cards for personal expenses

The district has ten credit cards for use by its employees, with credit limits ranging from \$5,000 to \$25,000, for a total credit limit of \$75,000. From FY 2013-14 to 2014-15, the district used credit cards for a total of \$478,973, of which \$37,468 (7.8%) was identified by the district as non-business-related (personal) and was charged to employees for reimbursement.

Government Code section 8314 provides in relevant part:

- (a) It is unlawful for any elected state or local officer, including any state or local appointee, employee, or consultant, to use or permit others to use public resources for...personal or other purposes which are not authorized by law.
- (b) For purposes of this section:
 - (1) 'Personal purpose' means those activities the purpose of which is for personal enjoyment, private gain or advantage, or an outside endeavor not related to state business...
 - (3) 'Public resources' means any property or asset owned by the state or any local agency, including, but not limited to, land, buildings,

facilities, funds, equipment, supplies, telephones, computers, vehicles, travel, and state-compensated time.

Penal Code section 424 provides in relevant part:

- (a) Each officer of this state, or of any county, city, town, or district of this state, and every other person charged with the receipt, safekeeping, transfer, or disbursement of public moneys, who either:
 - 1. Without authority of law, appropriates the same, or any portion thereof, to his or her own use, or to the use of another; or,
 - 2. Loans the same or any portion thereof; makes any profit out of, or uses the same for any purpose not authorized by law;...Is punishable by imprisonment in the state prison for two, three, or four years, and is disqualified from holding any office in this state.
- (b) As used in this section, "public moneys" includes the proceeds derived from the sale of bonds or other evidence or indebtedness authorized by the legislative body of any city, county, district, or public agency.

Moreover, in addition to possible violations of Government Code section 8314 and Penal Code section 424, the district has many internal control problems associated with credit cards, such as employee use of district-issued credit cards for personal expenses, employee failure to comply with its written policies and procedures, a lack of supporting documentation, and a lack of segregation of duties.

- District credit cards used for personal expenses

The district's management and employees improperly charged personal expenses to the district credit cards. Following are examples of personal expenses that were identified by the district and noted as personal expenses on its credit card statements:

- Goods from Amazon, Dr. Jays, Finish Line, Ralph Lauren, Nike, Cliff Keen Athletic, H&M, Adidas, Honig's Sports Wear, Footlocker, Sports Authority, Sunglass Hut, JCPenney, Levi's, and Macy's
- Tickets for sporting events such as Oakland A's and Oakland Raiders games
- Tickets for Katy Perry concert purchased through Vivid Seats and Ticketmaster
- Flights to Maui, Hawaii, and Las Vegas, Nevada
- A Bahia Hotel stay in San Diego, California

The district paid the credit card balances in full, including personal and business expenses. Management reviewed the credit card statements and billed employees for personal expenses charged. Management did not reprimand employees for misusing the credit cards; on the contrary, this practice was not only tolerated but deemed acceptable by management.

Employees did not reimburse the district in a timely manner. In many instances, employees were not charged for personal expenses until many months after the district paid off the credit card balance. There were cases in which employees did not reimburse the district until months or years after

making charges. For example, an employee did not pay for May 2011 expenses until February 24, 2014.

In reviewing the credit card transactions, we could not distinguish between personal and business expenses because the district did not maintain receipts and descriptions for the charges. The \$37,468 in personal expenses were identified by the district but we were not able to verify most of them without receipts and descriptions.

We also noticed two instances of personal expenses charged to a district credit card that were reimbursed by a vendor and a district farmer who is a customer. Season tickets to Oakland Raiders and Oakland A's games were purchased with the General Manager's district-issued credit card, labeled as personal expenses, and subsequently billed and reimbursed by a vendor, Alan Sagouspe, and a customer. The Raiders tickets totaled \$3,520 and the A's tickets totaled \$1,609. It is questionable why the district would have transactions unrelated to its activities.

- Non-compliance of written policies and procedures

The district failed to comply with its written credit card draft policies and procedures, which required management to preapprove purchases exceeding \$200, disallowed personal expenses, established disciplinary actions for noncompliance, and required receipts and descriptions to substantiate charges.

Without proper monitoring and evaluation, the district failed to enforce its own policies and procedures.

According to district policy, employees cannot use credit cards for personal expenses and must submit receipts and descriptions for all charges. If an employee violated this policy, the employee would be responsible for the charges and punished for the transgression. According to the district's credit card policy:

Any credit card Panoche Water District issued to an employee must be used for business purposes only, and for purposes in conjunction with the employee's job duties. Employees with such credit cards shall not use them for any non-business purpose. Non-business purchases are considered any purchases that are not for the benefit of the Company.

If any employee uses a company credit card for a personal purchase in violation of this policy. [sic] In addition to financial responsibility and liability any purchases an employee makes with a company credit card in violation of this policy will result in disciplinary action, up to and possibly including termination of employment.

In reality, employees were not disciplined for charging personal expenses.

The district's record-retention policy requires it to retain documentation for a minimum of two years; however, the district did not have receipts to substantiate credit card expenses for nearly all of FY 2014-15. Management representatives claimed they needed to organize the documentation and believed they did not need to keep original receipts

for their personal and business-related purchases, contrary to the districts own written policies and procedures.

- Lack of supporting documentation

During half of FY 2013-14 and the entirety of FY 2014-15, the district did not have supporting documentation such as original receipts, pre-approved purchase orders, invoices, or descriptions substantiating credit card expenses. As discussed by management, the district purged its supporting documentation for FY 2014-15. Coincidentally, in the same year the documentation was purged, employees increased their personal spending from \$13,185.06 in FY 2013-14 to \$24,282.63 in FY 2014-15.

Receipts are necessary to verify and support whether the expenses charged on the credit cards are business-related. Without reviewing receipts and descriptions for the charges, we were unable to determine how much of the \$478,973 in expenses was personal or business-related and could not determine if the \$37,468 identified by the district as personal included all personal charges. Due to the district's inadequate controls, it is highly likely that personal charges were paid for with district funds.

In the few instances in which the district provided us receipts for review, a description was usually absent to justify the expense.

- Lack of segregation of duties

The district lacked adequate segregation of duties over credit card processing. A single employee had the authority to issue credit cards, approve expenses, make purchases, make entries in the general ledger, code and classify the expenses, review receipts and credit card statements, pay credit cards online, and create invoices to employees for personal expenses.

In sum, a single employee had virtually complete control over credit card processing.

- Lack of evidence of Board of Directors' approval of credit card payments

Credit card payments were not processed through accounts payable. Per the district's own payment processing policies and procedures, vendors are paid with checks manually signed by a Board Director and stamped with a facsimile signature. Management circumvented this critical oversight control when it paid credit card bills online without the Board of Directors' involvement and approval.

Recommendation

The district should enforce its own credit card policies and procedures and not allow employees to use the credit cards for personal expenses. Management should regularly monitor and evaluate whether controls are present and effective.

It is management's responsibility to establish proper controls over the credit card activities to ensure that credit card payments are made for legitimate

district purposes, and to reduce the risk of fraudulent activity and errors. Proper controls are ineffective if not properly monitored and enforced.

The district should ensure proper segregation of duties over credit card processing. Without adequate segregation of duties, the district is vulnerable to fraudulent activity and errors.

Regarding personal expenses already charged, the district should make a concerted effort to obtain reimbursement from the employees.

District's Response

Status: The recommendation under this finding already has been partially implemented and efforts are ongoing.

On September 15, 2015, the Board provided direction to Management that any personal use of District credit cards must cease, and any past use must be fully reimbursed. The policy was explained to employees and reimbursement for past use for personal expense has been received, documented and fully implemented.

A formal credit card policy including a prohibition on personal use was adopted by the Board on August 9, 2016 and was included in the Expense/Resources Policy adopted on September 13, 2016. See Tabs 2 and 5. The number of card holders and credit limits were significantly reduced. The prohibition on use of District credit cards for personal use also is included in the Employee Handbook adopted by the Board on September 13, 2016. Employee training on the credit card policy and the overall Expense/Resources Policy was conducted by special counsel Christopher Brown. The credit card policy requires that receipts for credit card purchases must be retained and documented to show the District purpose and be submitted to allow for expenditure verification within 5 days, and then reported on a monthly credit card expense report. The policy specifies that receipts will be retained by the District and requires monthly audits by a rotating member of the Board of Directors. The policy includes sanctions for violations. A further Credit Card Review Procedure with details on the Director Review process was approved by the Board on October 11, 2016 and updated on December 13, 2016. See Tab 3. The Board now receives a report from the reviewing Director at every Board meeting, as a standing item.

With regard to "Lack of segregation of duties," the District is working with its independent auditing firm to establish procedures and segregate functions to the maximum reasonably achievable given the limited personnel for the District. Interim steps taken include that the formal credit card policy approved by the Board of Directors specifies the authorized to hold District credit cards and the card dollar limits, so that "issuance" of cards by management is not a discretionary action. A Purchasing Agent has been designated to make credit card purchases. Staff review of the expense reports is conducted by one employee and payments are made by a separate payroll clerk. Completion of the procedure and segregation is expected at or near March 1, 2017.

Noteworthy is that the Draft Report cites "District failure to comply with its own written credit card procedures." This statement is not correct because the referenced credit card procedure: 1) was an administrative draft that was never formally adopted; 2) does not match the terms of the

adopted Policy, and 3) was not in place when personal credit card use occurred.

Equally noteworthy, the District does not agree that all of the examples of personal expenses listed under District credit cards were used for personal expenses, as the District has documentation that some of these expenses were for District purposes. These two instances are the types of issues that we believe could have been clarified by SCO staff conferring with the District once the actual findings were presented to the District, but that conference was not provided.

SCO's Comments

The district is in the process of implementing our recommendations.

Regarding the district's written credit card procedures, the district provided us a draft form of "Panoche Water District Credit Card Usage Policy" during field work and stated that it was the in-house policy it followed prior to formal approval by the Board of Directors. Regardless of whether this policy was in draft form or not, district management and employees should not have used district credit cards for personal expenses.

We have modified the finding to clarify the draft state of the policy.

The district did not agree that all of the examples of personal expenses listed in the finding were personal in nature, but according to the district's credit card statements, the district coded the noted examples as personal expenses and charged these expenses to employees.

We have modified the finding to clarify how we identified personal expenses.

FINDING 3— Lack of adequate controls over employee fringe benefits

The Panoche Water District lacked many controls over employee fringe benefits, such as written policies and procedures, supporting documentation, and oversight.

Government Code section 8314 provides in relevant part:

- (a) It is unlawful for any elected state or local officer, including any state or local appointee, employee, or consultant, to use or permit others to use public resources for...personal or other purposes which are not authorized by law.
- (b) For purposes of this section:
 - (1) 'Personal purpose' means those activities the purpose of which is for personal enjoyment, private gain or advantage, or an outside endeavor not related to state business...
 - (3) 'Public resources' means any property or asset owned by the state or any local agency, including, but not limited to, land, buildings, facilities, funds, equipment, supplies, telephones, computers, vehicles, travel, and state-compensated time.

Penal Code section 424 provides in relevant part:

- (a) Each officer of this state, or of any county, city, town, or district of this state, and every other person charged with the receipt, safekeeping, transfer, or disbursement of public moneys, who either:
 - 1. Without authority of law, appropriates the same, or any portion thereof, to his or her own use, or to the use of another; or,
 - 2. Loans the same or any portion thereof; makes any profit out of, or uses the same for any purpose not authorized by law;...Is punishable by imprisonment in the state prison for two, three, or four years, and is disqualified from holding any office in this state.
- (b) As used in this section, "public moneys" includes the proceeds derived from the sale of bonds or other evidence or indebtedness authorized by the legislative body of any city, county, district, or public agency.

- Employee housing

The district provided free housing for six employees, including the General Manager, the Risk Controller, and various maintenance workers. The district did not consider the housing as compensation and, therefore, did not subject the value of the lodging to payroll taxes.

The district did not maintain supporting documentation to justify its treatment of the lodging benefit. There were also no written employment agreements provided to show that the district had required employees to live on its premises as a condition of employment. The district stated that five of the six employees were required to live on its premises and that it communicated this requirement verbally.

The district required employees who lived in a district-furnished home to sign a housing agreement between the employee and management, except for the Risk Controller, which is an administrative human resources position; the Risk Controller lives with a family member who is also employed by the district as a maintenance worker. The housing agreements did not state why employees were allowed to live in furnished lodgings provided by the district nor did it explicitly require any employee to live on-site.

In addition, the General Manager, who has lived in a district-furnished house since March 1992, signed his housing agreement as a representative of district management and as an employee. In essence, he authorized himself to live there. The district did not provide any written evidence to show that the Board of Directors approved of the General Manager's housing arrangement.

- Use of district vehicles

The district provided unmarked vehicles to various full-time employees to commute from home to work on a daily basis. We noted that the district had approximately 50 vehicles assigned to employees. The district stated that this was part of the fringe benefits package for full-time employees. The district also stated that employees were allowed to take vehicles home if they received verbal approval from the General Manager.

The vehicles may be vulnerable for personal use because the district lacked policies and procedures for the use of the district vehicles and did not implement counter-measures to deter employees from personal usage.

- District-paid rent checks and utility payments

The district offered rent checks and utility payments to employees in addition to their wages. We noted that the district issued extra payroll checks to two employees twice a month for a total of \$1,200 per month per employee. Three additional employees received this rent benefit within their normal salary paychecks and did not receive separate checks solely for rent. Their amounts ranged from \$700 to \$1,000 per month; however, we could not verify these amounts because there was no supporting documentation. Altogether, during calendar years 2014 and 2015, the district paid \$115,200 after payroll taxes.

The district had no written employee agreements showing that rent or utility payments were a part of the fringe benefits package. The district stated that the rent and utility payments were a part of its fringe benefits package and helped to retain competent employees. We found no written evidence that the Board of Directors approved for these extra fringe benefits. It appears management verbally approved these arrangements. It is not clear whether these employees were required to live nearby to perform their duties. We also found no written record that the district required employees to show proof of housing for the rent checks.

Without written policies and procedures, we could not determine the methodology management used to calculate the amounts given, or how management decided which employees were eligible. The process is not transparent and we could not conclude if it was applied fairly and objectively to all employees. For example, we found employees with the same job description but different benefits packages. With regards to utility payments, we found a record of an employee who lived in a district-provided home and received additional utility payments, while other employees, who also lived in a district-provided home, did not receive this fringe benefit. And with regards to rent checks, we could not determine why certain employees with the same job description received checks and others did not. Even the mechanism of delivery was different: three employees received a separate check while two received the money as part of their normal salary.

According to district management, it is an arduous process to increase salaries across the board, so management adopted this tactic to offer a more generous compensation package to retain employees without technically raising salaries by obtaining formal approval from the Board of Directors.

Without adequate controls such as written policies and procedures, supporting documentation, and proper oversight for fringe benefits, the district could potentially inherit the risks for favoritism and misuse of public funds.

Recommendation

The district's "fringe benefit" program raises questions as to possible violations of Government Code section 8314 and Penal Code section 424. Additionally, the district should establish written policies and procedures to provide transparency and objectivity, and deter favoritism and misuse of public funds. The Board of Directors should review and approve of the policies and procedures. The district should also verify whether it is complying with laws and regulations and maintain supporting documentation for cases in which employees' fringe benefits are not subject to payroll taxes.

District's Response

Status: The recommendation under this finding has already been fully implemented.

On June 13, 2016, the Board of Directors adopted a Policy on District-Provided Employee Benefits that eliminated the payment of rent and utility benefits to District employees and made adjustments in compensation to employees who had received such prior forms of benefit. The policy was revised and adopted as final on July 12, 2016. See Tab 1. Upon the advice of its labor attorney on the requirements of the Labor Code, the District reimburses expenses for employee-paid internet use required for District employment. This changed compensation system was implemented on the October 1, 2016, payroll, and the District no longer pays such benefits.

District-owned housing continues to be provided to key District personnel who are required to be on-premises to fulfill security or 24-hour work assignments that are necessary for water districts. Housing agreements are being updated. Such housing has standard appliances included but is not "furnished." The monthly value of such housing is being included in employee compensation.

The Board initiated a written and reported Vehicle Policy (added as part of the Expenses/Resources Policy) on October 11, 2016, and adopted in Final Form on November 8, 2016. See Tab 7. The policy: 1) establishes allowable uses of District vehicles; 2) prohibits personal use; and 3) requires reimbursement for certain uses. A monthly mileage log must be completed by each user of a District vehicle. The Employee Handbook also addresses District vehicle care and use. The policy includes sanctions for violations. Training of employees on the Vehicle Policy was conducted by District special Counsel Christopher Brown on December 1, 2016, and further training on the Employee Handbook by the District's special counsel is ongoing.

SCO's Comments

The district has implemented our recommendation. The finding remains as stated.

**FINDING 4—
Significant
deficiencies over
fiscal functions**

We found significant control deficiencies over many of the district's fiscal functions. In particular, we noted the following:

- Bank reconciliations were not prepared and reviewed in a timely manner

In our review of the district's bank reconciliation process and procedures for the period of March 1, 2013, through February 28, 2015, we noted that the majority of the district's bank reconciliations were missing the reviewer's name and date, and about half were prepared more than 30 days after the bank statement dates.

There was also no official written policies and procedures on bank reconciliations.

Cash can be the most vulnerable asset to an entity. Timely bank reconciliations provide the necessary control mechanisms to protect this valuable resource by uncovering irregularities such as unauthorized bank withdrawals. Timely monthly preparation of bank reconciliations also assists in the regular monitoring of the district's cash flows.

- The district did not retain contracts and agreements with its vendors

District management failed to properly document agreements with its vendors with written contracts.

During our review, we noticed that the district did not keep written contracts and agreements for numerous professional services, which included but was not limited to legal counsel, engineering, and fueling services. In FY 2014-15, the district paid:

- \$56,741.05 to Linneman, Burgess, Telles, LLP., for legal counsel
- \$89,363.20 to Summers Engineering for engineering services
- \$819,680.45 to Guthrie Petroleum for fueling services
- \$879,417.28 to Alan Sagouspe, Inc. for harvesting services

Without written contracts, the terms of the agreement remain unclear.

- Lack of segregation of duties

Proper segregation of duties helps to ensure that funds and assets are properly recorded, protected, and appropriated. We noted that incompatible functions were performed by single individuals. These functions include accounts payable, payroll, and credit cards.

Accounts Payable

The clerk responsible for accounts payable processing had the ability to record expenses in the general ledger and produce checks.

Payroll

The clerk responsible for payroll processing had the ability to adjust pay rates, enter hours worked, add or delete employees, produce payroll checks, record payroll in the general ledger, produce loan checks, and record loans against employees in the general ledger.

Credit Cards

The employee responsible for credit card processing had the ability to issue credit cards, approve expenses, make purchases, record entries in the general ledger, code and classify the expenses, review receipts and credit card statements, pay credit cards online, and create invoices to employees for personal expenses.

Recommendation

In order to strengthen its internal controls over fiscal functions, the district should establish written policies and procedures for bank reconciliations to ensure that they are completed, reviewed, and approved in a timely manner. The preparer and reviewer should sign and date the reconciliations, and investigate any variances at the end of the month to understand the outstanding amounts.

The district should separate responsibilities to reduce the risk of errors and fraud. Review and approval by a second person might be the most important compensating control.

To strengthen the district's internal control and enable more financial oversight, the district should document its relationships with vendors and contractors with written contracts.

District's Response

Status: The recommendation under this finding already has been partially implemented and efforts are ongoing.

Bank reconciliations were assigned to a different employee in approximately January 2015 and have been timely since. Each page is stamped with the reviewer's initials and a review date has been added. The District is preparing written documentation of the reconciliation procedures.

Written contracts are in place and retained in District records for several key consultants. A standardized agreement is being developed to supplement the liability-type agreements currently in place for regular vendors to the District.

Measures to achieve segregation of duties will be completed together with the District's independent audit firm to assure adequate controls and segregation of duties to the extent reasonably feasible with the District's limited administrative staff. Again, these measures are expected to be implemented by March 1, the beginning of the District's next Fiscal Year.

SCO's Comment

The district has partially implemented our recommendations. The finding remains as stated.

**FINDING 5—
Lack of written
policies and
procedures**

During our review and inquiry with district staff and management, we noted that the district does not have a comprehensive policies and procedures manual.

The district lacks written policies and procedures for fringe benefits such as housing, vehicles, utility payments, and rent payments; payroll; accounts payable; accounts receivable; hiring, training and promoting; and employee loans.

Written policies and procedures are important to a district's operation because they provide an objective set of rules by which a district operates. Written policies and procedures also help establish the legitimacy of management action by ensuring that the application of management rules and decisions is performed in an objective, fair, and consistent manner. Finally, they help ensure that management and staff are held accountable for decisions that deviate from the established procedures.

Recommendation

The district should develop a policies and procedures manual to ensure consistency with current processes and organizational structure. The district should also perform periodic and ongoing reviews to ensure proper documentation, accuracy, and completeness in its financial transactions and records. Changes in policies and procedures that occur between these periodic reviews should be updated and documented promptly. The policies and procedures manual should also indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed.

In addition, the documentation of accounting policies and procedures should explain the design and purpose of procedures related to controls in order to increase employee understanding of, and support for, the controls. The policies and procedures manual should be readily available to all employees. It should clearly state the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.

District's Response

Status: The recommendation under this finding has already been significantly implemented and finalization efforts are ongoing.

The District has adopted major formal policies and procedures prior to the date of the Draft Report, including the District-Provided Employee Benefits Policy, Employee Handbook, Expenses/Resources Policy including Loan and Credit Card Policies as well as others, and the Vehicle Policy. These policies have been compiled in an initial Policy & Procedures Handbook and others will be added as they are finalized. A procedure regarding bank statement reconciliation and review and documentation of separation of duties regarding credit cards, accounts payable and payroll are being finalized with input from the District's independent auditors, taking into account the specific accounting systems and number of employees available. The documentation will include an explanation of the reasons for such procedures.

SCO's Comments

The district is finalizing its implementation of our recommendation. The finding remains as stated.

**FINDING 6—
Inadequate controls
over hiring,
training, and
promoting**

An important element of internal control is an organization's commitment to competence. It is crucial for an organization to demonstrate commitment to attracting, developing, and retaining competent individuals to complete the organization's objectives. Some of the tools commonly used are employment agreements, performance evaluations, and written policies and procedures.

We found significant control deficiencies over many of the district's human resources functions. In particular, we noted the following:

- Lack of employment agreements

The district lacks employment agreements with its employees, including the General Manager. A clearly written employment agreement can set expectations, provide transparency, and serve as proof of approval of hires and promotions.

The district should have documented its compensation packages with employment agreements. The district offered many fringe benefits to its employees without written policies and procedures. Employment agreements would have clearly spelled out which positions can receive which benefit. In particular, for the positions that are eligible to live in a home provided by the district, an employment agreement would have clearly provided the reasons why the employee is required to reside on district premises as a condition of employment.

Without employment agreements, it is difficult to determine if fringe benefits were properly approved, justified, and documented.

- Lack of training policies

The district lacks formal training policies and procedures for its administrative staff, which contributed to a lack of cross training and succession planning. The district does not typically train its staff to perform back-up for other staff members, which can lead to a lapse in internal controls if a crucial member separates from the district. The district's lack of a comprehensive written policies and procedures manual compounds this effect.

The lack of cross training and succession planning may impact the district's daily operation. For example, a delay in paying bills that are due will cause additional and unnecessary cost to the district. Likewise, delays in processing payroll will delay salary payments to employees and processing of tax liability.

Lack of transparency over promotions

The district lacked supporting documentation over promotions because the district did not regularly complete performance evaluations. Performance evaluations are a standard method of documenting an

employee's competence and helps justify promotions that warrant salary raises.

We found instances in which employees received promotions but the district could not provide supporting documentation to show that the promotions were based on merit. In fact, the only supporting documentation we found was for loan agreements in which an employee received a raise in conjunction with a payroll loan deduction, which implied that the raise was enacted solely to ensure that an employee would not have to pay back his or her loan.

It is important for an organization to demonstrate commitment to attract, develop, and retain competent individuals in alignment with the organization's objectives. One of the tools commonly used to achieve this goal is evaluating employee performance. As a result of not performing employee evaluations on time, the district failed to comply with its human resources goals and commitment to competence.

Recommendation

The district should consider documenting its arrangements with employees to provide transparency, and show justification for fringe benefits such as on-site housing, rent checks, cell phones, utility payments, and vehicles. Without employment agreements, it is unclear how much compensation employees should receive.

The district should implement a remedial action plan to address the importance of experience and proper training of back-up staff when regular staff members are not available. Inexperienced staff may cause material impact in the district's operations in terms of additional costs, delays in processing financial transactions, and failure to keep management and the Board of Directors updated with accurate information.

The district's management should complete all of the past-due employee performance evaluations. It also should require that the district conduct employee performance evaluations on a regular basis in order to determine whether the knowledge, skills, and abilities of employees are sufficient to perform their respective functions, and whether employees are eligible for a promotion.

District's Response

Status: The District has implemented the recommendation of this Finding in material part and continues to work on appropriate means to implement the balance of staff controls.

The District has always had, and expects to continue to have, only at will employees. This relationship is defined in the Employee Handbook (see Tab 6). The recommendation to enter into employment agreements with District employees is inconsistent with the District's legal interpretation of "at will" status and lawful alternate means to achieve the substantive recommendations will be utilized.

The Policy on District-Provided Employee Benefits (see Tab 1) has eliminated the utilities and off-site rent fringe benefits. The justification for providing District housing is being included in revised job descriptions for those positions where security or 24-hour availability require the employee to reside on premises. The Vehicle Policy (see Tab 7) requires justification for Take-Home Assignments and requires review of those justifications at least twice a year, in addition to the logs. The Vehicle Policy has been reviewed with District employees by special counsel Christopher Brown. These specific justifications and policies will be included in all documented packages with new hires.

District staff members do receive formal training on legally required issues, such as compliance with safety and avoiding discrimination of any kind. These items are documented in the Employee Handbook (see Tab 6) as well as in sign-ins for training meetings. Developing a formal program of cross-training of District administrative staff is aspirational at the present time given the huge workload and limited number of staff. In the interim, the District has implemented the following measures: The District will continue its informal cross-training of administrative staff. Employees are moved into various departments from time to time, resulting in familiarity with different job requirements and the ability to fill in. Subordinates are implementing portions of their supervisor's role and can fill in. The District has recently executed an agreement for a consultant to fill in as interim General Manager at the request of the District, and the District is developing and attempting to recruit an Assistant General Manager who would receive training in the all aspects of the General Manager's position.

A committee of the Board of Directors has been assigned to review the total compensation packages for District employees. When that review is complete, a report and any recommendations will be presented at a public meeting of the Board of Directors. The District will also work with District labor counsel on developing procedures for timely performance reviews and for communicating clearly to employees on compensation and increases. Given the large number of changes affecting employees that have already been made, the District anticipates that the remaining issues raised in Finding 6 will take a longer, paced period for further major changes to be implemented, likely at least a year.

SCO's Comments

The district has partially implemented our recommendations. The finding remains as stated.

FINDING 7— Overtime pay based on management estimate instead of actual hours

District management egregiously authorized overtime pay based on estimated hours worked instead of on actual hours worked. Per the district's own draft Employee Handbook, "Overtime pay will be paid to non-exempt employees based on actual hours worked, according to law."

We found 76 instances of overtime payments to three employees based on an estimate, for a total of \$58,210 after payroll taxes in 2015. We noted that other employees with the same job description were also compensated for overtime pay but actually reported the hours worked.

Management overrode established controls designed to prevent overpayment and improperly approved overtime pay.

In addition, we found one payment for \$9,000 based on 321.50 hours of overtime performed in a two-week pay period. It appears this represented back-pay for work performed in the past.

Overall, we found inconsistencies in how management accounted for overtime that could lead to abuse and errors.

Recommendation

The district should establish policies and procedures to deter instances of management override of established controls. Controls are ineffective if employees do not regularly monitor and evaluate whether they are present and active.

District's Response

Status: The recommendation in this Finding has been implemented and further measures are being finalized.

The Employee Handbook referred to was in draft form. However, there is now a formally adopted Employee Handbook and the statement cited in the Draft Report is being implemented (see Tab 6). There has been one employees training session on the Handbook and others are planned.

The Board of Directors has directed that two additional management positions, a CPA-controller and assistant manager be developed and recruited. With the addition of more available manpower and some likely delegation of duties, it is anticipated that there will be better resources for monitoring and administering internal controls. The District also is working with its independent auditor firm and labor attorney to determine what additional policies and procedures may be beneficial in assuring compliance with policies at all employee levels.

SCO's Comments

The district has implemented our recommendation. The finding remains as stated.

FINDING 8— Incomplete recordkeeping of the district's meeting minutes

The district did not keep complete and accurate minutes of the district's Board of Directors meetings. The Board of Directors meets the second Tuesday of every month to conduct the district's business affairs. The minutes are summaries of the actions taken at regular and special meetings of the Board of Directors.

For FY 2013-14 and FY 2014-15, we noted that minutes from eight board meetings were missing and minutes from four board meetings were not signed or approved. Management stated that the minutes were in the process of revision and were pending approval from the Board of Directors due to date and content errors.

The By-Laws of Panoche Water District, Article V, Section 2 states:

The Secretary shall keep the minutes of all proceedings of the Board of Directors, and shall maintain on file in the office of the District all the

books, maps, papers, contracts, records, and other documents pertaining to the affairs of the District, and maintain the same open to inspection at all times by any persons interested therein.

The minutes are district records and must be completed and kept on file at all times.

Recommendation

The district should establish written policies and procedures to complete, review, and approve the minutes after every Board of Directors meeting. Management should review the minutes prior to forwarding to the Board of Directors for approval.

District's Response

Status: This recommendation has been implemented, with further documentation in progress.

Consistent with the District Bylaws, the Secretary with staff assistance prepares minutes of every regular and special meeting of the Board of Directors. Meeting Minutes are generally reviewed and formally approved by the Board at the next subsequent regular Board meeting, after which they are signed by the Secretary and placed in the Minute Book. Signed Minutes for every meeting in FY 2013-14 and FY 2014-15, as well as all Minutes for subsequent Board Meetings that have been Board-approved, currently are maintained in the Minute Book.

Every regular and special Board of Directors meeting is called, noticed and held in compliance with the Ralph M. Brown Act per notices in the District records. Minutes are in draft and not included in the District records until approved by the Board. If not signed by the Secretary immediately because the approval was based on a direction to make corrections, the Minutes may not go into the Minute Book until the corrections have been made and signed by the Secretary. The Minutes and other district records are open to the public, except where records may be exempted under the California Public Records Act.

To supplement the Bylaws with additional detail, the District is documenting in writing its procedures for preparation, review, acceptance and signature of its Minutes.

SCO's Comments

The district has implemented our recommendation. The finding remains as stated.

Appendix— Evaluation of Elements of Internal Control¹

Internal Control Elements		Yes	No	Comments
Management Oversight and Control (Control Environment)				
A1.	Integrity and Ethical Values			
	a. Are code of conduct and other policies regarding acceptable business practice, conflicts of interest, or expected standards to ethical and moral behavior established and communicated to all district management and employees?		X	The district did not have a completed employee handbook during our review period. At the end of our fieldwork, a draft was pending approval by the Board of Directors.
	b. Is the reasonable management attitude of "Tone at the Top" established and communicated to district management and staff?		X	Management did not comply with district's own policies and procedures, especially with regards to its credit-card-use policy.
	c. Is everyday interaction with vendors, clients, auditors and other parties based on honesty and fairness?	X		
	d. Is appropriate remedial action taken in response to non-compliance?		X	The district did not enforce its credit-card-use policy when employees were abusing the district's credit cards for personal purchases.
	e. Is management appropriately addressing intervention or overriding established controls?		X	Management bypassed controls by approving and issuing personal loans to employees through the payroll process, instead of the accounts payable process, which required the Board of Directors' approval. Even when management issued loans through accounts payable, the checks were not manually signed by a member of the Board of Directors.
A2.	Commitment to Competence			
	a. Is management identifying and defining the tasks required to accomplish particular jobs and fill - various positions?		X	The district did not have employment agreements with employees.
	b. Does the district conduct appropriate analysis of the knowledge, skills, and abilities needed to perform job assignments?		X	We did not find any evidence that the district regularly conducted employee performance evaluations.

	c. Is the district providing training and counseling in order to help employees maintain and improve their job competence?		X	We found no records that the district had any formal written training policies and procedures.
A3.	Audit Committee			
	a. Does the district have an audit committee that is appropriate for the size and nature of the entity?		X	The district did not establish an audit committee or any similar committee that performed the functions of one.
	b. Are members of the audit committee independent from the district management?		X	See A3.a
	c. Do audit committee members have sufficient knowledge, experience, and time to serve effectively?		X	See A3.a
	d. Does the audit committee meet regularly to set policies and objectives, review the district's performance, and take appropriate actions; and are minutes of such meetings prepared and signed on timely basis?		X	See A3.a
	e. Do the members of the audit committee regularly receive the information they need to monitor management's objectives and strategies?		X	See A3.a
	f. Does the audit committee review the scope and activities of the internal and external auditors?		X	See A3.a
	g. Does the audit committee meet privately with the Chief Financial Officer/and or accounting officers, internal auditors, and external auditors to discuss the reasonableness of the financial reporting process, the system of internal control, significant comments or recommendations, and management performance?		X	See A3.a
	h. Does the audit committee take actions as a result of its audit findings?		X	See A3.a
A4.	Management Philosophy and Operating Style			
	a. Is management conservative in accepting risks, and does management move carefully, and proceed only after careful evaluation?		X	Management was reckless with public funds by allowing personal charges on credit cards and offering personal loans to employees with no collateral or interest.

	b. Are procedures or activities in place to regularly educate and communicate to management and employees the importance of internal controls and to raise the level of understanding control?		X	The district did not have complete written policies and procedures regarding internal controls. It appears employees did not understand the importance of controls, especially in regards to loans, fringe benefits, and credit card use.
	c. Is personnel turnover in key functions at an acceptable level?	X		
	d. Does management have a positive and supportive attitude towards internal control and audit functions?		X	Management disregarded its own credit card policies and procedures.
	e. Are valuable assets and information safeguarded from unauthorized access or use?		X	The district did not implement controls to ensure that district vehicles were used only for district purposes, and allowed employees to use credit cards for personal expenses.
	f. Are there frequent interactions of senior management and operation management?	X		
	g. Is management attitude appropriate towards financial, budgetary and other operational reporting?		X	By allowing personal expenses on credit cards, management may have misclassified many personal expenses as district expenses. The district also failed to submit its audited financial statements in a timely manner to the SCO.
A5.	Organizational Structure			
	a. Is the district's organizational structure appropriate for its size and the nature of its operation?	X		
	b. Are key areas of authority and responsibility defined and communicated throughout the organization?		X	The district did not document its employees' authority and responsibility with employment agreements.
	c. Have appropriate and clear reporting relationships been established?		X	See A5.b
	d. Does management periodically evaluate the organization's structure and make changes as necessary in fluctuating conditions?	X		
	e. Does the district employ an appropriate number of employees, particularly in managerial positions?	X		

A6.	Assignment of authority and responsibility			
	a. Is the district appropriately assigning authority and delegating responsibility to the proper personnel to deal with organizational goals and objectives?		X	See A5.b for details. It remains unclear whether the Board of Directors delegated the authority to the General Manager to issue personal loans to employees.
	b. Does each employee know how his or her work interrelates to others in the way in which authority and responsibility are assigned, and how duties are related concerning internal control?		X	Without written policies and procedures, employees do not have a transparent understanding of how their work relates to others' and how it relates to internal controls, especially regarding credit cards and loans.
	c. Is delegation of authority appropriate in relation to the assignment of responsibility?		X	We found a lack of segregation of duties for an employee who handles all credit card functions, such as the authority to issue credit cards, approve expenses, record transactions, and make payments.
A7.	Human Resources policies and practices			
	a. Are policies and procedures established for hiring, training, and promoting employees and management?		X	The district did not have complete written policies and procedures for hiring, training, and promoting. The district did not have employee agreements or regularly conducted performance evaluations.
	b. Are background checks conducted on candidates for employment?		X	As discussed with management, the district did not conduct formal background checks on candidates for employment.
	c. Are employees provided the proper amount of supervision?	X		
Risk Assessment				
B1.	Establishment of Entity-wide Objectives			
	a. Are there entity-wide objectives that were established by management?	X		
	b. Are district-wide objectives clearly communicated to all employees, and does management obtain feedback signifying that communication has been effective?		X	Without written policies and procedures, the district did not properly communicate and enforce its rules.
	c. Is there a relationship and consistency between the department's operational strategies and the district-wide objectives?		X	The district's practice of allowing personal expenses on credit cards and offering interest and collateral-free loans to employees is contrary to district-wide objectives.

	d. Is there an integrated management strategy and risk assessment plan that considers the district-wide objectives and the relevant sources of risk from internal management factors and external sources, and that establishes a control structure to address those risks?		X	We found no records that the district had any written fraud risk reporting procedures to address internal and external risk factors. See A1.a
B2.	Risk Identification			
	a. Is management appropriately and comprehensively identifying risk using various methodologies?		X	Management engaged in risky practices by ignoring the district's written credit card and record retention policies, permitting personal expenses to be charged with the district's credit cards, retaining no receipts for FY 2014-15, and issuing interest-free loans with no collateral. In addition, it remains unclear whether the Board of Directors knew of management's practices.
	b. Are there mechanisms in place to anticipate, identify, and react to routine events or acts that affect achievement of objectives?		X	See B2.a
	c. Do adequate mechanisms exist to identify risks to the district arising from external factors?	X		
	d. Is management assessing other factors that may contribute to or increase the risk to which the district is exposed?		X	See B2.a
	e. Is management identifying risks district-wide and for each significant activity level of the district?		X	The district did not have an internal auditor or audit committee to evaluate and identify the internal control risks throughout the district.
B3.	Risk Analysis			
	a. After risks to the district have been identified, does management undertake a thorough and complete analysis of the possible effect?		X	See B2.a
	b. Has management developed an approach for risk management and control based on how much risk can be prudently accepted?		X	See B2.a

Control Activities				
C1.	Policies and Procedures (General Applications)			
	a. Do appropriate procedures, techniques, and mechanisms exist with respect to each district's activities?		X	The district did not have complete written policies and procedures with respect to activities such as fringe benefits, credit cards, employee loans, and human resources; this led to a myriad of deficiencies.
	b. Are the control activities identified as necessary in place and being applied?		X	See C1.a
	c. Are control activities regularly evaluated to ensure that they are still appropriate and working as intended?		X	See C1.a
C2.	Common Categories of Control Activities			
	a. Are top level reviews made of actual performance relative to budgets, forecasts, and prior periods?	X		
	b. Do managers review performance reports?	X		
	c. For information processing, are varieties of controls in place for performing check accuracy, completeness, and authorization of transactions?		X	The district improperly recorded loans as part of the employees' salaries and did not document the loans in a timely manner.
	d. Are controlled items periodically counted and compared to amounts shown on control records?	X		
	e. For performance indicators, does management compare different sets of data and investigate differences?		X	The district did not review bank reconciliations in a timely manner.
	f. Are duties properly segregated among different people to reduce the risk or error or inappropriate actions?		X	See A6.c
	g. Are administrative and operation policies in writing, current, and do they set clear procedures for compliance?		X	The district did not have written policies and procedures over employee loans, fringe benefits, and accounting processes.

Information and Communication				
D1. Information				
a. Are mechanisms in place to obtain relevant information on legislative or regulatory developments and program, budget, or economic changes?	X			
b. Is information provided to the right people in sufficient detail and on time to enable them to carry out their responsibilities efficiently and effectively?		X	We do not have evidence that the Board of Directors was aware of management and staff using district credit cards for personal expenses and issuing loans to employees using district funds.	
c. Is development or revision of information systems based on the strategic plan linked to the entity's overall strategy, and is it responsive to achieving district-wide objectives?	X			
d. Does management support the development of necessary information systems and show its support by committing appropriate resources?	X			
D2. Communications				
a. Does management ensure that effective internal communications occur?		X	During our review period, the district did not have a completed employee handbook and written policies and procedures to ensure effective communication between management and staff.	
b. Does management ensure that effective external communication occurs regarding issues with serious impact on programs, projects and other activities?		X	We noted that the district did not submit the audited financial statements to the SCO in a timely manner.	
c. Does the district employ various forms and means of communicating important information with employee and others?		X	See D2.a and D2.b	
d. Does the district manage, develop, and revise its information systems in an effort to continually improve usefulness and reliability?	X			

Monitoring				
E1.	On-going monitoring			
	a. Does management have a strategy to ensure that ongoing monitoring is effective and will trigger separate evaluations?		X	The district did not properly monitor credit card expenses and employee loans. For example, employees did not reimburse the district for their personal expenses in a timely manner.
	b. Do district personnel, in the process of performing their regular duties, obtain information about whether internal control is functioning properly?		X	See E1.a
	c. Are communications from external parties corroborated with internally generated data and able to indicate problems with internal control?	X		
	d. Is there appropriate organizational structure and supervision to help provide oversight of internal control functions?		X	There was a lack of segregation of duties in regards to credit cards and a lack of an audit committee to ensure control activities were present and active.
	e. Are data recorded by information and financial systems periodically compared with physical assets and discrepancies?	X		
	f. Are the District Auditor's Office and other auditors regularly providing recommendations for improvements in internal control, and is management taking appropriate follow-up action?	X		
	g. Are meetings with employees used to provide management with feedback on whether internal control is effective?		X	The Board of Directors was largely unaware of the extent of the credit card and personal loans issues.
	h. Are employees' regularly asked to state explicitly whether they comply with the district's code of conduct?		X	
E2.	Separate evaluation			
	a. Are the scope and frequency of separate internal control evaluations appropriate for the district?		X	The methodologies for internal control evaluations were not adequate enough to detect the credit card issues that were noted in our review.
	b. Are the methodologies for evaluating the District's internal control logical and appropriate?		X	See E2.a

	c. If the evaluations are conducted by the District Auditor's Office, does the office have sufficient resources, ability, and independence?			Not applicable because the district did not have an Auditor's Office.
	d. Are deficiencies found during separate evaluations promptly resolved?		X	Employees did not reimburse the district for personal expenses in a timely manner and were not disciplined.
E3.	Reporting deficiencies			
	a. Are there means of obtaining reports of deficiencies from both internal and external sources?		X	The district did not properly monitor credit card expenses and allowed employees to use the district's credit cards for personal expenses. Furthermore, management did not discipline any employees for the abuse.
	b. Is there ongoing monitoring of internal controls?		X	See E3.a
	c. Are deficiencies reported to the person directly responsible and to a person at least one level higher?		X	We noted that management was aware of the deficiencies, but found no evidence that the Board of Directors were aware of the credit card abuse.
	d. Are the identified transactions or events investigated to determine causes and correct problems?		X	See E3.a

¹ The evaluation tool is based on the guidelines established by the GAO's Internal Control Management and Evaluation Tool. It serves as a guideline to aid local agencies in identifying internal control weaknesses. The SCO uses the same evaluation tool on all of its administrative and internal accounting control reviews of local government agencies, regardless of size.

**Attachment—
Panoche Water District's Response to
Draft Review Report**



PANOCHÉ WATER DISTRICT

52027 WEST ALTHEA, FIREBAUGH, CA 93622 • TELEPHONE (209) 364-6136 • FAX (209) 364-6122

January 6, 2017

Sent by email and U.S. Mail to

ELoste@sco.ca.gov

Mr. Efrin Loste, Interim Chief
Local Government Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874

Re: Panoche Water District Review Report

Dear Mr. Loste:

After the Panoche Water District submitted its response to the draft Panoche Water District Review Report, Administrative and Internal Accounting Controls, March 1, 2013 through February 28, 2015 (the "Draft Report") yesterday, the District's consulting engineer, Joseph C. McGahan of Summers Engineering, Inc., provided us with updated economic information pointing out an error and indicating that the economic value generated by the District in 2015 is far greater than the information included on page 6 of the January 5, 2016 response.

The final paragraph of Part 2 - "Background of the District" on page 6 should read:

"In sum, we urge the SCO in issuing its Final Report to take into account the dedication of the District, its Board of Directors, management, employees and growers to implement forward-looking, proactive measures to meet ever-changing demands in the face of challenging water supply conditions and intensive regulatory requirements. As a result of this focus, the District's 38,000 acres produced an estimated \$34,000,000-\$42,000,000 in net farm income in 2015. Our estimate of the gross crop revenue for the farmed acres in 2015 is \$150,000,000 with additional economic activity in related industries and services of \$94,000,000, for a total estimated economic activity value of \$244,000,000,

Mr. Efrin Loste, Interim Chief

Re: Correction to Panoche Water District Response to Draft Report

January 6, 2016

Page 2

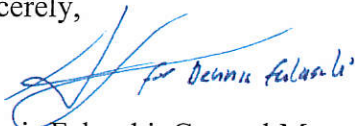
contributing significantly to the State and local economies and generating Federal, State and local tax revenues.”

A mark-up showing the changes is attached. There are no other changes in the document submitted on January 5, 2017.

We would greatly appreciate the State Controller’s Office noting this correction and are enclosing a revised version of the Panoche Water District Response, denoted Revised January 6, 2017.

Please accept our apologies for any inconvenience relating to this correction.

Sincerely,

A handwritten signature in blue ink, appearing to read "for Dennis Falaschi".

Dennis Falaschi, General Manager

Enclosures

Cc: Board of Directors

Mr. Efrin Loste, Interim Chief

Re: Correction to Panoche Water District Response to Draft Report

January 6, 2016

Page 3

January 6, 2016, Revision of Final Paragraph in Background of District in Panoche Water District January 5, 2015 Response to Draft Review Report

Part 2 – Background of the District, page 6:

In sum, we urge the SCO in issuing its Final Report to take into account the dedication of the District, its Board of Directors, management, employees and growers to implement forward-looking, proactive measures to meet ever-changing demands in the face of challenging water supply conditions and intensive regulatory requirements. As a result of this focus, the District's 38,000 acres produced an estimated \$34,000,000-\$42,000,000 in ~~gross net~~ farm income in 2015.; Our estimate of the gross crop revenue for the farmed acres in 2015 is \$150,000,000 with additional economic activity in related industries and services of \$94,000,000, for a total estimated economic activity value of \$244,000,000, contributing significantly to the State and local economies and generating Federal, State and local tax revenues.



PANOCHÉ WATER DISTRICT

52027 WEST ALTHEA, FIREBAUGH, CA 93622 • TELEPHONE (209) 364-6136 • FAX (209) 364-6122

January 5, 2017

Sent by email and U.S. Mail to

ELoste@sco.ca.gov

Mr. Efrin Loste, Interim Chief
Local Government Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874

Re: Panoche Water District Review Report

Dear Mr. Loste:

The Panoche Water District welcomes the opportunity to respond to the draft Panoche Water District Review Report, Administrative and Internal Accounting Controls, March 1, 2013 through February 28, 2015 (the "Draft Report") and the extension of time to respond by January 6, 2017. The District also welcomes the State Controller's Office (SCO) audit team's statement that the SCO's goal in conducting this audit is to assist the District in evaluating the adequacy of those controls and to assist in improving District operations.

This response consists of five parts: Introduction; Background; District Initial Comments about the Audit; District Responses to Findings in the Draft Report; and Conclusion. In sum, we believe the District was, at the commencement of the audit, already in the process of taking actions that have resulted in the full implementation of many Recommendations of the Draft Report and substantial implementation of the remaining Recommendations. The Response specifically requests that the Government Accountability Office's Internal Control Management and Evaluation Tool (the "Tool") be deleted from the Final Report. The Tool as applied did not appear to be significantly tailored per State guidance to appropriately fit a small water district located in a rural area with very limited administrative personnel, resulting in a harsh, and the District believes, an inequitable checklist evaluation.

In response to the recommendation on Page 3 of the Draft Report concerning development of an Action Plan, the District's Responses to Recommendations under specific Findings that are not yet fully implemented contain descriptions of interim and continuing actions with timelines. In addition, the District intends to provide the State Auditor's Office with a proposed updated Action Plan by March 1, 2017, the commencement of its next Fiscal Year, that describes

Mr. Efrin Loste, Interim Chief
Re: Panoche Water District Review Report
January 5, 2016
Page 2

additional actions taken and outlines remaining tasks to be performed, milestones and timelines. The updated Action Plan is expected to include a prioritization approach, to address both most implementable and most serious remaining issues.

Panoche Water District requests the opportunity to meet with SCO representatives to discuss finalization of the Draft Report, so that we may answer any questions and provide any needed clarification. We urge the State Controller's Office to recognize the substantial progress made by the District both prior to its receipt of the Draft Report and its continuing efforts to enhance District administration, accounting and internal controls. We respectfully request that your Office carefully consider the District's conscientious efforts, both in its comments and actions, as it finalizes its public report and considers the need for making any referrals. Finally, the District requests that this letter and the District's response be made a part of the formal record and appended to the Final Report. We look forward to hearing from you.

Sincerely,

John Bennett, President
Panoche Water District

Cc: Board of Directors
General Manager



**Panoche Water District
Response to Panoche Water District Review Report
Administrative and Internal Accounting Controls
March 1, 2013, through February 28, 2015**

Part 1 – Introduction

We are writing to you in connection with the draft Panoche Water District Review Report Administrative and Internal Accounting Controls, March 1, 2013, through February 28, 2015 (“Draft Report”) received from the State Controller’s Office (“SCO”) on December 9, 2016. As you know, we received this Draft Report shortly before the holiday season. The report initially requested comments within 15 calendar days of receipt of the report. While we were granted a short extension, we certainly desire further time to compile and provide information that is not available within the time permitted. We thus do not intend in this letter to review all the points raised in the December 7, 2016 letter. We certainly do not intend to set forth the points that we would advance for all the matters if further time was permitted to prepare a response. However, we believe it is important to provide you with information (some of which you may already have) we believe bears on a number of the matters raised in your Draft Report.

As you know, the audit commenced in June of 2016, during the well-known busiest part of the irrigation season. We believe that Panoche Water District (“District”) fully cooperated with the State Controller’s office audit team, particularly given the additional demands placed on District staff through normal work duties and other matters. In addition, the audit occurred at the same time as the District was working to complete a number of very positive measures that had been in process for a considerable time, some, like the Employee Handbook, for several years and others for more than a year. The Board had devoted very careful attention to developing these policies in order to make certain that they fit the circumstances of the District and were appropriate and implementable. Thus, during the period of the audit, the District provided the audit team with information showing either the work in progress or final, adopted policies that we believe address issues raised in your Draft Report. We hope that as you consider these measures and other information provided to you, that it is clear that the District is committed to making a concerted effort to address any perceived issues. The measures that have been adopted include the following:

1. The District has retained a new independent auditing firm, Price, Page & Company of Clovis, California, with many resources and experience in public agency audits, including water districts. We anticipate that the work product there will further assist the District on an ongoing basis;

2. The Board has directed the development of and recruitment of two additional management-level staff positions, specifically, an in-house CPA/Controller and an Assistant General Manager;

3. On or about August 8, 2016, the Board adopted a formal, written policy prohibiting loans to any persons, including employees, except as authorized by law. We discuss this policy further below;

4. On or about September 13, 2016, the Board adopted a Reasonable Expense Reimbursement/Use of Resource Policy Statement (Reimbursement/Resource Policy), which further provides guidance concerning the expenses and use of the District's resources. We discuss this policy further below;

5. On or about September 13, 2016, the Board also adopted a new Employee Handbook, which has also recently been updated. We discuss this further below;

6. On or about _November 8, 2016, the Board adopted a vehicle use policy, which is discussed further below;

7. The District has adopted a District-Provided Employee Benefits Policy implementing a compensation system that has eliminated the payment of utilities and other related expenses; we discuss this further below.

8. Through special counsel, the district has provided special employee training concerning policies;

9. Through other special counsel the district is providing training concerning the new Employee Handbook;

10. Other measures are also being implemented and/or considered at this time, many of which relate to several of the topics identified in the Draft Report.

We firmly believe that the District has made significant strides through these measures, and will continue to make additional improvements on an ongoing basis. The adopted policies are briefly summarized and attached as follows:

District-Provided Employee Benefits. As we mentioned above, the district adopted a new compensation plan in early June of 2016. On June 13, 2016, after several months of work by a committee of the Board, citing governing laws and its desire to avoid even the appearance of impropriety, the Board of Directors adopted a Policy on District-Provided Employee Benefits that eliminated the payment of housing and utility fringe benefits to District employees and made adjustments in regular compensation to employees who had received such prior forms of benefit. The policy was revised and adopted as final on July 12, 2016, and a copy is included with this Response under **Tab 1**. The policy describes the historic rationale of providing specific utility and housing benefits to attract and retain employees, especially important given the District's distance from any communities, and then adopts a new policy statement indicating that such fringe benefits will no longer be provided. In coordination with the District's labor law attorney, notice to the employees was thereafter provided and this change was implemented on October 1, 2016.

Credit Card Policy. Following up on Board direction provided on September 15, 2015, on August 9, 2016, the Board adopted a formal written credit card policy. A copy of this policy, now also integrated into the Reimbursement/Resource Policy, is provided under **Tab 2**. The Policy prohibits personal use of District credit cards regardless of the employee's intent at the time of use to reimburse the District; requires receipts to document the business basis for the use, including names and locations for restaurant uses; establishes processes for verification of expenditures and monthly credit card expenses reports, and specifies other requirements and sanctions for non-compliance. The authorized users were limited to five named positions with limits of \$3500 each and required training prior to issuance by District counsel or an outside CPA. Employee training on the policy was conducted by District Special Counsel Christopher Brown. The Board also adopted a Credit Card Review Procedure governing the approach to monthly reviews by an assigned Board Member on October 11, 2016, which was updated on December 13, 2016. A copy of this procedure is provided under **Tab 3**. Further updates to the procedure are likely. A standing agenda item was added December 13, 2016, for reports on the credit card reviews.

Loan Policy. On August 9, 2016, the Board also adopted a written loan policy. Besides including a general policy statement, that policy provides, in relevant part:

Application to District Employees

It is the policy of the District not to provide payroll advances or loans to District employees or loans to any person except as authorized by law. . . .

For any employee with an outstanding loan or payroll advance as of the date of this Policy, District Staff shall meet with such employee within 2 weeks after adoption of this Policy, communicate the policy, take steps to arrange immediate repayment where feasible, and keep the Directors informed of repayment arrangements made and repayment status.

A copy of this policy, now also integrated into the Reimbursement/Resource Policy, is attached under **Tab 4**.

Reasonable Reimbursement of Expenses/Use of Public Resources Policy Statement.

On August 9, 2016 the Board further adopted the comprehensive Reimbursement/Resources Policy. A copy of that policy is included with this response under **Tab 5**. In addition to incorporating the Loan and Credit Card policies previously adopted, the Reimbursement and Resources Policy provides a statement regarding stewardship of public resources to provide guidance of District officials, including employees, on the use and expenditure of District resources. The Reimbursement/Resources policy sets out a summary of authorized expenditures, limited to those for District business, identifies expenditures requiring prior Board approval, and identifies the distinction between non-reimbursable personal expenditures and authorized District expenditures. It includes cost control guidelines for travel and establishes a cash advance policy for authorized expenditures. The Reimbursement/Resources Policy contains a brief explanation of gift restrictions; sets out guidelines for expense report content and submission deadlines, and requires reports of certain meeting attendance at monthly Board Meetings, along with an explanation of the consequences of violation of the Policy.

Employee Handbook. On September 13, 2016, the Board adopted its Employee Handbook and on December 13, 2016, adopted minor Handbook revisions. A copy of the Handbook is attached under **Tab 6**. The Handbook, several years in preparation, includes essential elements of each of the other adopted policies, along with extensive information such as terms of employment, benefits, prohibited activities, ethics and standards for conduct, requirements for care and use of District property, and a whistle-blower policy in both English and Spanish. The Handbook has been distributed to all employees. A Spanish language translation of the complete Handbook is in preparation. Special Counsel Sara Boyns of Fenton & Keller, in Monterey, California, has provided one employee orientation with others scheduled within the next 2 months.

Vehicle Policy. On October 11, 2016, the Board adopted a Vehicle Policy that was revised and finally adopted on November 8, 2016. It is styled as “Exhibit B” to the Reimbursement/Resource Policy, and a copy is attached under **Tab 7**. The Vehicle Policy describes permitted uses of District vehicles; spells out prohibited personal uses; describes the basis for take-home status, a determination that must be reviewed twice per year; includes a standardized Mileage Log that must be submitted monthly by users of District vehicles; and includes a specific Motor Vehicle Use Agreement to be executed by parties using District vehicles.

In addition to adopting these policies, the District has recently engaged a larger independent auditing firm experienced in public agency audits, with specific experience auditing California Water Districts. The Board has also directed the development of and recruitment for two additional management-level staff positions, its first in-house CPA/Controller and an Assistant General Manager, as well as considering other measures to assist in improving internal controls, efficiency, and oversight. For example, the District is completing an additional Whistleblower Policy/Compliance and Ethics Program to augment the processes currently in the Employee Handbook, and is also developing a separate Code of Conduct for the Board and staff. These items are on the January 10, 2017 Board agenda.

Part 2 – Background of the District

The Draft Reports provides minimal context for the District. Given that SCO staff indicated that SCO audits of small local water districts are rare (they said they had never before conducted one, but thought perhaps there had been one several years ago), the background of the District and its functions is essential to a fair evaluation of the District and should be seriously considered.

Over the past 10 years, Panoche Water District has proactively addressed ever-more complex water supply, drainage and regulatory conditions while striving to provide its landowners and water users with a sufficient water supply and affordable water service. The District has a very small infrastructure; a five-person Board comprised of landowners; 1 General Manager; 1 Office Manager; 1 Human Resources/Risk Assessment Manager; 1 Water Master and 1 Water Master Advisor; 5 full-time and 1 part-time office staff, along with 3

program/project coordinators. The balance of District employees are field supervisors and field workers of various types.

Panoche Water District is a California Water District organized in 1950 under California Water Code Section 34,000, et seq., by election of its landowners and validation by the Fresno County Superior Court. The District is comprised of approximately 38,000 gross acres in western Merced and Fresno Counties. The "Background" section of the Draft Report mistakenly suggests that the District provides water "in and around the City of Firebaugh." The District does not provide water to any cities, and there are no municipalities within its boundaries. The closest communities are the cities of Los Banos, approximately 17 miles to the north; Dos Palos, approximately 12 miles to the north; and Firebaugh, approximately 15 miles to the east. Los Banos is the largest at approximately 35,000 in population, and a major source of employee recruitment. Many employees with specialized training must be recruited from more distant locations. The District has approximately 63 landowners and 62 farming entities. The District also provides administrative and operation and maintenance services to several neighboring or sister small agencies. These include: Pacheco Water District; Panoche Drainage District; Mercy Springs Water District; and Charleston Drainage District, the underscores denoting places where those entities were misnamed or misspelled in the Draft Report.

The District's primary purpose is to provide water for irrigation and to own, operate and maintain a conveyance system to deliver the water to its irrigation water users. The District also delivers a small amount of municipal and industrial water incidental to irrigation and is responsible for addressing drainage generated by the irrigation. The Board of Directors is comprised of five members, each of whom by law must be a landowner or landowner representative. As noted in the Reimbursement/Resource Policy (see **Tab 5**), Board Members do not receive stipends to attend meetings and perform their duties as Directors in addition to their private business responsibilities. The primary source of funding for District operations comes from the District landowners and water users, through its water service charge on delivered water, along with standby charges on District lands to cover certain capital investments. The District is not supported by State or County tax revenues. It currently has no outstanding bonds or certificates of participation. It received a State Revolving Fund loan to construct its Recirculation Plant, on which only two annual payments remain. It also received Proposition 204 grants to support certain drainage pilot or demonstration projects.

The District's primary source of water has been and is its federal water service contract which annually provides up to 94,000 acre feet of Central Valley Project ("CVP") water. Since adoption of the Central Valley Project Improvement Act in 1992, that water supply has been much less reliable. This condition has worsened by federal regulations restricting CVP Jones Plant pumping to protect species listed under the Endangered Species Act. Water availability has further declined due to California State Water Board restrictions on CVP operations for drought and salmon protection purposes. These combined restrictions resulted in the first zero percent allocation of its CVP supply in 2014, again in 2015 and only five percent in 2016. The District's response to these losses has been to develop on an annual basis approximately 1 acre foot per acre of non-CVP water supplies, and fallowing due to water restrictions has been minimized compared to neighboring districts that rely on CVP water. This was accomplished by improving the distribution system to achieve more uniform water availability from multiple

sources throughout the District; acquiring out-of-district well water transfers; acquiring well water from District landowners; recirculating large quantities of drainage water; and improving irrigation systems. Currently nearly 75% of the District is irrigated with drip irrigation, which the District believes to be among the highest total percentages of drip in the CVP south-of-Delta service area. In addition to U.S. Reclamation law compliance, the District must comply with relatively new California Regional Water Quality Control Board orders implementing the Irrigated Lands Regulatory Program, and is working with other local agencies to address requirements of the Sustainable Groundwater Management Act.

At the same time, the District has moved rapidly towards an ultimate, in-Valley solution eliminating discharges of its subsurface drainage. The San Luis Act and CVP contract required the United States to offer drainage service, but by the late 1980's when the Board of Directors clearly understood no such solution would be timely afforded, the District joined with others in the region to develop a regional plan. A sister agency, Panoche Drainage District, has been the lead in implementing that regional plan, a major feature of which is an innovative drainage reuse program that utilizes highly saline drainage to grow salt-tolerant crops on approximately 6,000 acres. State and Federal financial assistance has been available to support most infrastructure improvements and a portion of monitoring expense. However, operation and maintenance activities are locally funded. The presence of selenium in the drainage water prompted a manpower-intensive set of mitigation activities on the 6,000 acres to assure protection of wildlife year round. Panoche Water District provides employees, management and administrative services under contract to Panoche Drainage District to implement these activities. The regional plan must result in zero drainage discharges from irrigation by 2019, so efforts by both Districts and their regional partners are intensive.

In sum, we urge the SCO in issuing its Final Report to take into account the dedication of the District, its Board of Directors, management, employees and growers to implement forward-looking, proactive measures to meet ever-changing demands in the face of challenging water supply conditions and intensive regulatory requirements. As a result of this focus, the District's 38,000 acres produced an estimated \$34,000,000-\$42,000,000 in gross farm income in 2015, contributing significantly to the State and local economies and generating Federal, State and local tax revenues.

Part 2 - District Initial Comments about the Audit

The SCO commenced this audit in June of 2016 at the well-known peak of the District's intensely busy irrigation season, despite the District's request that the audit be deferred several months until after that part of the year. The audit imposed significant time demands upon an already fully-occupied District staff to produce documents, respond to questions, and participate in numerous interviews. Despite the busy season, we believe that Panoche Water District fully cooperated with the SCO Team.

At the kick-off interview, the SCO team emphasized that the role of the audit was to identify areas where the District might need improvement and to assist the District. We understand that at times the field auditors sought the production of information and conducted

interviews without regard to the disruption of necessary District workflow and requested information outside the knowledge and responsibilities of the person being interviewed. Department supervisors were also requested to complete a very lengthy checklist questionnaire, including questions about formal analytical processes that clearly were not applicable to an entity with such a small administrative staff.

The SCO team apparently spent over six months compiling information and developing its Draft Report. At the exit interview, SCO staff acknowledged that this type of audit of a relatively small local water district is rare. When directly asked about the use and consequences of the report, SCO team members replied that it was to assist the District and had no specific consequences. To the contrary and surprisingly, the content of the Draft Report suggests much broader, potentially adverse consequences to the District.

As you may know, the District was provided a very short timeline to respond to the Draft Report. The District's request for an extension until January 31, 2017 was denied and instead, an extension was granted from December 24, 2016, until January 3, 2017, and then until January 6, 2017. The District was not provided the opportunity to question the SCO team on specific assertions and conclusions in the Draft Report to assist and improve the District's understanding of those assertions and conclusions before the response was required. The audit team received documentation of ongoing administrative efforts of the District that respond to many of the Draft Report's Findings and recommendation, but virtually none of those items were mentioned in the Draft Report. Furthermore, the Government Accountability Office's Internal Control Management and Evaluation Tool ("GAO Tool") was included in the Draft Report, but the GAO Tool does not appear to have been appropriately tailored for a small water district. The State's own guidelines for its use indicate that it will be adjusted for virtually every situation, to reflect the specific mission, location, size and organization of the District. The lack of appropriate tailoring of the GAO Tool with no clear effort to present a fair or reasonable methodology under the totality of the District's circumstances resulted in a large numbers of negative checkboxes and harsh criticisms in the Draft Report. Reporting a high non-compliance percentage in a public report is extremely damaging to the status of the District and unfair. The District requests that the GAO Tool be omitted from the finalized report. The District has not attempted to respond to the check-box evaluation, except as the same issues are discussed in the responses to the specific Findings of the Draft Report.

Part 3 – District Response to Recommendations of the Findings in the Draft Report

The District provides generalized responses to each Finding topic. Failure to respond to specifics does not indicate that the District agrees with a conclusion or admits the accuracy of any statement in the Draft Report. In these responses, the term "Board of Directors" refers to the legislative body of the District and "Management" refers only to District managerial staff.

Finding 1. Management Issued Personal Loans to Employees.

Status: The recommendation under this finding has already been fully implemented.

On August 8, 2016, the Board of Directors of the District adopted a formal, written policy prohibiting loans to any persons, including employees, except as authorized by law. See **Tab 4**. On September 13, 2016 the Policy was incorporated into the Reasonable Expense Reimbursement/Use of Public Resources Policy Statement ("Reimbursement/Resources Policy"). See **Tab 5**.

The no-loan policy is also included in the Employee Handbook adopted by the Board on September 13, 2016 and updated on December 13, 2016 ("Employee Handbook"). See **Tab 6**. Employee training on the Reasonable Expense Reimbursement/Use of Public Funds Policy was conducted by special counsel Christopher Brown of Dowling Aaron, Inc., a Fresno-based law firm. The Employee Handbook has been distributed and signed acknowledgments have been collected from all District employees. Training on the Handbook by the Districts' special counsel for labor issues commenced on December 14, 2016 and is ongoing.

Following the August 9, 2016, Board Meeting, and acting under its adopted Loan Policy, District management met with and arranged repayment of employee loans and has documentation showing that all such loans have been repaid, except for one, reducing the total balance of outstanding loans from the \$51,325.64 in the Draft Report to \$25,992.84 (a single loan) by December 31. The only individual with the outstanding balance has been subject to payroll deductions, and commencing in January 2017, is executing a written repayment agreement, including an increased salary deduction authorization and an acknowledgement that in the event the employee leaves District employment, the payment obligation remains enforceable by the District by all legal means and that the employee will not to seek to discharge the loan balance owed to the District. While the District has sought immediate repayment, the employee is a key operator of the District's system, who incurred this significant debt to provide for his wife's critical medical treatment. Either discharge from employment or demand for and attempted enforcement of immediate repayment is expected to cause the employee to declare bankruptcy and therefore does not appear to be in the best interest of the District.

Please note that Management, in authorizing employee loans, believed in good faith that employee loans served to retain qualified personnel who were facing personal financial crises, and that this served the District's interest in maintaining such experienced and qualified employees in its workforce and was within the District's authority and powers.

Finding 2. Employees Used District-Issued Credit Cards for Personal Expenses.

Status: The recommendation under this finding has already been fully implemented.

On September 15, 2015, the Board provided direction to Management that any personal use of District credit cards must cease, and any past use must be fully reimbursed. The policy was explained to employees and reimbursement for past use for personal expense has been received, documented and fully implemented.

A formal credit card policy including a prohibition on personal use was adopted by the Board on August 9, 2016 and was included in the Expense/ Resources Policy adopted on September 13, 2016. See **Tabs 2 and 5**. The number of card holders and credit limits were

significantly reduced. The prohibition on use of District credit cards for personal use also is included in the Employee Handbook adopted by the Board on September 13, 2016. Employee training on the credit card policy and the overall Expense/Resources Policy was conducted by special counsel Christopher Brown. The credit card policy requires that receipts for credit card purchases must be retained and documented to show the District purpose and be submitted to allow for expenditure verification within 5 days, and then reported on a monthly credit card expense report. The policy specifies that receipts will be retained by the District and requires monthly audits by a rotating member of the Board of Directors. The policy includes sanctions for violations. A further Credit Card Review Procedure with details on the Director Review process was approved by the Board on October 11, 2016 and updated on December 13, 2016. See **Tab 3**. The Board now receives a report from the reviewing Director at every Board meeting, as a standing item.

With regard to "Lack of segregation of duties," the District is working with its independent auditing firm to establish procedures and segregate functions to the maximum reasonably achievable given the limited personnel for the District. Interim steps taken include that the formal credit card policy approved by the Board of Directors specifies the authorized to hold District credit cards and the card dollar limits, so that "issuance" of cards by management is not a discretionary action. A Purchasing Agent has been designated to make credit card purchases. Staff review of the expense reports is conducted by one employee and payments are made by a separate payroll clerk. Completion of the procedure and segregation is expected at or near March 1, 2017.

Noteworthy is that the Draft Report cites "District failure to comply with its own written credit card procedures." This statement is not correct because the referenced credit card procedure: 1) was an administrative draft that was never formally adopted; 2) does not match the terms of the adopted Policy, and 3) was not in place when personal credit card use occurred.

Equally noteworthy, the District does not agree that all of the examples of personal expenses listed under District credit cards were used for personal expenses, as the District has documentation that some of these expenses were for District purposes. These two instances are the types of issues that we believe could have been clarified by SCO staff conferring with the District once the actual findings were presented to the District, but that conference was not provided.

Finding 3. Lack of Adequate Controls over Employee Fringe Benefits.

Status: The recommendation under this finding has already been fully implemented.

On June 13, 2016, the Board of Directors adopted a Policy on District-Provided Employee Benefits that eliminated the payment of rent and utility benefits to District employees and made adjustments in compensation to employees who had received such prior forms of benefit. The policy was revised and adopted as final on July 12, 2016. See **Tab 1**. Upon the advice of its labor attorney on the requirements of the Labor Code, the District reimburses expenses for employee-paid internet use required for District employment. This changed

compensation system was implemented on the October 1, 2016, payroll, and the District no longer pays such benefits.

District-owned housing continues to be provided to key District personnel who are required to be on-premises to fulfill security or 24-hour work assignments that are necessary for water districts. Housing agreements are being updated. Such housing has standard appliances included but is not “furnished.” The monthly value of such housing is being included in employee compensation.

The Board initiated a written and reported Vehicle Policy (added as part of the Expenses/Resources Policy) on October 11, 2016, and adopted in Final Form on November 8, 2016. See **Tab 7**. The policy: 1) establishes allowable uses of District vehicles; 2) prohibits personal use; and 3) requires reimbursement for certain uses. A monthly mileage log must be completed by each user of a District vehicle. The Employee Handbook also addresses District vehicle care and use. The policy includes sanctions for violations. Training of employees on the Vehicle Policy was conducted by District special Counsel Christopher Brown on December 1, 2016, and further training on the Employee Handbook by the District’s special counsel is ongoing.

Finding 4. Significant Deficiencies over Fiscal Functions.

Status: The recommendation under this finding already has been partially implemented and efforts are ongoing.

Bank reconciliations were assigned to a different employee in approximately January 2015 and have been timely since. Each page is stamped with the reviewer’s initials and a review date has been added. The District is preparing written documentation of the reconciliation procedures.

Written contracts are in place and retained in District records for several key consultants. A standardized agreement is being developed to supplement the liability-type agreements currently in place for regular vendors to the District.

Measures to achieve segregation of duties will be completed together with the District’s independent audit firm to assure adequate controls and segregation of duties to the extent reasonably feasible with the District’s limited administrative staff. Again, these measures are expected to be implemented by March 1, the beginning of the District’s next Fiscal Year.

Finding 5. Lack of Written Policies and Procedures.

Status: The recommendation under this finding has already been significantly implemented and finalization efforts are ongoing.

The District has adopted major formal policies and procedures prior to the date of the Draft Report, including the District-Provided Employee Benefits Policy, Employee Handbook,

Expenses/Resources Policy including Loan and Credit Card Policies as well as others, and the Vehicle Policy. These policies have been compiled in an initial Policy & Procedures Handbook and others will be added as they are finalized. A procedure regarding bank statement reconciliation and review and documentation of separation of duties regarding credit cards, accounts payable and payroll are being finalized with input from the District's independent auditors, taking into account the specific accounting systems and number of employees available. The documentation will include an explanation of the reasons for such procedures.

Finding 6. Inadequate Controls over Hiring, Training and Promoting.

Status: The District has implemented the recommendation of this Finding in material part and continues to work on appropriate means to implement the balance of staff controls.

The District has always had, and expects to continue to have, only at will employees. This relationship is defined in the Employee Handbook (see **Tab 6**). The recommendation to enter into employment agreements with District employees is inconsistent with the District's legal interpretation of "at will" status and lawful alternate means to achieve the substantive recommendations will be utilized.

The Policy on District-Provided Employee Benefits (see **Tab 1**) has eliminated the utilities and off-site rent fringe benefits. The justification for providing District housing is being included in revised job descriptions for those positions where security or 24-hour availability require the employee to reside on premises. The Vehicle Policy (see **Tab 7**) requires justification for Take-Home Assignments and requires review of those justifications at least twice a year, in addition to the logs. The Vehicle Policy has been reviewed with District employees by special counsel Christopher Brown. These specific justifications and policies will be included in all documented packages with new hires.

District staff members do receive formal training on legally required issues, such as compliance with safety and avoiding discrimination of any kind. These items are documented in the Employee Handbook (see **Tab 6**) as well as in sign-ins for training meetings. Developing a formal program of cross-training of District administrative staff is aspirational at the present time given the huge workload and limited number of staff. In the interim, the District has implemented the following measures: The District will continue its informal cross-training of administrative staff. Employees are moved into various departments from time to time, resulting in familiarity with different job requirements and the ability to fill in. Subordinates are implementing portions of their supervisor's role and can fill in. The District has recently executed an agreement for a consultant to fill in as interim General Manager at the request of the District, and the District is developing and attempting to recruit an Assistant General Manager who would receive training in the all aspects of the General Manager's position.

A committee of the Board of Directors has been assigned to review the total compensation packages for District employees. When that review is complete, a report and any recommendations will be presented at a public meeting of the Board of Directors. The District will also work with District labor counsel on developing procedures for timely performance

reviews and for communicating clearly to employees on compensation and increases. Given the large number of changes affecting employees that have already been made, the District anticipates that the remaining issues raised in Finding 6 will take a longer, paced period for further major changes to be implemented, likely at least a year.

Finding 7. Overtime Pay Based on Management Estimate instead of Actual Hours.

Status: The recommendation in this Finding has been implemented and further measures are being finalized.

The Employee Handbook referred to was in draft form. However, there is now a formally adopted Employee Handbook and the statement cited in the Draft Report is being implemented (see **Tab 6**). There has been one employees training session on the Handbook and others are planned.

The Board of Directors has directed that two additional management positions, a CPA-controller and assistant manager be developed and recruited. With the addition of more available manpower and some likely delegation of duties, it is anticipated that there will be better resources for monitoring and administering internal controls. The District also is working with its independent auditor firm and labor attorney to determine what additional policies and procedures may be beneficial in assuring compliance with policies at all employee levels.

Finding 8. Incomplete Recordkeeping of the District's Minutes.

Status: This recommendation has been implemented, with further documentation in progress.

Consistent with the District Bylaws, the Secretary with staff assistance prepares minutes of every regular and special meeting of the Board of Directors. Meeting Minutes are generally reviewed and formally approved by the Board at the next subsequent regular Board meeting, after which they are signed by the Secretary and placed in the Minute Book. Signed Minutes for every meeting in FY 2013-14 and FY2014-15, as well as all Minutes for subsequent Board Meetings that have been Board-approved, currently are maintained in the Minute Book.

Every regular and special Board of Directors meeting is called, noticed and held in compliance with the Ralph M. Brown Act per notices in the District records. Minutes are in draft and not included in the District records until approved by the Board. If not signed by the Secretary immediately because the approval was based on a direction to make corrections, the Minutes may not go into the Minute Book until the corrections have been made and signed by the Secretary. The Minutes and other district records are open to the public, except where records may be exempted under the California Public Records Act.

To supplement the Bylaws with additional detail, the District is documenting in writing its procedures for preparation, review, acceptance and signature of its Minutes.

Part 4 – Conclusion

Panoche Water District has adopted or modified and formalized policies that address what appear to be the most urgent Findings of the Draft Report; it has made progress on addressing virtually every finding, prior to issuance of the Draft Report, is committed to continued and additional progress both in the near-term and in the long-term.

The District believes that implementation of every recommendation made in the Draft Report could entail additional management and administrative staff or consultants to formalize, implement, and monitor. The steps toward hiring an in-house Controller and Assistant General Manager are anticipated to provide further assistance to the District in meeting its obligations. The District is seeking and will continue to seek to improve its operations even in the face of the water and other challenges mentioned above. However, there are aspects of the Draft Report that demand considerable time and resources that may not be currently available to the District.

In response to the recommendation on Page 3 of the Draft Report, the District intends to provide the State Controller's Office with a proposed Action Plan by March 1, 2017, the commencement of its next Fiscal Year, that provides updates on additional actions, policies or procedures that have been implemented and outlines remaining tasks to be performed, with milestones and timelines. The Action Plan is expected to include a prioritization approach, to address both most implementable and most serious remaining issues.

Concerning the recommendation that the Board require periodic updates at public meetings on progress in implementing various actions, a standing item, "Actions and reports under District Policies" has been added as a standing item on the District's regular meeting agendas, beginning with its December, 2016 Meeting.

The District urges that in finalizing its Report, the State Auditor's take into account these comments, the specific circumstances of the District, and the District's very substantial changes in formalizing policies and controls. The District is willing and able to meet with the SCO audit staff to answer any questions on this Response and requests the opportunity to do so. The District also requests that this Response be made part of the formal record and appended to the Final Report. We appreciate this opportunity to provide comments on the Draft Report.

TAB 1

PANOCHÉ WATER DISTRICT

Updated District-Provided Employee Benefits Policy

REVISED FINAL July 12, 2016

1. Purpose for Adoption

The District is entrusted with public funds and is bound by laws prohibiting misappropriation or misuse of such funds, and it is the policy of the District to both comply with such laws and to avoid even the appearance of any impropriety relating to compensation of its employees. The Board of Directors of Panoche Water District ("District") is adopting this District-Provided Employee Benefits Policy (the "Policy") to memorialize and confirm its existing policies as updated by this Policy.

2. Background Regarding District-Reimbursed Employee Utility Costs

As a means to achieve District purposes, such as: to encourage qualified employees to remain with the District; to facilitate the availability of employees to the District; and to encourage supervisory employees to reside in relatively close proximity to the District, Panoche Water District historically has provided employee housing, the value of which benefits is taken into account in setting the position's salary level, and has been reported on the employee's W-2.

Historically and for the same reasons, the District also has provided certain housing-related benefits to its General Manager, Supervisors and Administrative Department Heads in the form of utilities paid by the employees and reimbursed by the District, including internet service for employees required or authorized to work from home on District computers or devices, which benefits have been reported to the Internal Revenue Service as part of the income on Form W-2 for each such employee.

The District now desires to increase the salary levels of the employees in the positions for which the District has historically provided utilities reimbursement and to end the practice of reimbursing utilities for any District employee. The methodology used to calculate the conversion of this allowance for each affected position shall be based upon the total utilities' reimbursement paid by the District for that position over the past year divided by twelve. The calculated amount shall then be provided as an increase to the monthly salary rate for each respective position.

For employees required or authorized to work from home and requiring internet service for such purpose, the District has also historically reimbursed the cost of such service. The District will continue to reimburse each employee a reasonable amount for internet service to the extent the internet service is used in the performance of District-related work, as described below.

4. Statement of Policy

By adoption of this revised July 12, 2016 Policy, the Board adopts an updated policy pursuant to which the District will no longer directly reimburse utilities for any employee, and instead, said reimbursement will occur through an adjustment in the employee compensation level which shall be accorded to each position for which utilities have previously been reimbursed by the District. Once this policy is implemented, future adjustments to the compensation level for each employee position shall be decided as determined by the Board.

The Board further updates its policy for reimbursement of internet services. District employees required or authorized to work from home utilizing their home internet for District purposes shall be asked to submit a monthly internet reimbursement request (or at such other interval as the District may select from time to time) on a form provided by the District. The form shall include the employee's signed statement that the request submitted is a reasonable reflection of the cost incurred for District purposes. The employee shall be responsible to report any changes to the reasonable amount of reimbursement or internet activity for District purposes. The reimbursed amount shall be paid as a separate line item or by separate check.

5. Scope of Policy

This policy addresses only those components of compensation specifically addressed and does not purport to affect any other aspect of compensation or policy of the District, including, for example, those policies and employee conduct requirements set forth in the District's employee handbook.

6. Effective Date of Policy

This Policy shall take effect immediately for implementation beginning with the August 1, 2016 payroll, or as soon thereafter as 30 days' notice can be provided to the affected employees.

**INTERNET SERVICE REIMBURSEMENT REQUEST FORM FOR EMPLOYEES
REQUIRED OR AUTHORIZED TO WORK FROM HOME USING INTERNET**

Employee Name: _____

Employee Internet Service Address: _____

Internet Service Provider: _____

Service Period for Reimbursement Request: _____

Reimbursement Requested: \$ _____

I hereby affirm that the amount requested is a reasonable reflection of the cost I incurred for this period in performance of District-related work from home and I acknowledge that it is my responsibility to promptly report any changes to this amount.

Executed this ____ day of _____, _____, at _____, California. I declare under penalty of perjury according to the laws of the State of California that the foregoing is true and correct..

Signed: _____

TAB 2

PANOCHE WATER DISTRICT

Credit Card Use Policy

Policy Statement

This Credit Card Use Policy (the "Policy") documents and expands upon the Panoche Water District previously adopted policy on use of District-issued credit cards.

Authorized Use of District Credit Cards

The District may issue credit cards to certain employees authorized to make purchases on behalf of the District for necessary District purposes. Use of District-issued credit cards is subject to the following:

- 1) In no event shall a District-issued credit card be used for personal expenditures, even if the intent at the time of credit card use is to reimburse the District and the expenditure is subsequently reimbursed;
- 2) The person in possession of a District-issued credit card is responsible for receiving, printing, retaining, and submitting to the District all receipts related to purchases made on the District-issued credit card; receipts must be annotated to state the business purpose of the purchase; for purchases at restaurants, the documentation must include the restaurant receipt as well as the credit card receipt and the names of parties for whom any meals were paid;
- 3) Receipts documenting expenses incurred on District credit cards and compliance with this Policy must be submitted within five (5) business days of the purchase to enable District staff to verify charges on the credit card monthly statement;
- 4) All credit card expenses must be submitted on an expense report form provided by the District and submitted within thirty (30) days of an expense being incurred; the form must comply with the District's policies related to expenses and use of public resources; the form must also document that the expense in question met the requirements of this Policy;
- 5) Inability to provide such documentation in a timely fashion may result in the expense being borne by the employee or official;
- 6) All credit card receipts and statements shall be kept in accordance with the District's records retention policy;
- 7) Audits of credit card expenditures and of all supporting documents required by this Policy shall be conducted monthly by a rotating Director designated by the President to serve for 3 months at a time in consultation with counsel and/or an outside CPA.

Authorized Users

- 1) Individual District credit cards shall be issued only to the following positions:

General Manager
Office Manager
Purchasing Agent/Human Resources Supervisor
Water Master
San Joaquin River Improvement Project Manager

| Each such card shall have a credit authorization limit of \$3500.

- 2) The District working with counsel and/or an outside CPA shall provide training, prior to issuance of a credit card and on an annual basis thereafter, to all employees authorized to use District credit cards on proper District expenditures and types of expenditures for which District credit card use is unauthorized.

Policy Review

The Board of Directors shall review this Policy at least annually at its October Board meeting; staff shall prepare a report on its implementation for consideration by the Board as part of the annual review.

Policy Violations

Under state law, use of public resources or falsifying expense reports in violation of this Policy, may result in any or all of the following:

1. Loss of reimbursement and credit card use privileges;
2. Demand for restitution to the District;
3. The District's reporting the expenses as income to the director, official, or employee to state and federal tax authorities;
4. Civil penalties of up to \$1,000 per day and three times the value of the resources used;
5. Prosecution for misuse of public resources; and
6. Discipline in accordance with District policy and procedures, including termination of employment.

TAB 3

**PANOCHE WATER DISTRICT BOARD MONTHLY
CREDIT CARD REVIEW PROCEDURE
(Effective December 13, 2016)**

Within two weeks of the credit card statements receipt by the District, a credit card packet will be provided to the designated board member for review. For purposes of consistency and understanding, the President shall assign the responsible Director, with the expectation that the same board member shall serve for such review for a three (3) month period, which may be extended to six (6) months by agreement of the President and the assigned Director. The credit card packet will include each employee's expense report form and all credit card statements for each issued employee. Each statement shall have attached to it the original receipt marked on its face the purpose of the charged item(s) and any person involved (e.g., meals) with such specificity that it is clear as to the connection between District business and the charge. For those charges that cannot simply fit on the receipt, the receipts should be attached to a page that has additional information, which could be the employee's expense report. The receipts should be attached to the invoice in the same order as shown on the statement. In the event a receipt is not attached, there needs to be an explanation and some substitute form of receipt that is not created by the employee but third party generated. If no receipt is available, because it was lost or for some other reason, there needs to be provided some other verification of such charge(s) legitimacy, which the reviewing board member finds reasonably acceptable. Repeated lack of receipts by a single employee over any two (2) month period shall subject that employee to disciplinary action. If no receipt evidence is provided or the item is a personal expense, the employee will be charged such amount and be subject to disciplinary action in accordance with District policy. Any such case shall be referred back to the District's General Manager for discipline after consulting back with the reviewing board member. Except that in the case of the General Manager's violation, the matter shall be subject to board review at the next scheduled board meeting in closed session.

The reviewing board member should conduct his or her review in accordance with the District's specific policy below regarding credit card usage, but also in accordance with the District's other related policies. If the reviewing Board Member has questions on the statement and receipts being reviewed, he or she will first ask staff for clarification and for any additional required documentation. Following each review, the reviewing Board Member will report to the Board at a Board Meeting as part of a standing agenda item. If the reviewing Board Member anticipates that unresolved questions will require Board action, he or she will ask the President to place an action item on the agenda.

**Credit Card Use Policy
Authorized Use of District Credit Cards**

The District may issue credit cards to certain employees authorized to make purchases on behalf of the District for necessary District purposes. Use of District-issued credit cards must be in compliance with the District's Credit Card Use Policy and is subject to the following:

1. In no event shall a District-issued credit card be used for personal expenditures, even if the intent at the time of credit card use is to reimburse the District and the expenditure is subsequently reimbursed;
2. The person in possession of a District-issued credit card is responsible for receiving, printing, retaining, and submitting to the District all receipts related to purchases made on the District-issued credit card; receipts must be annotated to state the business purpose of the purchase; for purchases at restaurants, the documentation must include the restaurant receipt as well as the credit card receipt and the names of parties for whom any meals were paid;
3. Receipts documenting expenses incurred on District credit cards and compliance with this policy must be submitted within five business days of the purchase to enable District staff to verify charges on the credit card monthly statement;
4. All credit card expenses must be submitted on an expense report form provided by the District and submitted within 30 days of an expense being incurred; the form must comply with the District's policies related to expenses and use of public resources; the form must also document that the expense in question met the requirements of this policy;
5. Inability to provide such documentation in a timely fashion may result in the expense being borne by the employee or official;
6. All credit card receipts and statements shall be kept in accordance with the District's records retention policy; and
7. Audits of credit card expenditures and of all supporting documents required by this policy shall be conducted monthly by a rotating director designated by the president to serve for 3 months at a time in consultation with counsel and/or an outside CPA.

Authorized Users

1. Individual District credit cards shall be issued only to the following positions:

General Manager
Office Manager
Purchasing Agent/Human Resources Supervisor
Water Master
San Joaquin River Improvement Project Manager

Each such card shall have a credit authorization limit of \$3500.

2. The District working with counsel and/or an outside CPA shall provide training, prior to issuance of a credit card and on an annual basis thereafter, to all employees authorized to use District credit cards on proper District expenditures and types of expenditures for which District credit card use is unauthorized.

Policy Violations

Under state law, use of public resources or falsifying expense reports in violation of this Policy, may result in any or all of the following:

1. Loss of reimbursement and credit card use privileges;
2. Demand for restitution to the District;
3. The District's reporting the expenses as income to the director, official, or employee to state and federal tax authorities;
4. Civil penalties of up to \$1,000 per day and three times the value of the resources used;
5. Criminal prosecution for misuse of public resources; and
6. Discipline in accordance with District policy and procedures, including termination of employment.

TAB 4

PANOCHÉ WATER DISTRICT

August 9, 2016, Policy on Loans

Policy Statement

Public officials may not receive a personal loan from an officer, director, employee, member or consultant of the District, the District, or an agency over which the District exercises direction and control, or from an individual or entity that has a contract with the district or an agency over which the district exercises direction and control. For purposes of this policy "public official" means an officer, director, employee, member or consultant of the district.

The foregoing limitations do not apply to loans received from commercial banks or other financial institutions, and retail or credit card transactions, made in the normal course of business on terms available to members of the public without regard to the official's status.

Application to District Employees

It is the policy of the District not to provide payroll advances or loans to District employees or loans to any person except as authorized by law.

District employees who meet criteria as defined by Internal Revenue Service Regulations may be eligible for distributions from their accounts in the Panoche Water District 401(k) Retirement Plan, and this policy is not intended to preclude any such qualifying distribution.

District employees may receive expense advances in accordance with the District policy on advances of reimbursable expenses, and this policy is not intended to preclude such advances.

For any employee with an outstanding loan or payroll advance as of the date of this Policy, District Staff shall meet with such employee within 2 weeks after adoption of this Policy, communicate the policy, take steps to arrange immediate repayment where feasible, and keep the Directors informed of repayment arrangements made and repayment status.

Adopted 8-9-2016

PANOCHÉ WATER DISTRICT

Credit Card Use Policy

Policy Statement

This Credit Card Use Policy (the "Policy") documents and expands upon the Panoche Water District previously adopted policy on use of District-issued credit cards.

Authorized Use of District Credit Cards

The District may issue credit cards to certain employees authorized to make purchases on behalf of the District for necessary District purposes. Use of District-issued credit cards is subject to the following:

- 1) In no event shall a District-issued credit card be used for personal expenditures, even if the intent at the time of credit card use is to reimburse the District and the expenditure is subsequently reimbursed;
- 2) The person in possession of a District-issued credit card is responsible for receiving, printing, retaining, and submitting to the District all receipts related to purchases made on the District-issued credit card; receipts must be annotated to state the business purpose of the purchase; for purchases at restaurants, the documentation must include the restaurant receipt as well as the credit card receipt and the names of parties for whom any meals were paid;
- 3) Receipts documenting expenses incurred on District credit cards and compliance with this Policy must be submitted within five (5) business days of the purchase to enable District staff to verify charges on the credit card monthly statement;
- 4) All credit card expenses must be submitted on an expense report form provided by the District and submitted within thirty (30) days of an expense being incurred; the form must comply with the District's policies related to expenses and use of public resources; the form must also document that the expense in question met the requirements of this Policy;
- 5) Inability to provide such documentation in a timely fashion may result in the expense being borne by the employee or official;
- 6) All credit card receipts and statements shall be kept in accordance with the District's records retention policy;
- 7) Audits of credit card expenditures and of all supporting documents required by this Policy shall be conducted monthly by a rotating Director designated by the President to serve for 3 months at a time in consultation with counsel and/or an outside CPA.

Authorized Users

- 1) Individual District credit cards shall be issued only to the following positions:

General Manager
Office Manager
Purchasing Agent/Human Resources Supervisor
Water Master
San Joaquin River Improvement Project Manager

Each such card shall have a credit authorization limit of \$3500.

- 2) The District working with counsel and/or an outside CPA shall provide training, prior to issuance of a credit card and on an annual basis thereafter, to all employees authorized to use District credit cards on proper District expenditures and types of expenditures for which District credit card use is unauthorized.

Policy Review

The Board of Directors shall review this Policy at least annually at its October Board meeting; staff shall prepare a report on its implementation for consideration by the Board as part of the annual review.

Policy Violations

Under state law, use of public resources or falsifying expense reports in violation of this Policy, may result in any or all of the following:

1. Loss of reimbursement and credit card use privileges;
2. Demand for restitution to the District;
3. The District's reporting the expenses as income to the director, official, or employee to state and federal tax authorities;
4. Civil penalties of up to \$1,000 per day and three times the value of the resources used;
5. Prosecution for misuse of public resources; and
6. Discipline in accordance with District policy and procedures, including termination of employment.

TAB 5

Panoche Water District Policy Statement on Reimbursement of Reasonable Expenses and Use of Public Resources

Findings

WHEREAS, Panoche Water District ("District") desires to adopt a statement that documents, formalizes and updates the principles and policies it follows to provide careful stewardship over the use of its limited public resources.

WHEREAS, public resources should only be used when there is a substantial benefit to the special district or to advance a public purpose beneficial to the special district.

WHEREAS, such benefits include:

1. The opportunity to discuss with other local, state and federal officials issues within the jurisdiction of the District;
2. Participating in regional, state and national organizations whose activities affect the District;
3. Attending educational seminars designed to improve officials' skill and information levels;
4. Promoting public service and morale by recognizing such service;
5. Providing informational tours and presentations to landowners and water users; other local, state and federal officials, and the general public on programs and projects being implemented by the District; and
6. Meeting with the District's landowners and water users to provide information and/or to address issues of concern to those landowners and water users.

WHEREAS, 1) legislative and other local, regional, state and federal agency business is frequently conducted over meals; 2) sharing a meal with other local, regional, state and federal officials is frequently the best opportunity for a more extensive, focused and uninterrupted communication about the District's policy concerns; 3) providing meals within the District boundaries for groups attending District-sponsored meetings and informational tours allows for the efficient use of time for District officials and the attendees given the remote location of the District, and 4) each meal expenditure must comply with the limits and reporting requirements of local, state and federal law.

WHEREAS, this policy statement provides guidance to publicly elected and non-elected officials on the use and expenditure of District resources, as well as the standards against which those

ADOPTED BY PANOCHÉ WATER DISTRICT BOARD OF DIRECTORS ON SEPTEMBER 13, 2016

expenditures will be measured. As used in this policy statement, "public official" or "official" means every director, officer, employee or consultant of the District.

WHEREAS, this policy statement is intended to describe the definition of actual and necessary expenses consistent with state laws relating to permissible uses of public resources.

WHEREAS, this policy statement is intended to describe the definition of necessary and reasonable expenses consistent with of federal and state income tax laws.

WHEREAS, this policy also applies to any charges made to District-issued credit cards, cash advances, or other lines of credit.

WHEREAS, the Bylaws of the District authorize a stipend of \$10 per meeting to members of the Board of Directors, but it is the longstanding practice of the District not to provide meeting stipends to Directors for meetings of the Board or for attendance in a representative capacity on Boards or Committees of other agencies or organizations, and the District has adopted no ordinance providing for such stipends.

WHEREAS, it is the longstanding practice of the District not to provide Members of the Board of Directors with District vehicles or to provide vehicle mileage reimbursement for use of personal vehicles to attend meetings of the Board; meetings of Boards or Committees of other agencies where the Director is representing the District; educational conferences or meetings; or meetings of any other agency or organization or when the Director attends to make a presentation on behalf of the District, receives information for the District or for any other purpose.

WHEREAS, District employees appointed by the Board to act in a representational capacity on Boards or Committees of other agencies or organizations do so in the course of their employment for purposes of the District and are required by California law to be reimbursed for their reasonable personal expenses, if any, incurred for such assignments.

WHEREAS District employees authorized by the Board to attend educational conferences or meetings; to make a presentation on behalf of the District at a meeting of any other agency or organization or to travel outside of the local area for any District purpose do so in the course of their employment and are required by California law to be reimbursed for their reasonable personal expenses, if any, incurred for such assignments.

WHEREAS, for any expenses which are reimbursable through District grants, the grant provisions which differ from District policies shall be applicable.

Authorized Expenses

All District resources, including funds, equipment, supplies, titles, and staff time must only be used for authorized District business. Expenses incurred in connection with the following types of activities generally constitute authorized expenses, as long as the other requirements of this policy are met:

1. Communicating with representatives of other local, regional, state and national government on District adopted policy positions or for informational purposes about any issue within the jurisdiction of the District;
2. Attending educational seminars designed to improve officials' skill and information levels;
3. Participating in regional, state and national organizations whose activities affect the District's interests;
4. Participating on Boards or Committees of regional agencies whose activities address issues within the jurisdiction of the District;
5. Recognizing service to the District (for example, thanking a longtime employee with a retirement gift or celebration of nominal value and cost);
6. Attending District events;
7. Conducting District tours and presentations on programs and projects being implemented by the District;
8. Meeting with the District's landowners and water users to provide information and/or to address issues of concern to those landowners and water users; and
9. Cost and fees associated with District projects, including services, supplies, materials and equipment.

All other expenditures require prior approval by the District governing body.

The following expenses also require prior governing body approval, which can be done by a standing board approval for recurring items:

1. International and out-of-state travel;
2. Expenses exceeding \$3,500 per trip.

It is acknowledged that certain travel, conferences and meetings that serve District purposes may come up on short notice making it impracticable to obtain specific board approval. In such cases, the board should approve the reasonable expense for such matter at its next regular board meeting.

Examples of personal expenses that the District will not reimburse include, but are not limited to:

1. The personal portion of any trip;
2. Political or charitable contributions or events;

3. Family expenses, including partner's expenses when accompanying official on agency-related business, as well as children- or pet-related expenses;
4. Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;
5. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and
6. Personal losses incurred while on District business. Any questions regarding the propriety of a particular type of expense should be resolved by the approving authority before the expense is incurred.

Meeting Stipends

General

The District's directors do not currently receive a stipend for each day's attendance at meetings, although the District's Bylaws authorize a stipend of \$10 per meeting of the Board of Directors only. To set a stipend requires adoption of an ordinance following public hearing.

Aggregate Limits

In the event daily stipends for directors are provided, the number of days for which a District director receives a daily stipend will not exceed the aggregate limits established by state law.

Cost Control

To conserve District resources and keep expenses within community standards for public officials, expenditures for which the public official requests reimbursement should adhere to the following guidelines. In the event that expenses are incurred which exceed these guidelines, the cost borne or reimbursed by the District will be limited to the costs that fall within the guidelines.

Transportation

To the extent possible, travel arrangements to be reimbursed by the District involving public transportation, car rental and hotel bookings shall be made by the District Office Manager or designee, taking into consideration the parameters set forth in this section.

The most economical mode and class of transportation reasonably consistent with scheduling needs and cargo space requirements that is reasonably available in the locale must be used, using the most direct and time-efficient route. Charges for rental vehicles for travel to an out of town destination may be reimbursed under this provision if more than one District official is traveling to attend an out of town conference, and it is determined that sharing a rental vehicle is more economical than other forms of transportation and will meet scheduling and availability requirements. In making such determination, the cost of the rental vehicle, parking and gasoline will be compared to the combined cost of such other forms of transportation. This policy does

not preclude reasonable reimbursement of personal vehicle use authorized by this policy. This policy also does not preclude use of a rental vehicle by a single District official where such form of transportation meets the principle set out in the first sentence of this paragraph. Government and group rates must be used when available.

Airfare. Airfares that are equal or less than those available through the Enhanced Local Government Airfare Program offered through the League of California Cities (www.cacities.org/travel), the California State Association of Counties (<http://www.counties.org/discount-travel-program>) or the State of California are presumed to be the most economical and reasonable for purposes of reimbursement under this policy. However, in the event such rates are not available in instances where travel cannot be planned sufficiently in advance to qualify for the reduced fares or such rates are not available from reasonably convenient departure locations to the required destination for the District purpose, market rates that reasonably accommodate such travel may be reimbursed under this policy.

Personal Automobile. When reimbursable pursuant to this policy, personal automobile mileage is reimbursed at Internal Revenue Service rates presently in effect (*see* www.irs.gov). For 2016, the rate is 54 cents per mile. These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls or parking fees, which are also reimbursable. The Internal Revenue Service mileage rates will not be paid for rental vehicles; only receipted fuel expenses will be reimbursed.

District Vehicles. Use of District vehicles will be covered in a future District policy.

Car Rental. Rental rates that are equal or less than those available through the California State Association of Counties (<http://www.counties.org/discount-travel-program>) shall be considered the most economical and reasonable for purposes of reimbursing car rentals under this policy.

Taxis/Shuttles. Taxis or shuttles fares may be reimbursed, including a 15 percent gratuity per fare, when the cost of such fares is determined to be the most economical mode of transportation, or when such transportation is necessary for safety, availability or time-efficiency.

Lodging

Lodging expenses will be reimbursed or paid for when travel on official District business reasonably requires an overnight stay.

Conferences/Meetings. If such lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available, see next section.

Other Lodging. Travelers must request government rates, when available. Lodging rates that are equal or less to government rates are presumed to be reasonable and hence reimbursable for purposes of this policy.

In the event that government rates are not available at a given time or meeting venue lodging, lodging rates that do not exceed the median retail price for lodging for that area listed on websites like www.priceline.com or an equivalent service or lodging rates that do not exceed \$160 per night are presumed reasonable and hence reimbursable.

Meals

Reimbursable meal expenses and associated gratuities will not exceed the following rates per person:

Breakfast	\$15.00
Lunch	\$20.00
Dinner	\$30.00

Or in the aggregate more than \$65.00 for a day, except that no individual meal may exceed its limit by more than 20% in case the aggregate amount is used for a particular day.

In communities with a population of 500,000 or more, the reimbursable meal expenses and associated gratuities will not exceed the following rates per person:

Breakfast	\$20.00
Lunch	\$25.00
Dinner	\$40.00

Or in the aggregate more than \$85.00 for a day, except that no individual meal may exceed its limit by more than 20% in case the aggregate amount is used for a particular day.

Such amounts shall be annually adjusted to reflect changes in the cost of living in accordance with statistics published by the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index, all urban consumers for the San Francisco Area.

The District will not pay for personal bar expenses/alcoholic beverages; however, the District may pay for alcoholic beverages according to local community standards. The General Manager shall be authorized to engage in reasonable third party hosting expenses for alcoholic beverages, with any expenditures for events over \$100 subject to prior Board authorization or group meal events organized by others (for example, conferences and other types of activities that fall within the list of "authorized expenditures" above), the District recognizes that the per person cost may exceed these maximums.

Telephone/Fax/Cellular

Personal cell phone use will not be reimbursable for officials to whom District cellular phones are provided, except in unusual circumstances. Other officials may be reimbursed for actual telephone and fax expenses incurred for use of District business. Telephone bills should identify which calls were made on District business. For cellular calls on personal cell phones, when the official has a particular number of minutes included in the official's plan, the official can identify the percentage of calls made on public business.

Internet

Officials will be reimbursed for Internet access connection and/or usage fees away from home, not to exceed \$15.00 per day, if Internet access is necessary for District-related business. Internet service for employees required or authorized to work from home using District equipment, but the employee's Internet service, will be reimbursed based upon the employee's monthly declaration of reasonable use submitted on a form provided by the District.

Airport Parking

Long-term parking must be used for travel exceeding 24-hours where reduced-rate long-term parking is reasonably available.

Other

Baggage handling fees of up to \$1 per bag and gratuities of up to 15 percent will be reimbursed. Expenses for which District officials receive reimbursement from another agency are not reimbursable.

Cash Advance Policy

From time to time, it may be necessary for an official to request a cash advance to cover anticipated expenses while traveling or doing business on the District's behalf. Such request for an advance should be submitted to the General Manager at least two days prior to the need for the advance with the following information:

1. The purpose of the expenditure(s);
2. The benefits of such expenditure to the public purpose of the District;
3. The anticipated amount of the expenditure(s) (for example, hotel rates, meal costs, and transportation expenses); and
4. The dates of the expenditure(s).

Any unused advance must be returned to the District treasury within two business days of the official's return, along with an expense report and receipts documenting how the advance was used in compliance with this expense policy.

In the event the General Manager is uncertain as to whether a request complies with this policy, such individual must seek resolution from the District governing board.

Credit Card Use Policy

Authorized Use of District Credit Cards

The District may issue credit cards to certain employees authorized to make purchases on behalf of the District for necessary District purposes. Use of District-issued credit cards must be in

compliance with the District's Credit Card Use Policy and is subject to the following:

1. In no event shall a District-issued credit card be used for personal expenditures, even if the intent at the time of credit card use is to reimburse the District and the expenditure is subsequently reimbursed;
2. The person in possession of a District-issued credit card is responsible for receiving, printing, retaining, and submitting to the District all receipts related to purchases made on the District-issued credit card; receipts must be annotated to state the business purpose of the purchase; for purchases at restaurants, the documentation must include the restaurant receipt as well as the credit card receipt and the names of parties for whom any meals were paid;
3. Receipts documenting expenses incurred on District credit cards and compliance with this policy must be submitted within five business days of the purchase to enable District staff to verify charges on the credit card monthly statement;
4. All credit card expenses must be submitted on an expense report form provided by the District and submitted within 30 days of an expense being incurred; the form must comply with the District's policies related to expenses and use of public resources; the form must also document that the expense in question met the requirements of this policy;
5. Inability to provide such documentation in a timely fashion may result in the expense being borne by the employee or official;
6. All credit card receipts and statements shall be kept in accordance with the District's records retention policy;
7. Audits of credit card expenditures and of all supporting documents required by this policy shall be conducted monthly by a rotating director designated by the president to serve for 3 months at a time in consultation with counsel and/or an outside CPA.

Authorized Users

1. Individual District credit cards shall be issued only to the following positions:

General Manager
Office Manager
Purchasing Agent/Human Resources Supervisor
Water Master
San Joaquin River Improvement Project Manager

Each such card shall have a credit authorization limit of \$3500.

2. The District working with counsel and/or an outside CPA shall provide training, prior to issuance of a credit card and on an annual basis thereafter, to all

employees authorized to use District credit cards on proper District expenditures and types of expenditures for which District credit card use is unauthorized.

Policy Violations

Under state law, use of public resources or falsifying expense reports in violation of this Policy, may result in any or all of the following:

1. Loss of reimbursement and credit card use privileges;
2. Demand for restitution to the District;
3. The District's reporting the expenses as income to the director, official, or employee to state and federal tax authorities;
4. Civil penalties of up to \$1,000 per day and three times the value of the resources used;
5. Criminal prosecution for misuse of public resources; and
6. Discipline in accordance with District policy and procedures, including termination of employment.

Loans

Public officials may not receive a personal loan from an officer, director, employee, or consultant of the District's, the District, or an agency over which the District exercises direction and control, or from an individual or entity that has a contract with the District or an agency over which the District exercises direction and control. The foregoing limitations do not apply to loans received from banks or other financial institutions, and retail or credit card transactions, made in the normal course of business on terms available to members of the public without regard to the official's status.

It is the policy of the District not to provide payroll advances or loans to District employees or loans to any person except as authorized by law.

District employees who meet criteria as defined by Internal Revenue Service Regulations may be eligible for distributions from their accounts in the Panoche Water District 401(k) Retirement Plan, and this policy is not intended to preclude any such qualifying distribution.

Gift

Officials and their immediate family members (includes the official's spouse, registered domestic partner, any minor child of the official who the official can claim as a dependent for federal tax purposes, and any child of the official who is aged 18 to 23 years old, attends school, resides with the official when not attending school, and provides less than one-half of his or her own support) should not accept or receive gifts without consulting the District's applicable

policy regarding the appropriateness of the same and the process to be followed. A "gift" is any payment or other benefit provided to the official that confers a personal benefit for which the official does not provide payment or services of equal or greater value. A gift includes a rebate or discount in the price of anything of value unless the rebate or discount is made in the regular course of business to members of the public. Except as discussed in Exhibit "A" hereto, you have "received" or "accepted" a gift when you know that you have actual possession of the gift or when you take any action exercising direction or control over the gift, including discarding the gift or turning it over to another person. Anything given to a family member is presumed to be a gift to the official if "(1) there is no established relationship between the donor and the family member where it would generally be considered appropriate for the family member to receive the gift or; (2) the donor is someone who lobbies the District, is involved in an action before the District in which the official may foreseeably participate, or engages in business with the District in which the official will foreseeably participate (collectively "Interested Party"). The law with respect to officials accepting gifts is extensive; and therefore, additional policy rules and guidance is provided in Exhibit "A" attached and incorporated herein.

Expense Report Content and Submission Deadline

All cash advance expenditures, credit card expenses and expense reimbursement requests must be submitted on an expense report form provided by the District.

Expense reports must document that the expense in question met the requirements of this policy. For example, if the meeting is with a legislator, the local agency official should explain whose meals were purchased, what issues were discussed and how those relate to the District's adopted legislative positions and priorities.

Officials must submit their expense reports within 30 days of an expense being incurred, accompanied by receipts documenting each expense. Restaurant receipts, in addition to any credit card receipts, are also part of the necessary documentation.

Inability to provide such documentation in a timely fashion may result in the expense being borne by the official.

Audits of Expense Reports

All expenses are subject to verification that they comply with this policy.

Reports to Governing Board

At the District governing body meeting, each official shall briefly report on any Brown Act meetings attended at District expense as well as any conferences, educational seminars or meetings with legislators or other governmental officials.

If multiple officials attended, a joint report may be made. The report may be made orally or in writing.

Compliance with Laws

District officials should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other laws. All agency expenditures are public records subject to disclosure under the Public Records Act and other laws. For example, the District has an additional obligation to prepare an annual summary of expense reimbursements over \$100 and make those available for public disclosure. Cal. Gov't Code §53065.5. Furthermore, compliance with this policy does not relieve the District board from meeting the requirements of additional statutes, such as Brown Act requirements for gatherings that constitute meetings of the board of directors.

Violation of This Policy

Under state law, use of public resources or falsifying expense reports in violation of this policy may result in any or all of the following: 1) loss of reimbursement privileges, 2) a demand for restitution to the District, 3) the District's reporting the expenses as income to the elected official to state and federal tax authorities, 4) civil penalties of up to \$1,000 per day and three times the value of the resources used, 5) criminal prosecution for misuse of public resources, and 6) discipline in accordance with District policy and procedures, including termination of employment.

Policy Review

The Board of Directors shall review this policy at least annually at its October board meeting, and the staff shall prepare a report on its implementation for consideration by the board as part of the annual review.

Effective Date of Policy

This policy reflects and updates existing District policy and shall take effect immediately upon approval. This policy does not cover every possible circumstance and may be updated periodically with supplements or addenda added between major updates. Such supplements or addenda shall be attached to the policy and distributed to all affected public officials of the District. This policy may also be supplemented by administrative rules or practices, formal and informal, that supply additional details for day-to-day implementation. This policy does not preclude the adoption or encompass every policy adopted by the board affecting District employees or other District officials.

EXHIBIT "A"

GIFTS

Limitations

An official may not accept gifts from any single source Interested Party totaling more than \$300 in a calendar year.

Exceptions

The following are not subject to any gift limit and are not required to be disclosed on a statement of economic interests (Form 700):

1. Gifts which you return (unused) to the donor, or for which you reimburse the donor, within 30 days of receipt.
2. Gifts which you donate (unused) to a non-profit, tax-exempt (501(c)(3)) organization or a government agency within 30 days of receipt without claiming a deduction for tax purposes.
3. Gifts from your spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, aunt, uncle, niece, nephew, or first cousin or the spouse of any such person, unless he or she is acting as an agent or intermediary for another person who is the true source of the gift.
4. Gifts of hospitality involving food, drink or occasional lodging which you receive in an individual's home when the individual or a member of his or her family is present.
5. Gifts approximately equal in value exchanged between you and another individual on holidays, birthdays, or similar occasions.
6. Informational material provided to assist you in the performance of your official duties, including books, reports, pamphlets, calendars, periodicals, videotapes, or free or discounted admission to informational conferences or seminars.

"Informational material" may also include scale models, pictorial representations, maps, and other such items, provided that if the item's fair market value is more than \$300, you have the burden of demonstrating that the item is informational. In addition, on-site demonstrations, tours, or inspections designed specifically for public officials are considered informational material, but this exception does not apply to meals or to transportation to the site unless the transportation is not commercially available.
7. A bequest or inheritance.
8. Personalized plaques and trophies with an individual value of less than \$250.
9. Tickets to attend fund raisers for campaign committees or other candidates, and tickets to fundraisers for organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

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10. Free admission, refreshments, and similar non-cash nominal benefits provided to you at an event at which you give a speech, participate in a panel or seminar, or provide a similar service. Transportation within California, and any necessary lodging and subsistence provided directly in connection with the speech, panel, seminar, or service, are also not considered gifts. For outside of California, see Section 2 of Reportable Payments Not Subject to Limit below.
11. Passes or tickets which provide admission or access to facilities, goods, services, or other benefits (either on a onetime or repeated basis) that you do not use and do not give to another person
12. Gifts provided directly to members of your family unless you receive direct benefit from the gift or you exercise discretion and control over the use or disposition of the gift. (Note: In most cases, the full amount of a gift made to you and your spouse must be counted for purposes of disclosure and the gift limits. However, see the discussion below.)
13. Gifts provided to the District. This may include passes or tickets to facilities, goods, or services, travel payments, and other benefits. However, certain conditions must be met before a gift received by an official through his or her agency would not be considered a gift to the official. Contact the California Fair Political Practices Commission ("FPPC") for detailed information.
14. Generally, payments made by a third party to co-sponsor an event that is principally legislative, governmental or charitable in nature. Payments made by a single source totaling \$5,000 or more in a calendar year for this type of event must be reported if the payments are made at the behest of (at the request of, or in consultation or coordination with) an elected official. The report must be made to the elected official's agency, and then forwarded to the office that maintains the elected official's campaign disclosure statements.
15. Food, shelter, or similar assistance received in connection with a disaster relief program. The benefits must be received from a governmental agency or charity (501 (c)(3)) and must be available to the general public.

Reportable Gifts Not Subject to Limits

The following exceptions are also applicable to gifts, but you may be required to report these items on a statement of economic interests and they can subject you to disqualification:

1. Certain payments for transportation, lodging, and subsistence are not subject to gift limits but may be reportable. Travel payments are discussed below.
2. Wedding gifts are not subject to the gift limit but are reportable. For purposes of valuing wedding gifts, one-half of the value of each gift is attributable to each spouse, unless the gift is intended exclusively for the use and enjoyment of one spouse, in which case the entire value of the gift is attributable to that individual.

3. A prize or award received in a bona fide competition not related to your official status is not subject to the gift limit, but must be reported as income if the value of the prize or award is \$250 or more.
4. Passes or tickets which provide admission or access to facilities, goods, services, or other benefits are reportable and subject to the gift limit if you use them or give them to another person.
 - The value of a pass or ticket which provides one-time admission is the face value of the pass or ticket, or the price which would be offered to the general public.
 - The value of a pass or ticket which provides repeated admission or access to facilities, goods, services, or other benefits is the fair market value of your actual use of the pass or ticket, including guests who accompany you and who are admitted with the pass or ticket, plus the fair market value of any possible use by any person to whom you transfer the privilege or use of the pass or tickets.

HONORARIA

The Prohibition

An official may not accept honoraria payments.

What is an "Honorarium"?

An "honorarium" is any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

A "speech given" means a public address, oration, or other form of oral presentation, including participation on a panel, seminar, or debate.

An "article published" means a nonfictional written work: 1) that is produced in connection with any activity other than the practice of a bona fide business, trade, or profession; and 2) that is published in a periodical, journal, newspaper, newsletter, magazine, pamphlet, or similar publication.

"Attendance" means being present during, making an appearance at, or serving as host or master of ceremonies for any public or private conference, convention, meeting, social event, meal, or like gathering.

Exceptions

There are certain exceptions to the prohibition on honoraria. The payments described below are not prohibited and are not required to be disclosed on a statement of economic interests (Form 700):

1. An honorarium which you return (unused) to the donor or the donor's agent or intermediary within 30 days.

2. An honorarium which is delivered to your government agency within 30 days for donation to the agency's general fund or equivalent account for which you do not claim a deduction for income tax purposes.
3. A payment which is not delivered to you but is made directly to a bona fide charitable, educational, civic, religious, or similar tax-exempt, non-profit organization. However:
 - You may not make the donation a condition for your speech, article, or attendance;
 - You may not claim the donation as a deduction for income tax purposes;
 - You may not be identified to the non-profit organization in connection with the donation; and
 - The donation may have no reasonably foreseeable financial effect on you or on any member of your immediate family.
4. A payment received from your spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person. However, a payment which would be considered an honorarium is prohibited if one of these persons is acting as an agent or intermediary for someone else.
5. Items 6, 8, and 10 under Exceptions to the definition of gift indicated on pages 1 and 2 hereof.

Honoraria Exceptions Which May Be Reportable

The following payments are not considered "honoraria" but may be reportable and can subject a public official to disqualification:

1. Payments received for a comedic, dramatic, musical, or other similar artistic performance, and payments received for the publication of books, plays, or screenplays. However, such payments are reportable income.
2. Income earned for your personal services if the services are provided in connection with a bona fide business, trade, or profession such as teaching, practicing law, medicine, insurance, real estate, banking, or building contracting and the services are customarily provided in connection with the business, trade, or profession.

This exception does not apply if the sole or predominant activity of the business, trade, or profession is making speeches. In addition, you must meet certain criteria to establish that you are practicing a bona fide business, trade, or profession (such as maintenance of business records, licensure, proof of teaching post) before a payment received for personal services which may meet the definition of honorarium would be considered earned income and not an honorarium.

Earned income is required to be reported. Contact the FPPC for detailed information.

3. Free admission, food, beverages, and other non-cash nominal benefits provided to you at any public or private conference, convention, meeting, social event, meal, or similar gathering,

whether or not you provide any substantive service at the event. Although these items are not considered honoraria, they may be reportable gifts and subject to the gift limit.

4. Certain payments for transportation, lodging, and subsistence are not considered honoraria, but may be reportable and subject to the gift limit. Travel payments are discussed below.

Travel Payments

There are certain exceptions to the gift limit and honoraria prohibition for certain types of travel payments.

The term "travel payment" includes payments, advances, or reimbursements for travel, including actual transportation and related lodging and subsistence.

Exceptions Not Subject to Limits or Reporting

The following types of travel payments are not subject to any limit and are not reportable on a statement of economic interests:

1. Transportation within California provided to you directly in connection with an event at which you give a speech, participate in a panel or seminar, or provide a similar service.
2. Free admission, refreshments, and similar non-cash nominal benefits provided to you during the entire event (inside or outside California) at which you give a speech, participate in a panel or seminar, or provide a similar service.
3. Necessary lodging and subsistence (inside or outside California), including meals and beverages, provided to you directly in connection with an event at which you give a speech, participate in a panel or seminar, or provide a similar service. However, in most cases, the exclusion for meals and beverages is limited to those provided on the day of the activity.
4. Travel payments provided to you by the District or by any state, local, or federal government agency which would be considered income and not a gift (i.e., payments for which you provide equal or greater consideration).
5. Reimbursements for travel expenses provided to you by a bona fide non-profit, tax-exempt (501(c)(3)) entity for which you provide equal or greater consideration.
6. Travel payments provided to you directly in connection with campaign activities. However, these payments must be reported in accordance with the campaign disclosure provisions of the Act.
7. Any payment which is excluded from the definition of "gift" as described earlier in this fact sheet.

Reportable Payments Not Subject to Limit

The following travel payments are not subject to the gift limit but may be reportable on a statement of economic interests (Form 700, Schedule F):

1. Travel which is reasonably necessary in connection with a bona fide business, trade, or profession, and which satisfies the criteria for federal income tax deductions for business expenses specified in Sections 162 and 274 of the Internal Revenue Code. For reporting purposes, these travel payments would be considered part of the salary, wages, and other income received from the business entity and would be reported on Schedule C of Form 700.
2. Travel within the United States which is reasonably related to a legislative or governmental purpose or to an issue of state, national, or international public policy in connection with an event at which you give a speech, participate in a panel or seminar or provide a similar service. Lodging and subsistence expenses in this case are limited to the day immediately preceding, the day of, and the day immediately following the speech, panel, or other service.

Note that this exception is different than travel payments described earlier. Under the circumstances described in this paragraph, transportation outside California but within the United States is not subject to the \$300 gift limit but is reportable and can subject a public official to disqualification. On the other hand, transportation inside California in connection with a speech is neither limited nor reportable.

In addition, the lodging and subsistence payments described in this paragraph can be provided both the day before and the day after a speech without being subject to the \$300 limit. However, lodging and subsistence payments *are reportable* unless they are received directly in connection with the event.

3. Travel not in connection with giving a speech, participating in a panel, or seminar or providing a similar service but which is reasonably related to a legislative or governmental purpose or to an issue of state, national, or international public policy and which is provided by:
 - A government, governmental agency, foreign government, or government authority;
 - A bona fide public or private educational institution defined in Section 203 of the Revenue and Taxation Code;
 - A nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; or
 - A foreign organization that substantially satisfies the requirements for tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

TAB 6

PANOCHÉ WATER DISTRICT

EMPLOYEE HANDBOOK

SEPTEMBER 2016

This Employee Handbook is effective September 2016. It replaces and supersedes all prior Panoche Water District Handbooks.

Revised 12-13-2016

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PANOCHÉ WATER DISTRICT

EMPLOYEE HANDBOOK

SEPTEMBER 2016

This Employee Handbook is effective September 2016. It replaces and supersedes all prior Panoche Water District Handbooks.

Revised 12-13-2016

I.

EMPLOYMENT AT PANOCHÉ WATER DISTRICT

A. ABOUT PANOCHÉ WATER DISTRICT

Welcome to Panoche Water District!

Panoche Water District (or "District") serves approximately 38,000 acres in and around Firebaugh. The District receives water from the Central Valley Project via the Delta Mendota Canal and the San Luis Canal. It is continually making improvements to reduce water losses and increase water delivery reliability and flexibility, improve drainage water management, and implement policies that promote efficient water use.

Congratulations on becoming part of our team!

B. INTRODUCTION

This Panoche Water District Employee Handbook ("Handbook") is intended to provide you with an overview of Panoche Water District policies and practices. No employee handbook can anticipate every circumstance or question about policy, and the District may adopt formal or administrative policies with additional detail at any time. Such additional policies or policy statements applicable to District employees may be separately provided to supplement the Handbook. Therefore, please do not hesitate to ask your supervisor, the Office Manager, Human Resources, or the General Manager for clarification of any of the policies contained in this Handbook.

Please note that Panoche Water District may revise, supplement, and/or rescind any of the policies contained in this Handbook as necessary, at its sole and absolute discretion. Employees will be notified of all revisions and updates to the Handbook.

This Handbook applies to all employees and supersedes any previous Handbook or unwritten policies. You must read, understand, and comply with all provisions of the Handbook, as it describes many of your responsibilities as an employee and outlines the programs developed by Panoche Water District to benefit employees.

This Handbook does not create a contract, express or implied. No oral statements or representations can alter the provisions of this Handbook.

This Handbook is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

C. SERVICE POLICY

The District's goal is to leave a positive, lasting impression with the public we serve. We accomplish this through caring and professional employees who strive to provide exceptional service.

What we say to the public and how we say it are the basic building blocks of exceptional service. This requires a committed, team approach. We are all expected to accommodate requests and needs as they arise. The primary tools in accomplishing this are knowledge of your job, the services we provide, and your attitude when delivering that knowledge and service. Remember to always interact with the public in the most pleasant and efficient manner.

The public is interested in courteous, prompt service. If problems or difficulties with the public arise, communicate directly with Human Resources, who will work with you to resolve them.

D. EMPLOYEE RELATIONS

This Handbook outlines our expectations of you as an employee. We also want you to know what you can expect of us. We strongly believe that the working conditions, wages and benefits we offer to you are competitive with those offered by similar public sector employers. If you have concerns about working conditions or compensation, you are encouraged to voice these concerns openly and directly with Human Resources. Our experience has shown that when employees deal openly and directly with one another, the work environment can be excellent, communications can be clear, and attitudes can be positive. Open communication is a "two-way street," so speak with us if you have *any* concerns or need questions answered.

E. STATEMENT OF AT-WILL EMPLOYMENT STATUS

Nothing in this Handbook (or any other document) should be construed as a guarantee of long-term employment, or of employment for any particular length of time. In fact, either the employee or the District may terminate the employment relationship at will, for no reason at all, and at any time. This is what is referred to as "at-will" employment. This provision is applicable to all employees of Panoche Water District.

No one has authority to enter into an agreement on behalf of Panoche Water District for employment contrary to the policy of at-will employment. It would take action by the Board of Directors, if the District decided to offer an employment agreement for a specified period of time; any such agreement would have to be in writing and signed by both the affected employee (or the employee's representative) and the District representative authorized to sign by the Board of Directors.

This policy is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

F. EQUAL EMPLOYMENT OPPORTUNITY

Panoche Water District is an equal employment opportunity employer. Panoche Water District will not discriminate against qualified applicants or employees with respect to any terms or conditions of employment based on race, color, national origin, ancestry,

citizenship, religion (including religious dress and religious grooming), age, sex (including pregnancy, perceived pregnancy, childbirth, breastfeeding, or related medical conditions), physical or mental disability, legally protected medical condition or information, genetic information, marital status, registered domestic partner status, gender, gender identity or expression, sexual orientation, military or veteran status, primary language, immigration status, or any other characteristic protected by state or federal law, or local ordinance.

Panoche Water District will reasonably accommodate employees and applicants, as required by law, if they are otherwise qualified to safely perform all of the essential functions of the position, unless undue hardship would result. This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

Any applicant or employee who requires an accommodation should contact Human Resources and request such an accommodation. Panoche Water District and the applicant or employee will engage in an interactive process to identify and evaluate possible accommodations. If an accommodation is identified that is reasonable and will not impose an undue hardship, Panoche Water District will make the accommodation. Panoche Water District will not unlawfully retaliate against any employee or applicant who requests an accommodation regardless of whether the request is granted.

G. IMMIGRATION LAW COMPLIANCE

Panoche Water District is committed to full compliance with federal immigration laws, and will not unlawfully discriminate on the basis of citizenship, national origin or immigration status. All offers of employment are contingent on verification of the right to work in the United States. In compliance with the Immigration Reform and Control Act of 1986, each new employee, as a condition of employment, must complete the Employment Eligibility Verification Form I-9 no later than the employee's first day of employment, and present documentation establishing identity and employment eligibility within three business days of the date employment begins. Former employees who are rehired must also complete the form if they have not completed an I-9 with Panoche Water District within the past three years, if their previous work authorization has expired, or if their previous I-9 is no longer retained or valid. Employees may raise questions or complaints about immigration law compliance without fear of reprisal by Panoche Water District.

H. BACKGROUND CHECKS

Once an offer of employment has been made but prior to commencement of employment, the District will require applicants in specific job classifications to undergo a pre-employment medical examination paid for by the District. The sole purpose of the pre-employment medical examination is to determine if the employee can perform the duties of the job, with or without reasonable accommodation.

All applicants for employment who have received a conditional offer of employment must receive a criminal record clearance and past employment verification as a

condition to, and prior to commencement of employment. As a condition of, and prior to commencement of employment, all final candidates for employment must obtain fingerprint clearance via Live Scan. Fingerprinting is coordinated through Human Resources. Once hired, District employees have an ongoing obligation to immediately advise the District of any subsequent criminal conviction, other than a minor traffic violation. Disclosure of a subsequent conviction will not, in and of itself, constitute grounds for termination of employment.

Failure to comply with this policy in any way, at any time, shall constitute grounds for immediate termination of employment.

I. WHISTLEBLOWER POLICY

The District requires all employees and Board members to maintain high standards of ethical conduct at all times. As representatives of the District, employees must practice honesty and integrity in fulfilling their responsibilities and complying with all applicable laws and regulations. The District is committed to maintaining a workplace where employees feel free to raise questions and concerns, such as a suggestion for improving a procedure, a concern about legal compliance, or an issue of ethics. It is the intent of the District to adhere to all laws and regulations that apply to the District and the underlying purpose of this policy is to support the District's goal of legal compliance.

The purpose of this policy is to establish policies and procedures to prevent or detect and correct improper activities; encourage each Board member, Officer, Director, volunteer, and employee to report what he or she in good faith reasonably believes to be a violation of law; and to protect reporting individuals from retaliatory action.

A "whistleblower" is an employee who discloses information to a government or law enforcement agency, the General Manager, Human Resources, a person with authority over the employee, or to another employee with authority to investigate, discover, or correct the noncompliance; or who provides information to or testifies before a public body conducting an investigation, hearing, or inquiry. An employee is a "whistleblower" only if the employee has reasonable cause to believe the information discloses a violation of a state or federal statute, a violation or noncompliance with a local, state, or federal statute, rule, or regulation, or unsafe working conditions or work practices in the employee's employment or place of employment.

A "whistleblower" can also be an employee who refuses to participate in an activity that would result in a violation of or noncompliance with a local, state, or federal statute, rule, or regulation.

Reporting

If an employee has knowledge of or a reasonable belief that the District has engaged in any violations of state or federal statutes, rules, or regulations, or violations of fiduciary responsibility, the employee is to contact the General Manager or Human Resources. Concerns may be submitted anonymously. Because it is impossible to seek

additional information from a reporting individual about anonymous reports, it is essential that such reports contain as much specific information as possible.

Employees must exercise sound judgment to avoid baseless allegations. An employee who intentionally files a false report of wrongdoing will be subject to discipline, up to and including termination of employment.

An employee who has information regarding possible violations of state or federal statutes, rules, or regulations, or violations of fiduciary responsibility, may also call the California State Attorney General's Whistleblower Hotline at 1-800-952-5225. An employee may also report unsafe working conditions by calling the U.S. Department of Labor's Occupational Safety and Health Administration ("OSHA") at 1-800-321-6742.

No Retaliation

The District encourages disclosure of illegal or dishonest or fraudulent activity, and will not retaliate against an employee who is a whistleblower or who refuses to participate in illegal activities. Any whistleblower who believes he/she is being retaliated against must contact the General Manager or Human Resources.

Further, employees have the rights and remedies with regard to Federal grants or contracts of the District provided in 41 United States Code Section 4712. An employee may not be discharged, demoted or otherwise discriminated against as a reprisal for disclosing information that the employee reasonably believes is evidence of gross mismanagement of a Federal contract or grant, a gross waste of Federal funds, an abuse of authority relating to a Federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule or regulation related to a Federal contract (including the competition for or negotiation of a contract) or grant to a Member of Congress or a representative of a committee of Congress; an Inspector General, the Government Accountability Office, a Federal employee responsible for contract or grant oversight or management at the relevant agency; a court of grand jury or a management official or other employee who has responsibility to investigate, discover or address misconduct. If a person believes that the person has been subjected to a reprisal prohibited by this statute he may submit a complaint to the Inspector General of the Federal executive agency involved in the grant or contract and has the further rights and remedies provided under the statute.

Investigation and Confidentiality

All reports of illegal and dishonest activities will be promptly submitted to the General Manager or Human Resources who are responsible for investigating and coordinating corrective action. The whistleblower is not responsible for investigating the reported activity or for determining fault or corrective measures; the District and/or its designees are charged with these responsibilities. The District's board has the authority to retain outside legal counsel, accountants, private investigators or any other resources deemed necessary to conduct a full and complete investigation of the allegations. Subject to

legal constraints the complainant will receive information about the outcome of any investigations.

The District will safeguard the whistleblower's identity and privacy to the extent possible. However, the whistleblower's identity may have to be disclosed as necessary to conduct a thorough investigation, to comply with the law, and to provide accused individuals their legal rights of defense.

Employees with any questions regarding this policy should contact the General Manager or Human Resources.

II. EMPLOYEE CONDUCT

A. HARASSMENT, DISCRIMINATION AND RETALIATION PREVENTION POLICY

Panoche Water District is committed to providing a work environment that is free of unlawful discrimination, harassment, and retaliation. In keeping with this policy, Panoche Water District strictly prohibits discrimination and harassment of any kind, including discrimination and harassment on the basis of sex (including pregnancy, perceived pregnancy, childbirth, breastfeeding, or related medical conditions), race, color, national origin, ancestry, citizenship, age, religion (including religious dress and religious grooming), physical or mental disability, legally protected medical condition or information, genetic information, marital status, registered domestic partner status, gender, gender identity or expression, sexual orientation, military or veteran status, primary language, immigration status, or any other characteristic protected under Federal or State law or local ordinance. Panoche Water District strongly disapproves of, and will not tolerate, harassment and discrimination in any form.

Panoche Water District's harassment policy applies to all persons involved in the operation of Panoche Water District and prohibits unlawful discrimination and harassment by any employee of Panoche Water District, including supervisors, managers, co-workers, unpaid interns, volunteers, customers, suppliers, vendors, independent contractors, and others doing business with Panoche Water District. This policy prohibits unlawful discrimination and harassment in any form including verbal, physical and visual harassment. It also prohibits retaliation of any kind against individuals who file complaints or who assist in Panoche Water District's investigation of a discrimination or harassment complaint.

Abusive Conduct

Panoche Water District also prohibits abusive conduct in the workplace, which is conduct undertaken with malice that a reasonable person would find hostile, offensive, and unrelated to Panoche Water District's legitimate business interests. Abusive conduct may include repeated infliction of verbal abuse, such as the use of derogatory remarks, insults, and epithets, verbal or physical conduct that a reasonable person would find threatening, intimidating, or humiliating, or the gratuitous sabotage or undermining of a person's work performance.

Sexual Favoritism and Sex Stereotyping

The foregoing policy also prohibits discrimination and harassment in the form of sexual favoritism, which occurs when individuals are qualified for but are denied an employment opportunity or benefit because the person who received the employment opportunity or benefit submitted to sexual advances or requests. Favoritism or preferential treatment in the terms and conditions of employment on the basis of sexual conduct, sexual attraction, appearance, and/or physical characteristics or attributes is also prohibited.

This policy also prohibits harassment and discrimination in the form of sex stereotyping. As used in this policy, the term "sex stereotype" means an assumption about a person's appearance or behavior, or about an individual's ability or inability to perform certain kinds of work based on a myth, social expectation, or generalization about the individual's sex.

Harassment

Harassment is unwelcome verbal, visual, or physical conduct that creates an intimidating, offensive, or hostile working environment or that interferes with work performance. Such conduct constitutes harassment when submission to the conduct is made either an explicit or implicit condition of employment; or when submission to or rejection of the conduct is used as the basis for a decision about employment or a job performance evaluation, or when, as indicated above, the conduct creates an intimidating, hostile or offensive working environment. Examples of unlawful harassment include, but are not limited to:

- Verbal comments such as jokes, epithets, derogatory jokes or comments, slurs, negative stereotyping, and unwelcome remarks about an individual's body, color, physical characteristics, appearance, or talents, inappropriate references, questions or comments about a person's sexual practices, or patronizing terms or remarks;
- Physical acts such as physical interference with normal work, impeding or blocking movement, assault, unwelcome physical contact, leering, staring at a person's body, and threatening, intimidating or hostile acts that relate to a protected characteristic;
- Documents or objects such as offensive, derogatory, sexually oriented, or obscene photographs, calendars, posters, cards, cartoons, drawings and gestures, the display of sexually suggestive or lewd objects, e-mail, computer graphics or images, unwelcome notes or letters, and any other written or graphic material that denigrates or shows hostility or an aversion toward an individual because of a protected characteristic, that is placed on walls, bulletin boards, or elsewhere on Panoche Water District's premises or circulated in the workplace.

Sexually harassing conduct may be either "quid pro quo" or "hostile work environment" sexual harassment. "Quid pro quo" (Latin for "this for that") sexual harassment is characterized by explicit or implicit conditioning of a job or promotion on an applicant's or employee's submission to sexual advances or other conduct based on sex. "Hostile work environment" sexual harassment occurs when unwelcome comments or conduct based on sex unreasonably interfere with an employee's work performance or create an intimidating, hostile, or offensive work environment.

Sexual harassment includes harassment of women by men, of men by women, and same-sex, gender-based harassment.

Reporting and Investigating Harassment, Discrimination, and Retaliation

If you believe that the comments, gestures, or conduct of any co-worker, supervisor, manager, unpaid intern, volunteer, customer, vendor, supplier, independent contractor, or person doing business with or for Panoche Water District is harassing, discriminatory, retaliatory, or constitute misconduct in violation of this policy, you are required to immediately report the facts of the incident(s) to the Office Manager, or to the General Manager. Your report may be verbal or written and should include details of the incident(s), names of the individuals involved and names of any witnesses. Any manager, supervisor, or employee who receives a complaint or report of harassment, discrimination, or retaliation must immediately report such complaint to the Office Manager or General Manager so that the complaint can be investigated in a timely manner in accordance with this policy.

Our policy is to have a qualified individual timely conduct a fair, impartial and thorough investigation that provides all parties appropriate due process. At the conclusion of its investigation, Panoche Water District will evaluate, based on the evidence collected, whether unlawful discrimination, harassment, or retaliation occurred. The totality of the circumstances, including the nature of the conduct and the context in which it occurred, will be looked at in making reasonable conclusions. Panoche Water District will determine appropriate options for remedial actions and resolutions when necessary. Panoche Water District will, as promptly as possible, communicate its findings, and the remedial action (if any) to be taken, to the accused, the complainant, and, when appropriate, to other persons who are directly concerned. Panoche Water District will keep the complaint and investigation confidential to the extent possible.

If it determines that discrimination, harassment, or retaliation prohibited by this policy has occurred, Panoche Water District will take appropriate remedial action commensurate with the severity of the offense. This action may include disciplinary action against the offender up to and including termination of employment. Employees who engage in unlawful harassment can also be held personally liable for the misconduct. Steps will be taken by Panoche Water District, as necessary, to prevent any further discrimination, harassment, or retaliation. No individual will suffer any reprisals or retaliation for reporting, or making a complaint, or participating in any investigation of, any incidents of discrimination, harassment, retaliation or perceived discrimination, harassment, or retaliation.

Panoche Water District encourages all employees to immediately report any incidents of discrimination harassment, and/or retaliation forbidden by this policy so that complaints can be resolved promptly. You should also be aware that the Federal Equal Employment Opportunity Commission (EEOC) and the California Department of Fair Employment and Housing (DFEH) investigate and prosecute complaints of prohibited discrimination, harassment, and retaliation in employment. If you think that you have been discriminated against, harassed, or retaliated against for resisting such behavior or for complaining about it, or for participating in an investigation about a claim, you may file a complaint with the DFEH or EEOC. The nearest DFEH and EEOC branch offices are listed in the telephone book and can be found online. Also see Section 1.I on Whistleblower protections regarding Federal grants or contracts.

B. ETHICS

Employees are required to exercise sound and reasonable judgment in determining the proper ethical considerations that influence their decisions or actions as an employee.

Employees are required to conduct their personal affairs in a manner that does not adversely affect the District's or their own integrity, reputation or credibility. Illegal or immoral off-duty conduct by an employee that adversely affects the District's legitimate business interests or the employee's ability to perform his or her job may lead to disciplinary action.

1. Outside Work

Outside work may present a conflict of interest in some situations. For that reason, outside work may be prohibited in the General Manager's discretion, and will be permitted only in limited circumstances as follows:

- a) Outside work is performed during hours when the employee is not on duty at Panoche Water District; and
- b) Outside work does not conflict with the employee's job at Panoche Water District; and
- c) Outside work does not conflict with the employee's work schedule, duties and responsibilities at the District; and
- d) Employee's work performance at Panoche Water District is not negatively affected; and
- e) Outside work does not create a conflict of interest, or an appearance of conflict, between Panoche Water District's interests and a third party's.

Employees who wish to engage in additional employment that may create a real or apparent conflict of interest must submit a written request to Panoche Water District explaining the details of the additional employment. If the additional employment is authorized, Panoche Water District assumes no responsibility for it. Panoche Water District shall not provide workers' compensation coverage or any other benefit for

injuries occurring from or arising out of additional employment. Authorization to engage in additional employment can be revoked at any time.

2. Gifts or Favors

All employees are strictly prohibited from accepting any gifts or cash gratuities from anyone doing business with, or for, Panoche Water District. Please discuss any proposed payment of expenses by such persons for business meals or trips with Human Resources in advance.

3. Personal Use of Panoche Water District Property

Equipment, materials or supplies owned or leased by Panoche Water District may not be used by Panoche Water District staff in conducting a business enterprise or for any activity for personal financial gain or benefit. Personal use of Panoche Water District property, not for financial gain or benefit, may be allowed only with prior authorization from the General Manager and Human Resources. Use of District funds or credit cards for personal use, even if subsequently reimbursed, is strictly prohibited. Violations may result in discipline up to and including termination of employment, and/or civil penalties or prosecution for misuse of public resources.

In addition, the following activities violate this policy and are therefore prohibited:

- Conducting personal business or engaging in work for another employer while at work at Panoche Water District.
- Using proprietary or confidential Panoche Water District information for personal gain or to Panoche Water District's detriment.
- Using Panoche Water District funds, resources, or labor for personal use
- Using one's position with Panoche Water District to gain beneficial treatment for personal purposes from any vendor or provider of services, such as stores, banks, etc.

C. PROHIBITED CONDUCT

To assure orderly operations and provide the best possible work environment, we require all employees to follow the rules of conduct listed below. It is, of course, not feasible to list all the forms of behavior that are considered unacceptable in the workplace. Accordingly, conduct that is unacceptable in Panoche Water District's opinion, whether specifically listed below or not, may result in discipline up to and including termination of employment.

- Provoking a fight, or fighting, threatening, or contributing to violence in the workplace or during work hours;
- Participating in horseplay or practical jokes while on duty or on District premises;

- Carrying firearms or any other dangerous weapons on District property or while on duty at any time, unless permitted by the District's firearms policy which permits the carrying or use of firearms while on duty **only** by employees specifically designated by the General Manager and who are fully trained and require the use of firearms to protect themselves from reptiles or large animals, or are engaged in authorized hazing birds or rodent or predator control, and only when other means of such protection or control are not effective or feasible. The use or possession of all other dangerous weapons is prohibited;
- Improper conduct leading to damage of District-owned or public property;
- Working under the influence of drugs or alcohol, or possession, distribution, or sale of drugs or alcohol, or any other violation of the Drug- and Alcohol-Free Workplace policy;
- Dishonesty in the performance of your job;
- Insubordination, including but not limited to failure or refusal to obey the orders or instructions of a supervisor, the Office Manager or the General Manager, or the use of abusive or threatening language toward a supervisor or member of management;
- Violation of health and safety rules;
- Unlawful discrimination, harassment, or retaliation;
- Viewing or distributing any sexually inappropriate or otherwise offensive material(s) while on duty or on District property;
- Possession of dangerous or unauthorized material while on duty or on District property;
- Theft or inappropriate removal or possession of Panoche Water District property;
- Deliberate or careless damage or destruction of District property, or the property of any employee, vendor, or customer;
- Making false statements to secure employment;
- Falsification of timekeeping records, employment records, or other District records;
- Recording the work time of another employee or allowing any other employee to record your work time, or falsifying any time card, either your own or another employee's;
- Using abusive language or engaging in abusive conduct at any time on District premises which a reasonable person would find hostile, offensive, and unrelated to Panoche Water District's legitimate business interests;
- Inappropriate discussion of District business or confidential information;

- Excessive absenteeism or any absence without notice; legally protected absences excluded from this policy;
- Unauthorized absence from work during the workday; legally protected absences excluded from this policy;
- Failing to notify a supervisor, the Office Manager or the General Manager when unable to report to work; legally protected absences excluded from this policy;
- Failing to work cooperatively with co-workers, supervisors, and the public;
- Unauthorized use of telephones, fax machines, mail system, copiers, computers, or other District-owned equipment, time, materials, or facilities;
- Operating a District-owned vehicle without the required insurance and/or license;
- Violation of personnel policies or unsatisfactory performance or conduct;
- Failing to observe working schedules;
- Failing to provide a health care provider's medical certification when requested or required to do so;
- Sleeping or malingering on the job;
- Making or accepting personal telephone calls, including cell phone calls, for an unreasonable length of time during working hours, except in cases of emergency;
- Working overtime without authorization or refusing to work assigned overtime;
- Wearing disturbing, unprofessional or inappropriate styles of dress or hair while working; or
- Breach of ethics
- Any other conduct prohibited by law or these rules.

This list is intended to be representative of the types of activities that may result in disciplinary action. It is not intended to be comprehensive. The General Manager retains the discretion to terminate an employee without first providing a warning or suspension. The General Manager also retains the right to place an employee on suspension either as a form of discipline or in order to allow time to conduct an investigation.

This policy is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

D. BOOTS & TOOLS

For employees requiring work boots, the Office Manager will provide a purchase order for purchase at a pre-approved location; provided, the cost of boots is not to exceed \$150.00 per year. Panoche Water District also provides a basic set of tools for each field employee who requires them. Employees are required to keep their tools intact and in good condition at all times.

When an employee's employment terminates voluntarily or involuntarily, the employee must return any and all tools received. Employees may be asked to sign an agreement that verifies their responsibility for any tools that they are furnished.

E. CARE AND RETURN OF PANOCHÉ WATER DISTRICT PROPERTY

District-provided desks, computers, vehicles, cellular phones, tablets, tools, equipment and any other Panoche Water District property must be kept clean and are to be used only for work-related purposes. Panoche Water District reserves the right to inspect all District property to ensure that it is being properly maintained; such inspection may be made without providing advance notice to the employee, and may be done in the employee's absence.

You are responsible for items in your possession and control that have been issued to you by Panoche Water District. Such items may include, but are not limited to the following: keys, manuals, protective equipment, uniforms, vehicles, identification badges, credit cards, written materials, computers, and cellular phones and tools.

You must return all District property immediately upon request or upon termination of employment. District property may not be removed from the premises without first obtaining prior authorization from Human Resources.

F. HOUSEKEEPING

All employees are required to keep their work areas clean and organized. Individuals who use common areas such as lunchrooms, locker rooms, and restrooms are expected to use them in such a way as to keep them sanitary and tidy. You are required to clean up after meals and to dispose of trash properly.

G. OFF-DUTY USE OF DISTRICT FACILITIES, PROPERTY, AND EQUIPMENT

Employees are prohibited from remaining on Panoche Water District premises or using District facilities while not on duty, unless approved by Human Resources. Employees are expressly prohibited from using District facilities, property, and/or equipment for personal use while on or off-duty.

H. PERSONAL APPEARANCE AND GROOMING

Work attire and grooming standards should reflect an efficient, orderly business. Acceptable attire will depend greatly on your position. Generally, due to the nature of

our services, it is acceptable to wear casual, comfortable clothes as long as your appearance is neat and well kept. Extreme styles that are distracting and do not conform to our acceptable dress codes are not permitted. Examples include midriff tops, sheer or cut-out tops, sleeveless shirts or tops, low cut tops, torn clothing, and pants that reveal underwear due to tightness, cut or cut-outs. We expect that you will use appropriate discretion regarding your attire. You are to dress in good taste and in accordance with the requirements of your position, including any health and safety requirements. If you have questions or need guidance about dress and appearance standards, please speak with Human Resources.

Human Resources and your supervisor may issue more specific guidelines concerning any exceptions to this policy. The District may make exceptions to this policy to reasonably accommodate an employee's religious belief or for other legitimate reasons.

I. CUSTOMER RELATIONS

Ours is a service business and we must all remember that the customer comes first. While the customer may not always be right, the customer is never wrong. Employees are required to be polite, courteous, prompt, and attentive to every customer. You should never regard a customer's question or concern as an interruption or annoyance. You are required to respond to inquiries from customers, whether in person or by telephone, promptly and professionally.

Never place a caller on hold for an extended period of time; direct incoming calls to the appropriate person and make sure that the call is received. All correspondence and documents should be neatly prepared and error-free; attention to detail and accuracy in our paperwork demonstrates your commitment to those with whom we do business.

You should never argue with a customer. If a problem develops or if you encounter a situation that you do not feel comfortable handling, please contact your supervisor or Human Resources immediately.

J. CONFLICT OF INTEREST POLICY

Employees are required to devote their best efforts to the interests of Panoche Water District and the conduct of its affairs. The District recognizes the rights of employees to engage in activities outside of their employment which are of a private nature and unrelated to District services. However, a policy of full disclosure will be followed to assess and prevent potential conflicts of interest from arising.

A conflict of interest exists when the employee's commitment or actions are divided between Panoche Water District's interests and those of another, such as a co-worker, another employer, or any recipient of Panoche Water District services. Both the fact and the appearance of a conflict of interest should be avoided. Personal or romantic involvement with a competitor, supplier, or subordinate employee of the District that impairs an employee's ability to exercise good judgment on behalf of the District may create an actual or potential conflict of interest. Employees who are unsure as to

whether a certain transaction, activity, or relationship constitutes a conflict of interest should discuss it with Human Resources.

If a conflict of interest is present or is potentially present, the employee will be required to disqualify himself or herself from making, participating in, or attempting to influence any District decision which will affect the employee's interests and those of relatives or friends. Once a conflict, potential conflict, or a situation where the appearance of conflict is identified, the District or its Board of Directors may withdraw the employee from involvement in any part of the process that would involve perpetuation of the situation.

Note that it is impossible to outline all possible or potential conflicts of interest or the appearance of such conflicts. All employees are required to exercise sound and reasonable judgment in determining whether a potential conflict, actual conflict or prospective conflict may exist which may have an influence on his or her decisions or actions as an employee of Panoche Water District, or which could give the appearance of conflict.

An employee involved in any of the types of relationships or situations described in this policy should immediately and fully disclose the relevant circumstances to Human Resources or the General Manager for a determination about whether an actual or potential conflict exists. If an actual or potential conflict is determined, Panoche Water District may take whatever corrective action appears appropriate according to the circumstances. Failure to disclose facts shall constitute grounds for disciplinary action.

K. CONFIDENTIALITY

All employees are required to give their undivided loyalty to Panoche Water District. This means all District employees must consistently and diligently maintain and uphold the highest standards of ethical conduct and loyalty in the pursuit and transaction of our business.

As an employee, it is very likely that you will have access to confidential information about customers and/or other employees. It is of utmost importance that you abide by the laws and code of ethics concerning confidentiality when dealing with this information.

1. Intellectual Property, Confidential And Proprietary Information, Trade Secrets, Use Of Panoche Water District's Name, Return Of Panoche Water District's Property.

During the course of employment, District employees will have access to, and become acquainted with, intellectual property, confidential and proprietary information that is or may be related to the present or future customers, and business practices of the District. Examples of intellectual property, confidential and proprietary information include the District's customer names, identity, and addresses; employee handbooks and internal policies; methodologies; and other proprietary information. All such intellectual property and confidential and proprietary information is the sole property of

Panoche Water District and it may not be used by any District employee for any purpose other than in the performance of employment for the District.

All work performed or developed by any employee while employed by the District is a "work for hire," and all work for hire and materials shall be owned and controlled exclusively by the District. All such work for hire is the confidential and proprietary information of the District.

Employees shall not assign, use or disclose any intellectual property, or confidential or proprietary information, during their employment with Panoche Water District or at any other time except as required in the course of performing their duties for the District. Panoche Water District will vigorously pursue all legal and equitable remedies to protect its intellectual property, confidential and proprietary information, and trade secrets.

2. Trade Secrets.

Panoche Water District's trade secrets include, but are not limited to, programs, formulas, patterns, processes, techniques and compilations of information, records, forms, specifications, and information concerning customers, products, technology, and business operations, work for hire, and include the examples of intellectual property and confidential and proprietary information given above. For purposes of this Handbook, such trade secrets may also include proprietary intellectual property or confidential information of a third party that the District is contractually obligated to protect from disclosure.

Employees shall not disclose any trade secrets, intellectual property, or confidential or proprietary information, directly or indirectly, or use them in any way, either during their employment or at any time thereafter, except as required in the course of employment with Panoche Water District. Employees are prohibited from using or disclosing Panoche Water District's trade secrets, intellectual property, or confidential or proprietary information, for any purpose except to promote the District's business.

3. Compliance With This Policy.

Our goal is to conduct our business in a manner that promotes loyalty to Panoche Water District and provides all employees with a successful, dynamic place to work, and to promote a team approach to business. Any violation of this policy will subject an employee to disciplinary action up to and including termination of employment.

This policy is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

L. VEHICLE OPERATION

The following policy applies to all employees operating a District-owned vehicle or personal vehicle for District-authorized business:

1. Licensing and Operation

All employees who operate a District-owned vehicle or a personal vehicle for District-authorized business must possess and maintain a valid California Driver's License and have an acceptable driving record. Panoche Water District maintains liability insurance coverage for all of its vehicles. In addition, all employees who operate a District-owned vehicle will be required to provide proof of valid insurance upon request. Failure to do so will result in the suspension of the employee's District driving privileges until such time as satisfactory proof of insurance can be provided.

In the event an employee's Driver's License is suspended or revoked, the employee shall immediately inform Human Resources and shall be prohibited from driving District vehicles. An employee who drives a District vehicle without a valid license will be subject to discipline, up to and including termination of employment.

Employees operating District-owned vehicles or authorized to use a personal vehicle for District-authorized business must observe all traffic rules and regulations at all times. All vehicles shall be equipped with seat belts/shoulder harnesses, which shall be worn by all vehicle occupants at all times. If an employee is cited for any violation of law, the employee will be responsible to pay any fines or penalties associated with the violation. Panoche Water District will not purchase radar detectors for employee-operated District vehicles.

Non-District employees or members of an employee's family are not allowed to ride as passengers in a District vehicle without prior approval by the supervisor, Office Manager, Human Resources, or the General Manager. Employees are prohibited from carrying hitchhikers or any unauthorized persons in vehicles.

2. Use and Care of Vehicles

Use of District-owned vehicles shall be for District-related purposes only. District-owned vehicles shall not be taken home without prior written or verbal approval of the General Manager. Additional information on permissible use of District vehicles is included in the vehicle use policy adopted by the Board of Directors from time to time.

All employees who are assigned or authorized to drive a District-owned vehicle are responsible for the following:

1. Assuring that the vehicle is kept up, maintained and serviced at locations and on schedules directed by the District. Recordation of mileage on fuel log;
2. Recordation of the vehicle number and/or vehicle license number on all gasoline charge slips and shop gas pump logs;
3. Exercising reasonable care and common sense in his/her driving habits;
4. Reporting all property damage and/or personal injuries immediately; and
5. Obeying traffic laws at all times.

All expenses associated with use of District-owned vehicles for business purposes will be paid by the District as required by law. Driving with excessive speed within or outside Panoche Water District boundaries is prohibited due to the safety of the employee and others around you. Please be considerate of Panoche Water District property and our neighboring farmers and drive so as not to create excess dust. For safety and liability reasons, the right-of-way is always given to others on private roads

When an employee is authorized to use a personal vehicle on District business, the employee will be reimbursed at the current Internal Revenue Service mileage reimbursement amount.

3. Accidents and Damages to Vehicles

Employees are required to report any accident to their supervisor, the Office Manager and/or Human Resources at the earliest possible opportunity but no later than twenty-four (24) hours after the incident occurs. All District vehicles have the proper accident forms in the glove box; however, all accidents must be reported to Human Resources to ensure that the necessary paperwork has been completed. Employees who are involved in accidents will be subject to post-accident drug and alcohol testing as stated in the District's Drug Testing policy in the Handbook. Employees who are involved in an accident may be subject to discipline, up to and including termination.

Employees must take precautions to prevent damage to the vehicle or its equipment caused by insufficient oil, water, air, etc. Employees should ascertain that the vehicle has sufficient fluids and tire pressure as necessary and that the vehicle is clean, equipped, and safe to use.

M. MAINTAINING VALID LICENSE TO OPERATE DISTRICT VEHICLES & EQUIPMENT

If your job description specifies that you must drive a vehicle or operate specialized equipment to perform the functions of your job, you must possess and maintain a valid California Driver's License of the appropriate class. You must also be insurable as determined by Panoche Water District's insurance carrier's requirements for continued employment with the District. New employees will be placed in the DMV's Driver Record Information Program prior to employment. All employees will be informed of the program guidelines and standards and will acknowledge reading them by signing a statement attesting to that fact. Panoche Water District will follow the eligibility standards imposed by its insurance carrier. The insurance carrier determination at any time that an employee is uninsurable is a ground for dismissal.

N. PARKING

Employees may park their personal vehicles in designated areas on Panoche Water District property, if space permits. If parking is not available, employees must park their personal vehicles in permissible public areas in the vicinity of Panoche Water District property. Employees may not use parking areas specifically designated for customers, vendors, District vehicles, or management employees. Panoche Water

District is not responsible for any loss or damage to employee vehicles or their contents while parked on Panoche Water District property.

In addition, employees may not park within thirty (30) feet of the gas tanks located on the Panoche Water District and SJRIP premises. This is for your own safety, and the safety of others.

O. GATES

At the conclusion of the workday, the last individual to leave the premises is required to make sure that all gates are locked and properly secured, including the gate that is located behind the main office.

P. SECURITY INSPECTIONS

It is our goal to maintain a work environment that is free of illegal activities, including the possession of drugs, alcohol, firearms (except as excepted from the Handbook section on "Prohibited Conduct" of employees), explosives, or other improper materials. To this end, the possession, transfer, sale, or use of such materials on Panoche Water District premises is strictly prohibited. We ask for your cooperation in administering this policy. Desks, computers, cell phones, tablets, and vehicles may be provided for your convenience, but remain the sole property of Panoche Water District. Accordingly, any District-issued property as well as any articles found within them are subject to inspection by any agent or authorized representative of Panoche Water District at any time with or without prior notice.

Q. ELECTRONIC COMMUNICATIONS

Panoche Water District maintains various "Electronic Communication Systems" that are used in the course of its operations. These systems include computers (including desktop units, laptops, portable servers, local area networks, wide-area networks, printers, software); telephone, video, fax, recording equipment, and other portable communication devices; Internet tools and access (e.g., e-mail including access to message boards and blogs); voice mail; and imaging systems, copiers, cameras, and scanners.

Panoche Water District's Electronic Communication Systems, including the equipment and the data stored therein, are and remain at all times the property of Panoche Water District. As such, all messages created, sent, received, or stored on these various systems, as well as all information and materials downloaded to Panoche Water District computers, or transmitted through District systems are and will remain the property of Panoche Water District. Use of an employee's personal computer or electronic devices for District business is prohibited without express written authorization from Panoche Water District Human Resources, or the Office Manager or District Manager. Additionally, any District data stored on an employee's personal computer or other device shall be the property of the District and subject to delivery upon request.

For employees authorized to perform District work from home, any Electronic Communication Systems device provided by the District must be used for District-related purposes only and may not be used for personal or any other use that does not serve the District's needs. Requests to work from home must be approved by the General Manager based on the needs of the District.

Panoche Water District's information technology resources may be used only for legitimate business-related communications, and may not be used for personal or any other use that is non-work related, or that does not serve the District's needs. While it is not possible to identify every standard and rule applicable to the use of electronic communication devices, messages, communications and downloaded data may not contain content that may reasonably be considered hostile, harassing, offensive, abusive, pornographic, or disruptive to any employee, and unrelated to Panoche Water District's legitimate business interests. Offensive content would include, but would not be limited to, sexual comments or images, racial slurs, gender-specific comments, or any comments that would offend someone on the basis of his or her race, color, age, sex, gender, gender identity, gender expression, marital status, sexual orientation, religious or political beliefs, national origin, ancestry, physical or mental disability, medical condition, pregnancy, genetic characteristic, or military or veteran status.

In addition, Panoche Water District's computer network and Electronic Communications Systems must not be used to transmit copyrighted materials that belong to entities other than Panoche Water District. All employees who obtain access to other companies' or individuals' materials must respect all copyright laws and therefore may not copy, retrieve, duplicate, modify, or forward copyrighted materials, except with express permission of the copyright holder or as a single copy for reference purposes only.

The following policy guidelines relate to any communications made using any of the components of Panoche Water District's Electronic Communication Systems.

- Generally, employees may only use Panoche Water District's electronic communications systems during their regularly scheduled work hours. After hours use is permitted only for purposes directly related to work.
- No employee shall have any expectation of privacy regarding the content of electronic communications made using Panoche Water District's Electronic Communication Systems. Panoche Water District reserves the right to retrieve and review any messages and/or materials that are composed, sent, transmitted, received, or downloaded on district systems. Please note that even when a message is deleted or erased, it is still possible to recreate that message; therefore, ultimate privacy of messages cannot be guaranteed to anyone. While electronic mail and various websites may accommodate the use of passwords for security purposes, confidentiality cannot be guaranteed. All electronic communication systems are subject to regular monitoring, and employees should therefore have no expectation of privacy in connection with the creation, transmission, receipt, or storage of data via Panoche Water District's information technology resources.

- In using the Electronic Communication Systems, employees shall comply with all District regulations and shall behave in a lawful, ethical, professional manner (e.g. insulting, offensive, and/or obscene language is not acceptable).
- All Electronic Communication Systems passwords and encryption keys must be made available to Panoche Water District Human Resources. Any changes in passwords must be reported to Human Resources. The District retains the right to override personal passwords at any time.
- Employees shall make every effort to protect the confidentiality of information placed in their control, minimize the likelihood of accidental transmission of such information, prevent unauthorized individuals from accessing the Electronic Communication Systems, and prevent the introduction and spread of computer viruses. Employees shall obtain permission from Human Resources before installing, downloading, or removing any software from any of Panoche Water District's computers. Employees may not install personal software on the District's computer system.
- Employees shall treat all information as confidential if that information is possibly personal (e.g., medical or personnel records) or private (e.g., financial information), or if it could potentially expose Panoche Water District to liability if released. Additionally, employees should be aware that internal and external e-mail messages are considered business records and may be subject to discovery in the event of litigation, or may be subject to public inspection or disclosure by means of a public records request.
- When dealing with confidential information, employees shall minimize the use of e-mail and maximize the use of alternative communication media (e.g., fax or telephone). Generally speaking, only people who have a need to know confidential information will constitute authorized recipients.
- No employee shall attempt to disguise the origin of e-mail.
- No employee shall access another employee's e-mail unless first authorized to do so by Human Resources.

Any information about Panoche Water District, its products or services, or other types of information that will appear in the electronic media about the District must be approved by the General Manager before the information is placed on an electronic information resource that is accessible to others.

Questions about access to electronic communications or issues relating to security should be addressed to Human Resources.

Violation of this policy is grounds for discipline up to, and including, termination of employment.

This policy is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

R. SOCIAL MEDIA

At Panoche Water District, we understand that social media can be a fun and rewarding way to share an employee's life and opinions with family, friends, and co-workers around the world. However, use of social media also presents certain risks and carries with it certain responsibilities. To assist employees in making responsible decisions about use of social media, Panoche Water District has established these guidelines for appropriate use of social media. This policy applies to all employees who work for Panoche Water District.

1. Guidelines

In the rapidly expanding world of electronic communication, "social media" can mean many things. "Social media" includes all means of communicating or posting information or content of any sort on the Internet, including to an employee's own or someone else's web log or blog, journal or diary, personal website, social networking or affinity website, web bulletin board, or a chat room, whether or not associated or affiliated with Panoche Water District, as well as any other form of electronic communication.

The same principles and guidelines found in the Panoche Water District Handbook and policies apply to an employee's activities online. Ultimately, the employee is solely responsible for what the employee posts online. Before creating online content, employees should consider some of the risks and rewards that are involved. Any employee conduct that adversely affects the employee's job performance, the performance of fellow employees, or otherwise affects Panoche Water District's legitimate business interests may result in disciplinary action up to and including termination of employment.

2. Know and Follow the Rules

Employees should carefully read these guidelines, along with the Panoche Water District policies on Harassment, Discrimination and Retaliation Prevention, Employee Conduct and Work Rules, Ethics, Code of Conduct, and Electronic Communications. All postings must comply with Panoche Water District policies. Inappropriate postings that may include discriminatory remarks, harassment, and threats of violence or similar inappropriate or unlawful or abusive conduct which a reasonable person would find hostile, offensive, and unrelated to Panoche Water District's legitimate business interests will not be tolerated and may subject the employee to disciplinary action up to and including termination of employment.

3. Be Respectful

Employees must always be fair and courteous to co-workers and others who work with or on behalf of Panoche Water District. Work-related complaints are more likely to be resolved by speaking directly with co-workers or by utilizing the Problem Solving/Grievances policy than by posting complaints to a social media outlet. Nevertheless, an employee who decides to post complaints or criticism must avoid using statements, photographs, video or audio that reasonably could be viewed as malicious, obscene, threatening, or intimidating, that disparage co-workers, or that might constitute harassment or bullying. Examples of such conduct might include offensive posts meant to intentionally harm someone's reputation or posts that could contribute to a hostile work environment on the basis of race, sex, disability, religion, or any other status protected by law or Panoche Water District policy.

4. Be Honest and Accurate

Employees are required to be honest and accurate when posting information or news, and if an employee makes a mistake, he or she must correct it quickly. The Internet archives almost everything; therefore, even deleted postings can be searched. Employees must never post any information or rumors that are false about Panoche Water District, co-workers, or others working with or on behalf of Panoche Water District.

5. Post Only Appropriate and Respectful Content

- Employees must maintain the confidentiality of Panoche Water District confidential information, and may not post confidential internal reports, policies, procedures, or other internal confidential communications.
- Employees may not create a link from their blog, website, or other social networking site to a Panoche Water District website without identifying themselves as a Panoche Water District employee and obtaining permission from Human Resources.
- Employees are prohibited from representing themselves as a spokesperson for Panoche Water District unless authorized to do so by the General Manager or President. If Panoche Water District is a subject of the content an employee is creating, the employee must be clear and open about the fact that the content is posted by an employee and that the employee's views do not represent those of Panoche Water District, co-workers, or others working with or on behalf of Panoche Water District. If an employee publishes a blog or post online related to the work performed by the employee or subjects associated with Panoche Water District, employees must make it clear that they are not speaking on behalf of Panoche Water District, and should include a disclaimer, such as, "The postings on this site are my own and do not necessarily reflect the views of Panoche Water District."

6. Using social media at work

Employees must refrain from using social media while on work time or on equipment provided by Panoche Water District, unless it is work-related as authorized by a manager or consistent with Panoche Water District's policies. Employees may not use Panoche Water District e-mail addresses to register on social networks, blogs, or other online tools utilized for personal use.

7. Retaliation is prohibited

Panoche Water District prohibits taking negative action against any employee for reporting a possible violation of this policy or for cooperating in an investigation (also see Handbook sections under "Whistleblower Policy." Any employee who retaliates against another employee for reporting a possible violation of this policy or for cooperating in an investigation will be subject to disciplinary action, up to and including termination of employment.

8. Media contacts

Employees should not speak to the media on Panoche Water District's behalf without contacting the General Manager or President of the Board of Directors. All media inquiries should be directed to the General Manager or President of the Board of Directors.

9. For more information

Any questions about this policy should be directed to Human Resources.

This policy is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

S. CELL PHONE USE

Panoche Water District provides cell phones to employees to increase communication for those employees who frequently work outside the office. Employees are required to have their Panoche Water District-issued cell phones turned on and are expected to be available to respond to calls or e-mails during working hours. District-issued cell phones are provided for District-related purposes. Reasonable, minor and limited personal use of District-issued cell phones or personal cell phones is permitted to the extent the personal use does not interfere with or disrupt District work or activities.

Panoche Water District will pay for all business related use of the District-provided cell phone. Employees are subject to discipline up to and including termination if they unreasonably use their District cell phone for personal calls or texts. The District may also seek reimbursement for charges associated with personal use of a District-issued cell phone.

Prohibition on Text Messaging and Using Electronic Equipment While Driving. California law makes it illegal to use a wireless telephone while operating a motor vehicle unless the driver is using a hands-free device. In the interest of safety, employees are prohibited from using cell phones for any purpose, including calling into the office while operating a vehicle. Employees who choose to make or receive calls while traveling are required to use a hands-free device and pull safely off the road to make or receive calls, or check voice-mail or e-mail messages. Text messaging while driving is prohibited.

Employees are not permitted to use personal cell phones that contain a camera in any area that Panoche Water District has designated as a secure area.

This policy is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

T. SMOKING

California law prohibits smoking in the workplace. For health and safety considerations, employees are discouraged from smoking. Panoche Water District prohibits smoking, the use of all tobacco products, and the use of e-cigarettes or other vaping instruments on District premises, including offices, break/lunch rooms, meter shop, drain data room, chemical storage room, and the records room. Smoking, using tobacco products or e-cigarettes, and vaping while in a Panoche Water District vehicle or while fueling a vehicle at the Panoche Water District gas/diesel pump is prohibited.

If you wish to smoke, use tobacco products or e-cigarettes, you may do so on your breaks in a designated outside area. If you have questions about where you are permitted to smoke or use these products, please ask Human Resources.

Violation of Panoche Water District's smoking policy may be grounds for disciplinary action, up to and including termination of employment.

U. DRUG AND ALCOHOL USE

Panoche Water District has an obligation to its employees and the public at large to reasonably ensure safety in its workplace and safety and quality in its service. Therefore, the District's policy is to prohibit the use, possession, manufacture, sale, purchase, transfer or being under the influence of alcoholic beverages, illegal drugs or other intoxicants at any time on Panoche Water District premises, or while working. Consequently, the following are strictly prohibited and will result in immediate disciplinary action, up to and including termination of employment:

- reporting to work under the influence of alcohol or illegal drugs. The term "illegal drug" includes marijuana, even if medically prescribed. Employees are prohibited from being under the influence of marijuana at any time on Panoche Water District premises, or while working; or

- the use, possession, manufacture, purchase or transfer by an employee on Panoche Water District premises or property (including storage in a desk, locker, car, etc.), or during work time, of alcohol, controlled or illegal substance, a drug not medically authorized, or any other substances (including prescription medications) which impair job performance or pose a hazard to the safety and welfare of the employee, the public, or other employees; or the sale of such item. The term "illegal drug" includes marijuana, even if medically prescribed.

All job applicants applying for employment with Panoche Water District must submit to and pass a drug-screening test. All offers of employment are conditioned upon the successful completion of the test. An invalid test or a diluted sample will be treated as a positive test result.

Panoche Water District reserves the right (without employee consent) to inspect and/or search all property on Panoche Water District premises for alcohol, and controlled or illegal substances, including marijuana. Refusal to submit to any such inspection or refusal to cooperate in any investigation will subject the employee to disciplinary action up to and including immediate suspension or termination of employment.

The legal use of prescribed drugs is permitted on the job only if it does not impair your ability to perform the essential functions of your job effectively and in a safe manner that does not endanger other individuals in the workplace. However, the use of marijuana while on duty or on District premises is prohibited, even if prescribed. Any employee who is using prescription or over-the-counter drugs that may impair the employee's ability to safely perform the job, or affect the safety or wellbeing of others, must notify a supervisor, the Office Manager or the General Manager of such use immediately before starting or resuming work.

V. DRUG TESTING

Panoche Water District reserves the right to take all appropriate and lawful actions where there is reasonable cause to believe an employee has violated its drug and alcohol use policy. When an employee's behavior raises any question about his/her physical condition or ability to perform his/her job, or poses a risk or potential risk to District employees, the employee in question shall be suspended pending an investigation.

Panoche Water District may require urinalysis or other drug/alcohol screening in the following situations:

1. Post-offer pre-employment drug and alcohol testing. Applicants for employment at Panoche Water District to whom an offer of employment has been made may be subject to pre-employment testing for drugs and alcohol. The offer of employment is conditioned on a negative test result. An invalid test or a diluted sample will be treated as a positive test result.

2. Employees in safety sensitive jobs, including but not limited to employees with driving responsibilities and those who operate machinery, may be subject to

reasonable suspicion testing and post-accident testing procedures designed to detect the presence of drugs and alcohol.

If an employee refuses to cooperate with the administration of any drug, alcohol, or controlled substance test, the refusal will be handled in the same manner as a positive test result and the employee will be subject to immediate termination of employment. An invalid test or a diluted sample will be treated as a positive test result.

Every effort will be made to ensure that all information and records regarding drug testing will be kept confidential and only be distributed to District officials on a need-to-know basis. The information and records will be placed in a medical folder and not in the employee's personnel folder. The records shall be maintained in a secure location with controlled access.

Disclosures made by employees to the District concerning their use of legal drugs will be treated confidentially and will not be revealed to managers or supervisors unless there is an important work-related reason to do so. Disclosures made by employees to the District concerning their participation in any drug or alcohol rehabilitation program will be treated confidentially.

Treatment and/or counseling for substance abuse may be provided in accordance with the District's medical benefits plans. Additionally, the District may grant a leave of absence for an employee to seek treatment to the extent these measures do not impose an undue burden upon the District. Before returning to work, the employee must present a health care provider's certificate certifying that he or she can meet the safety and performance standards of the District.

W. TELEPHONE USE & PERSONAL MAIL

Incoming phone calls are an important and essential part of our business. If your job requires you to answer the phone, remember that the caller's entire impression of Panoche Water District will be based on how you sound. Be courteous and friendly, and whenever possible refer to the caller by name.

Reasonable, minor and limited personal use of District telephones is permitted to the extent the personal use does not interfere with or disrupt District work or activities. Employees are subject to discipline up to and including termination if they unreasonably use their District cell phone for personal calls or texts. The District may also seek reimbursement for charges associated with personal use of a District telephone. Messages of an emergency nature will be delivered promptly to you and our telephones are always available for use on an emergency basis.

Please do not have any personal mail sent to Panoche Water District. The use of District-paid postage, stationery and envelopes for personal mail is not permitted.

Panoche Water District's voice mail system should be used for District business only. Employees should not expect messages left on their voice mail to be private. In addition, the District may monitor telephone calls to ensure compliance with District

policies and for other business reasons, including the desire to ensure that calls are handled in a professional manner and to promote efficiency in the manner in which the public is treated. Employees should, therefore, not assume that calls made or received on Panoche Water District lines are confidential.

X. POLITICAL ACTIVITY

Employment by Panoche Water District may not be offered as a consideration or reward for the support or defeat of any person engaged in partisan political activity. Employees may not:

- A. Use their offices to influence elections or nominations or for other political purposes;
- B. Solicit or receive political contributions from other employees;
- C. Solicit or receive political contributions on the premises of property being used for Panoche Water District programs;
- D. Require or advise other employees to make political contributions;
- E. Use political influence in connection with their employment.

This policy is not intended to interfere with employees' right to participate in concerted activity such as communicating with their co-workers regarding their wages, hours, or terms and conditions of employment, or with any other rights protected under the National Labor Relations Act.

Y. MEDIA RELATIONS

It is Panoche Water District's policy to cooperate with news media inquiries and communicate with the media with respect to matters that are appropriate for public knowledge. The General Manager is responsible for all releases to news media. Inquiries from communication media (press, radio, television, etc.) are to be referred to the General Manager.

Z. EMPLOYEE EDUCATION

From time to time, employees may need to attend training programs, seminars, conferences, lectures, meetings, or other outside activities for the benefit of Panoche Water District. Attendance at such activities, whether required by Panoche Water District or requested by the individual employee, requires the prior written approval of the Office Manager or supervisor. To obtain approval, the employee should submit a written request detailing all relevant information, including the date, time, location, cost, nature and purpose of the event in question, and provide verbal clarification to the employee's supervisor or Office Manager when requested.

The customary and reasonable expenses associated with attendance at pre-approved events required by Panoche Water District will be reimbursed upon submission of the

proper receipts in accordance with the District's Expense and Use of Public Resources Policy. Acceptable, reimbursable expenses generally include reasonable costs associated with registration fees, materials, meals, transportation, lodging, and parking. Attendance at authorized educational activities will be considered hours worked for non-exempt employees and will be compensated in accordance with normal payroll practices as required by law.

III. **EMPLOYMENT STATUS**

A. EMPLOYMENT CATEGORIES – DEFINITIONS AND CATEGORIES

Definitions. Definitions of exempt and non-exempt status are based on provisions of the Fair Labor Standards Act (FLSA). These definitions are summarized as follows:

- **Exempt.** Management, supervisory, professional, and administrative employees whose positions meet specific tests established by the FLSA and who are exempt from overtime pay requirements.
- **Non-exempt.** Employees whose positions do not meet FLSA exemption tests and who are paid overtime.

In cases where the exempt/non-exempt status of an employee is in doubt, the Operations Manager will work with legal counsel to review position duties and responsibilities against FLSA exemption tests, and reach a decision concerning the status of the position.

1. Introductory. The initial ninety (90) days of employment for newly hired, full-time, promoted or transferred employees is when Panoche Water District and you closely evaluate your compatibility, abilities, and interest in the position. See Introductory Period below for more detailed information, including circumstances when the employment does not extend for ninety (90) days.

2. Full-Time. Full-time employees are those who are not on a temporary or introductory status and who are regularly scheduled to work at Panoche Water District full-time, 40 hours per week.

3. Part-Time. Part-time employees are those who are not on a temporary or introductory status and who are regularly scheduled to work at Panoche Water District less than 40 hours per week; current District policy restricts the number of hours available for part-time employees to 29 hours per week.

4. Temporary. Temporary employees are those who are hired as interim replacements temporarily to supplement the work force, or to assist in the completion of a specific project. Employment assignments in this category are of a limited duration of up to 120 days per calendar year. Although a part-time position has an established length of time, there is no guarantee that if you are hired to perform a part-time position you will be retained throughout the entire

period of the assignment. Employment beyond any initially stated period does not in any way imply a change in employment status. Part-time employees retain their part-time status unless and until notified in writing of a change. Part-time employees are not eligible for benefits, except as otherwise provided by law.

B. INTRODUCTORY PERIOD

All new and rehired employees work on an introductory basis for the first ninety (90) days after hire, referred to as the "Introductory Period." Note that the Introductory Period does not mean that an employee's position will extend for ninety days if, as discussed below, the District decides that performance is not satisfactory or if a Temporary Employee is hired for an assignment that will end in less than ninety (90) days. The Introductory Period is intended to give you, as a new employee, the opportunity to demonstrate your ability to achieve a satisfactory level of performance and to determine whether the new position meets your expectations. This period is used to evaluate your capabilities, work habits, and overall performance.

During the Introductory Period, if the District determines in its sole discretion that a satisfactory performance level cannot be achieved through a reasonable amount of training and coaching, introductory employees will be released immediately. Such terminations are not subject to the grievance procedures.

Any significant absence (more than a total of 9 work days during the period) will automatically extend an Introductory Period by the length of the absence. If Panoche Water District determines that the designated Introductory Period does not allow sufficient time to evaluate your performance, the Introductory Period may be extended for a specified length of time. During the initial Introductory Period, new employees are eligible for those benefits that are required by law, such as Workers' Compensation Insurance. Upon satisfactory completion of the initial Introductory Period, employees enter into regular status within their employment classification as Full-Time, Part-Time, or Temporary.

Employees who are promoted or transferred may need to complete a secondary Introductory Period of the same length with each reassignment to a new position. In cases of promotions or transfers within Panoche Water District, an employee who, in the sole judgment of Panoche Water District, is not successful in the new position can be removed from that position at any time during the secondary Introductory Period. If this occurs, you may be allowed to return to your former job or to a comparable job for which you are qualified, depending on the availability of such positions and the needs of Panoche Water District. Benefits eligibility and employment status are not changed during the secondary Introductory Period that results from a promotion or transfer within Panoche Water District.

C. JOB DUTIES

During the Introductory Period, your supervisor, the Office Manager or Human Resources will explain your job responsibilities and the performance standards that you are expected to meet. You should be aware that your job responsibilities may change

during the course of your employment, if the District makes a determination that such a change is necessary. In addition, from time to time you may be required to work on special projects, or to assist with work separate from your regular job duties but which are necessary and/or important to the operation of your department and/or the District.

The District may at any time, with or without notice, alter or change job responsibilities, reassign or transfer jobs, and assign additional job responsibilities.

D. PERFORMANCE REVIEWS

Written evaluations of your job performance may be ordinarily scheduled on an annual basis or about the completion of your Introductory Period and annually thereafter. When evaluations are conducted, they will be reviewed in a meeting between you and your supervisor, the Office Manager and/or the General Manager. This formal review is not necessarily the only time job performance is discussed. Informal counseling and discussion of your performance will also be conducted on occasion.

If you have any questions about how you are doing, or what you can do to improve your performance, please ask. We attempt to maintain an "open door" policy with regard to personnel matters and welcome your comments any time.

E. PERSONNEL FILES AND PRIVACY

A variety of records will be maintained containing information on each District employee to meet state and federal requirements and to assure efficient personnel administration. Personnel files are the property of the District and may not be removed from District property. Personnel files are not subject to public inspection. Access to personnel files is restricted to authorized individuals on a "need to know" basis. However, please note that the District will cooperate with requests from authorized law enforcement or local, state, or federal agencies conducting official investigations, and as otherwise legally required to do so.

1. Notification of Changes: Changes of address, telephone number, family status (number of dependents, marriage, death, divorce, legal separation, etc.), emergency contact information, beneficiary, and tax exemptions must be reported immediately to the Office Manager, as an employee's income tax status and group insurance may be affected by these changes.
2. File Access. Employees may review certain documents in their personnel file. Inspection of an employee's personnel file may be accomplished at reasonable times during office hours. Inspection of an employee's personnel file may be accomplished at reasonable times during office hours. Employees may examine their files upon prior written notice submitted to Human Resources or the Office Manager. This review will take place with and in the presence of a representative of Panoche Water District during normal business hours.

F. EMPLOYMENT REFERENCE REQUESTS

Requests for information from employee files received from other departments and inquiries from outside Panoche Water District, including requests for references on former employees, will be directed to the Office Manager. All other employees and managers are prohibited from providing employment references on former employees or current employees. Employment references on former employees will be provided only by the Office Manager who will disclose only the dates of employment and title of the last position held. If you authorize the disclosure in writing, the District will also inform prospective employers of the amount of salary you last earned.

G. HIRING OF RELATIVES

The employment of relatives/spouse in the same area of an organization may cause serious conflicts and problems with favoritism and employee morale. In addition to claims of partiality in treatment at work, personal conflicts from outside the work environment can be carried into day-to-day working relationships. Accordingly, it is normally the policy of Panoche Water District not to hire relatives of currently or recently employed staff if the hire would create a real or perceived conflict of interest, or if the relative is in a supervisory or subordinate role with the employee. Relatives are defined to include spouses, domestic partners, siblings, parents, children, in-laws and step-relatives.

In the event a relationship between employees commences during employment, by marriage or otherwise, it may be necessary for one of the employees to transfer to a different division, provided an appropriate vacancy exists. If this cannot be arranged, one of the two employees may be discharged.

The District may, in its discretion, make exceptions to this policy in cases where a conflict of interest does not exist or the Board has determined the employment of relatives is in the District's best interest. Exceptions to this policy will be monitored by Human Resources to ensure no actual conflict of interest exists, with any such conflicts reported to the Board of Directors for appropriate action.

H. RESIGNATION

If you decide to terminate your employment, we ask that you give adequate notice — preferably no less than two (2) weeks, and for certain key employees, 30 days. Notices of resignation should be in writing. Since the purpose of the notice period is to facilitate a smooth transition, the notice period should not include vacation or any other time off work. Panoche Water District may accept a resignation immediately or accelerate the final date of employment. This policy does not alter the at-will nature of employment with the District.

Final Pay

If a resigning employee provides Panoche Water District with at least 72 hours' advance notice, the employee's final pay will be issued on their last day of work. If no notice is

given, Panoche Water District has seventy two (72) hours to issue final pay to the employee. If the final paycheck is mailed, it will be sent overnight, with delivery confirmation. Accrued but unused vacation pay consistent with the Vacation provisions of this Handbook will be paid with the final paycheck.

I. PROBLEM SOLVING/GRIEVANCES

The purpose of the grievance procedure is to promote improved employer-employee relations by establishing a grievance procedure for the prompt settlement of certain disputes, hereinafter defined as grievances. This procedure applies to all Panoche Water District employees who have completed their Introductory Period.

A grievance is defined as a claim by an employee of a violation, misinterpretation, misapplication or improper application of a policy or rule.

Grievances should be settled by those immediately concerned. For grievances that involve employee demotion, suspension, or termination, the District will normally provide the employee with a notice explaining the disciplinary action. The first step for resolving any grievance is to discuss the grievance with the immediate supervisor or employee. In the event a grievance cannot be settled between an employee and his or her supervisor, the employee may present a written grievance to Human Resources. It is Panoche Water District's policy that grievances and disciplinary matters should be settled with justice and impartiality. Human Resources will meet with the employee to review and discuss the grievance within ten days of receiving the grievance. Human Resources will respond to the grievance in writing within ten calendar days of the meeting with the employee. These deadlines may be extended by agreement between the employee and Human Resources. If the employee is not satisfied with the written response by Human Resources, the employee may present an appeal to the General Manager within ten days of the employee's receipt of the written response by Human Resources. In cases involving employee demotion, suspension, or termination, the employee may request a hearing. The information provided by the employee, verbally and in writing, will be considered in resolving the grievance. The General Manager will issue a written response to the grievance, and the decision of the General Manager in all matters will be final, unless the grievance is directed against the General Manager, in which case the grievance will be heard and decided by the Board of Directors. The employee will be notified of the disciplinary action taken.

Nothing in this policy alters the "at-will" nature of employment with the District. Either the employee or Panoche Water District may terminate the employment relationship at will, for no reason at all, and at any time.

Panoche Water District may, in its sole discretion, utilize whatever form of discipline is deemed appropriate under the circumstances, up to, and including, termination of employment. The District's policy of progressive discipline in no way limits or alters the at-will employment relationship.

J. REDUCTIONS IN THE WORKFORCE

Under some circumstances, Panoche Water District may need to restructure or reduce its workforce. If it becomes necessary to restructure our operations or reduce the number of employees, we will attempt to provide advance notice, if possible, so as to minimize the impact on those affected. If possible, employees subject to restructure or reductions will be informed of the nature and the foreseeable duration of the restructure or reduction, whether short-term or indefinite.

In determining which employees will be subject to a restructure or reduction, we will take into account, among other things, operational requirements, the skill, productivity, ability and past performance of employees and also, in some cases, the employee's length of service.

IV. PAYROLL

A. BUSINESS HOURS & WORK SCHEDULES

Our office hours are generally from 8:00 a.m. to 4:00 p.m. for the office, and 7:00 a.m. to 3:30 p.m. for the shop and field maintenance, five days per week, though additional hours may be required depending on business need.

Your supervisor, the Office Manager or the General Manager will schedule your hours of work. Your supervisor, the Office Manager or the General Manager must approve any changes in your schedule.

B. ATTENDANCE AND PUNCTUALITY

Regular attendance at work is an essential function of every job at the District. To maintain a safe and productive work environment, Panoche Water District requires you to be reliable and to be punctual in reporting for scheduled work. Absenteeism and tardiness place a burden on other employees and on our ability to serve our customers. In the event that you become aware of an anticipated tardiness or absence, please notify your supervisor, the Office Manager or Human Resources as soon as possible, and no later than one (1) hour prior to the beginning of your scheduled shift. If you call less than one (1) hour before your scheduled start time, you will be considered tardy for that day. If you become aware of an anticipated absence or tardiness after normal working hours, you should notify your supervisor, the Office Manager or Human Resources by leaving a message on his or her voice mail.

Excessive absenteeism (excused or not) may result in counseling or discipline up to and including termination of employment. Each situation of excessive absenteeism or tardiness shall be evaluated on a case-by-case basis. However, even one unexcused absence may be considered excessive, depending on the circumstances. If you fail to report for work without any notification to your supervisor, the Office Manager or Human Resources and your absence continues for a period of three (3) days, Panoche

Water District will consider that you have abandoned your employment and have voluntarily resigned.

C. TIMEKEEPING REQUIREMENTS

All employees are required to record all of the time that they actually work. Human Resources will instruct you as to the method that Panoche Water District uses to record your time. Errors on the time card must be reported immediately to your supervisor and the Office Manager and corrected in the same pay period in which the error occurred.

No employee is permitted to alter time cards or to record time for another employee. Such behavior will be grounds for disciplinary action, up to and including termination of employment. Repeated failure to report the beginning or ending of a shift on your time card may also result in disciplinary action, up to and including possible termination of employment.

When an employee signs off on his/her time record, by that signature the employee is deemed to be acknowledging, in writing, that the employee was provided with an opportunity to take one 10 minute rest break for every four hours worked or major fraction thereof, and one meal period of at least 30 minutes whenever the employee worked more than five (5) hours, and a second meal period of at least 30 minutes whenever the employee worked more than ten (10) hours.

D. PAYDAY & DEDUCTIONS

All employees are paid on the 1st and 16th day of each month. Each paycheck will include earnings for all work performed through the end of the previous payroll period and employees will be paid on one check for all hours worked during the pay period. In the event that a regularly scheduled payday falls on a day off, such as a weekend or holiday, employees may be paid on the last day of work before the regularly scheduled payday. Employees can pick up their paychecks from their Supervisor at the end of the day or make prior arrangements on payday, in the office. Paychecks will not be issued early for any reason unless approved in advance by the Office Manager, and may not be cashed on Panoche Water District's premises.

The District does not permit advances against paychecks. Certain deductions required by law will be made from your pay, including deductions for federal, state, and local withholding taxes, social security, state disability, and paid family leave. Other deductions may be authorized by the employee or required by law. Every paycheck includes an itemized list of payroll deductions.

Any errors in your pay must be reported to the Office Manager immediately, and the corrections will be made on the next pay check. It is the employee's responsibility to turn in complete and accurate time cards on time so that payroll can be correctly processed.

E. OVERTIME

Overtime pay will be paid to non-exempt employees based on actual hours worked, according to law. Employees who qualify as administrative, executive, or professional employees within the meaning of federal wage and hour laws are exempt from overtime pay, and no overtime compensation will be paid to exempt employees.

If, during the week, you were paid for hours that you did not work (e.g., because of a job-related injury, sick leave, or time off with pay), those paid hours will not be counted as hours worked for the purpose of calculating overtime pay.

Non-exempt employees may have to work hours beyond their normal schedules as work demands require. All overtime hours must be approved in advance by your supervisor, the Office Manager or Human Resources. Failure to work scheduled overtime, or working overtime without obtaining advance approval, may result in discipline, up to and including termination of employment.

The workday begins at 12:00 a.m. and ends at midnight 24 hours later. The workweek begins Monday at 12:00 a.m. and ends Sunday at 11:59 p.m.

F. MAKE-UP TIME

Panoche Water District allows for make-up time when non-exempt employees need time off to tend to personal obligations. Employees may take time off and then make up the time later (if approved) in the same workweek, or may work extra hours earlier in the workweek to make up for that time that will be taken off later in the workweek. Make-up time worked will not be paid at an overtime rate.

Make-up time requests must be submitted in writing to Human Resources with your signature, on the form provided by the District. Requests will be considered for approval based on the business needs of the District at the time the request is submitted. A separate written request is required for each occasion the employee requests make-up time. Your make-up time request must be approved by Human Resources in writing before you take the requested time off or work make-up time, whichever is first.

If you request time off that you will make up later in the week, you must submit your request at least twenty-four (24) hours before the desired time off. If you ask to work make-up time off later in the week, you must submit your request at least twenty-four (24) hours before working the make-up time.

All make-up time must be worked in the same workweek as the time taken off as approved by Human Resources. The District's seven (7) day workweek is Monday through Sunday. Employees may not work more than eleven (11) hours in a day or forty (40) hours in a workweek as a result of making up time that was or would be lost due to a personal obligation.

If you take time off and are unable to work the scheduled make-up time for any reason, the hours missed will either be unpaid or you may designate the time as sick leave or

vacation if appropriate. However, your supervisor, the Office Manager or Human Resources may arrange with you another day to make up the time if possible, based on scheduling needs. If you work make-up time before you plan to take off, you must take that time off, even if you no longer need the time off for any reason.

An employee's use of make-up time is completely voluntary. Panoche Water District does not guarantee, encourage, discourage, or solicit the use of make-up time.

G. PAY FOR MANDATORY MEETINGS/TRAINING

Panoche Water District will pay non-exempt employees for their attendance at meetings, lectures, and training programs as required by law.

Any employee who is required to attend such a meeting, lecture or training program will be notified of his or her required attendance in advance by his or her supervisor, the Office Manager or the General Manager.

Employees shall be paid at their regular rate of pay for time spent at meetings, lectures or training programs as required by law. Any overtime hours worked as a result of attending a meeting, lecture or training program shall be paid at the appropriate overtime rate.

H. BUSINESS EXPENSE REIMBURSEMENT

Reimbursement will be made for expenses related to business activity as required by law and in accordance with the District's reasonable expense reimbursement policy, as adopted by the Board from time to time. . Employees are entitled to reimbursement for expenses incurred in connection with official duties and which serve a District adopted policy position, purpose, or goal. Employees will not be reimbursed for personal expenditures in which the District receives no benefit. Employees may be reimbursed for work-related travel expenses, including the reasonable cost of transportation (i.e. airfare, use of personal vehicle, car rental, transit), meals, and lodging as required by law. Trips to and from work are not reimbursable. Personal meals not involving a specific District purpose are not reimbursable.

Requests for reimbursement of expenses must be submitted on an "Expense Report Form" and submitted to the Office Manager within thirty (30) days of incurring the expense, along with receipt documenting the expense. Expenses for restaurants must include documentation of the District purpose and the names of all parties for whom the meal was paid, which may be annotated on the restaurant receipt. Employees authorized to work from home using their home internet service on District computers may request reimbursement for a reasonable amount by submitting a monthly internet reimbursement request on a form provided by the District, and in accordance with the District's Updated District-Provided Employee Benefits Policy. Abuse of this expense reimbursement policy, including falsifying expense reports to reflect costs not incurred by the employee, can be grounds for disciplinary action, up to and including termination of employment, and/or civil penalties or prosecution for misuse of public resources.

If you have any questions about the District's expense reimbursement policy, please contact Human Resources.

I. PETTY CASH

The Board of Directors may establish a policy regarding petty cash from time to time. If the District maintains a petty cash system, the use of a petty cash voucher is required for all petty cash transactions. The Accounts Payable Clerk or Office Manager can approve a request by signing a petty cash receipt form. A receipt stating what the petty cash was used for, including the date and the names of persons for whom the expenditure was made, must be returned promptly in order to support any and all voucher transactions.

V. EMPLOYEE BENEFITS

A. MEDICAL, DENTAL & VISION INSURANCE

Medical, dental and vision insurance is currently available to eligible employees, their spouses, and their dependents according to the terms of the benefit plan documents. Panoche Water District currently pays the cost of eligible employees' insurance premiums. However, in the event that medical, dental and/or vision insurance premium rates increase, employees may be required to contribute to the cost of those increased premiums in order to retain coverage.

Full-time employees are eligible for enrollment in the medical insurance plan on the first of the month following 30 days of continuous employment with the District. Full-time employees are eligible for enrollment in the dental and vision plan on the first of the month following 90 days of continuous employment with the District. For details about the District's medical, dental and vision insurance plans, please refer to the plan-specific materials that have been provided to you, or direct your inquiry to the Office Manager or Payroll Clerk. The terms of Panoche Water District's benefit plans are subject to change at the District's discretion.

B. LIFE INSURANCE

Complimentary term life insurance is provided for full-time employees who have completed the Introductory Period and are enrolled in the medical and/or dental insurance plan(s) on the first of the month following 90 days of continuous employment with the District. For details, please refer to the plan-specific materials that have been provided to you, or direct your inquiry to the Office Manager or Payroll Clerk.

C. WORKERS' COMPENSATION

Panoche Water District is in full compliance with the law requiring workers' compensation insurance coverage to protect its employees who may be injured or become ill in the course of doing their work. This insurance provides medical, surgical and other benefits, including wage loss protection at no cost to you. All injuries and illnesses arising out of the scope of your employment must be reported to your supervisor and Human Resources immediately. Failure to report injuries promptly may

result in a delay or loss of benefits. Any injury requiring emergency treatment should be immediately treated at the nearest hospital emergency room. You should call 911 for assistance if necessary. Should you require the services of a doctor for your injury, you must report to your supervisor or Human Resources, and then to Pinnacle Health Care with a referral from Human Resources. If you need a referral to another medical facility, you should discuss the matter with Human Resources and it will be determined if treatment is required beyond first aid as defined by law.

In the event of a workers' compensation injury, any or all of such employees involved in an on-the-job incident or accident may be suspended until a drug test has been completed, the results obtained and an appropriate course of action has been determined by the District.

The workers' compensation insurance company determines your eligibility for benefits.

In the event that an employee is unable to work due to an injury sustained in the course and scope of employment, the employee may take workers' compensation leave. Workers' compensation leave is unpaid, though employees may seek wage replacement through the State Workers' Compensation system. Sick leave and vacation benefits shall not accrue during leave but shall not be lost. The accrual of retirement benefits while an employee is out on workers' compensation leave is subject to the restrictions and requirements of the retirement plan.

The first twelve (12) weeks of any workers' compensation leave will run concurrently with any family and medical leave (FMLA). Employees returning to work after being absent due to a work-related injury must report to Human Resources, and must bring a health care provider's note authorizing them to return to work and noting any work restrictions. Please contact Human Resources if you have any questions regarding workers' compensation insurance.

D. RETIREMENT PLAN

Full-time employees who have been employed by Panoche Water District for a minimum of six (6) months continuous employment and are age 21 or older are eligible to participate in the District's 401(k) plan. For details about our 401(k) plan, please refer to the plan-specific materials that have been provided to you, or direct your inquiry to the Office Manager.

VI. PAID LEAVES OF ABSENCE

A. VACATION

Vacation time off with pay is available to all eligible full-time employees to provide time for rest, relaxation, and personal pursuits. Part-time employees are not eligible for paid vacation. Employees earn vacation during their first year of continuous employment. Employees do not earn paid vacation during any period of unpaid leave of absence. Employees may not use vacation time before it is earned, unless approved in writing by the General Manager. Such approval will be given only in exceptional circumstances.

Vacation time accrues based on the employee's anniversary date, according to the schedules set forth below.

Annual vacation pay for full-time employees is earned according the following schedule:

- Date of hire through 10th anniversary: 10 days/year
- 10th anniversary through 20th anniversary: 15 days/year
- 20th anniversary and thereafter: 25 days/year

Using Vacation

Full-time employees begin to earn vacation pay from their date of hire and are eligible to take time off during their first year of continuous service. Vacation may be scheduled on a minimum of thirty (30) days advance notice, subject to approval by the employee's supervisor, the Office Manager and/or Human Resources. The scheduling of employee vacation time is based on Panoche Water District's operational needs, as well as other employees' vacation requests and leaves of absence. .

Carryover of Benefits/Cashing Out Vacation Time

Eligible employees are encouraged to use all earned vacation pay each year. If an employee has accrued but unused vacation at the end of the calendar year, the employee will carry over a maximum of 1.5 times the employee's annual accrual. This means that eligible employees may carry over 15 days of vacation each year up to their 10th anniversary; employees with 10-20 years of eligible service may carry over 22.5 days of vacation; and employees with more than 20 years of eligible service may carry over 37.5 days of vacation each year. Any accrued vacation in excess of these caps will be cashed out at the end of each calendar year or, if permitted by the Plan document, the employee may elect, in writing, to roll the carryover in to the employee's 401(k) retirement account.

In general, employees may not receive pay in lieu of vacation time, except upon termination of employment. Exceptions for cashing out accrued vacation time during continued employment in lieu of days off may be approved in writing by the General Manager on a case-by-case basis. If such approval is given and if accrued vacation time has been fully cashed out, the employee will have no right to paid vacation days until additional vacation days are accrued on the employee's next anniversary date.

Payment on Separation

Earned vacation benefits that have not yet been used will be paid (or "cashed out") at the time of an employee's resignation or termination of employment. Vacation pay is paid at the employee's final rate of pay at the time of separation from Panoche Water District.

B. HOLIDAYS

All full-time employees are eligible for holiday pay benefits upon completion of their Introductory Period of employment. Employees are eligible to receive holiday pay only

if they would have worked 40 hours during the week that the holiday(s) occur. Legally protected absences are excluded from this requirement. The following paid holidays are recognized by Panoche Water District each year:

- New Year's Day
- Martin Luther King, Jr. Day
- Presidents' Day
- Memorial Day
- July 4th
- Labor Day
- Thanksgiving Day and the following Friday- in lieu of Veteran's Day.
- Christmas Eve - 1/2 day
- Christmas Day
- New Year's Eve.

All employees who are eligible for holiday pay will be paid their regular wages for the number of hours they would otherwise have been scheduled to work on the holiday in question. If a holiday occurs on an employee's regularly scheduled day off, the employee will be allowed to take another day off. This day off must be approved by the employee's supervisor.

When a holiday falls on a Saturday or Sunday, it is usually observed on the preceding Friday or the following Monday. However, Panoche Water District may close on another day. Holiday observances will be announced in advance.

Each non-exempt employee's eligibility for holiday pay begins after completion of his or her Introductory Period. To be eligible for holiday pay, you must be regularly scheduled to work on the day on which the holiday is observed, and must work your regularly scheduled working days immediately preceding and immediately following the holiday, unless on an approved absence on either day. If you are required to work on a paid scheduled holiday you will receive time and one half.

C. PAID SICK LEAVE – "HEALTHY WORKPLACES, HEALTHY FAMILIES ACT OF 2014"

Effective July 1, 2015 this policy provides paid sick leave to all Panoche Water District employees as required by the Healthy Workplaces, Healthy Families Act of 2014 (HWHFA).

Employee Eligibility and HWHFA Sick Leave Accrual. Full Time Panoche Water District employees will receive HWHFA paid sick leave benefits as described in this policy in addition to the Panoche Water District provided sick leave benefits described in the Panoche Water District provided sick leave policy below. All other Panoche Water District employees receive paid sick leave only in accordance with this HWHFA policy.

Employees who have worked in the state of California for the same employer for 30 or more days within a year are eligible for paid sick leave benefits under this policy.

Eligible employees will accrue one (1) hour of paid sick leave benefits for every thirty (30) hours worked under the Healthy Workplaces, Healthy Families Act of 2014 commencing July 1, 2015 or the date of hire if it occurs thereafter. If a new hire is not an Eligible employee, eligibility will occur after working for Panoche Water District for thirty (30) days within the first year of being hired.

Use of HWHFA Sick Leave. HWHFA paid sick leave provided under this policy can be used by eligible employees beginning on their 90th day of employment.

HWHFA paid sick leave may be used for the diagnosis, care, preventative care, or treatment of an existing health condition for the employee or the following family members:

- The employee's biological, adopted, or foster child, stepchild, legal ward, or a child to whom the employee stands *in loco parentis*, regardless of the child's age or dependency status;
- The employee or the employee's spouse or registered domestic partner's biological, adoptive, or foster parent, stepparent, or legal guardian, or a person who stood *in loco parentis* when the employee was a minor child;
- The employee's spouse, registered domestic partner, grandparent, grandchild, or sibling.

Paid sick leave under this policy can also be used by an employee who is a victim of domestic violence, sexual assault, or stalking to obtain treatment or counseling, or engage in safety planning, or as otherwise provided under the law.

Carryover of Sick Leave; Separation of Employment

Employees may not use more than three (3) days (24 hours) of paid sick leave in a year. Unused sick leave benefits under the HWHFA will carry over from year to year up to a maximum of forty-eight (48) hours. Once an employee's HWHFA paid sick leave reaches this maximum, the employee will not accrue any additional HWHFA sick leave until the employee uses some of the employee's paid sick leave.

Unused paid sick leave benefits will not be paid to employees upon separation of employment with the Panoche Water District. However, if an eligible employee is rehired by the Panoche Water District within one year from the date of employment separation, previously accrued and unused paid sick leave benefits under this policy shall be reinstated.

Coordination of HWHFA Sick Leave with Panoche Water District Provided Sick Leave Benefits Described in the Employee Handbook

Full Time employees will receive paid sick leave under the Healthy Workplaces, Healthy Families Act of 2014 and they will also receive Panoche Water District provided sick leave benefits described below. Full Time employees may take accrued sick leave under the HWHFA policy up to a maximum of 24 hours per year, in addition to receiving 9 days of paid sick leave under the Panoche Water District provided sick leave policy described below.

HWHFA paid sick leave will be applied to an employee's absence for a reason covered by the HWHFA policy first. If all of the employee's HWHFA paid sick leave has been used, the Panoche Water District provided additional paid sick leave described below will apply to any further absences in the year for Full-time employees.

Notice and Records

If the need for paid sick leave is foreseeable the employee shall provide reasonable advance notification to the employee's supervisor prior to the absence. If the need for paid sick leave is unforeseeable, the employee shall provide notice of the need for the leave as soon as practicable.

The amount of paid sick leave available for use under the Healthy Workplaces, Healthy Families Act of 2014 will appear on an employee's paycheck/stub beginning with the first paycheck/stub in July 2015.

Panoche Water District will not deny an employee the right to use accrued sick days under this policy, or discharge, threaten to discharge, demote, suspend, or in any manner discriminate or retaliate against an employee for using accrued sick days or exercising or attempting to exercise the rights provided by the HWHFA.

D. PANOCHÉ WATER DISTRICT PAID SICK LEAVE POLICY

Separate and apart from, and in addition to, paid sick leave under the HWHFA, and in order to help prevent loss of earnings that may be caused by accident or illness, Panoche Water District has established its own paid sick leave policy, providing additional paid sick leave benefits to Full-time employees upon exhaustion of all available paid sick leave provided under the HWHFA paid sick leave policy.

Employee Eligibility and Accrual of Paid Sick Leave

Full-time employees will accrue six (6) hours of paid sick leave under this policy each calendar month, for a total accrual of 72 hours per year. Only Full-time employees are eligible for paid sick leave under this policy. The maximum paid sick leave an eligible employee can accrue under this policy is 120 hours. After an employee has accrued 120 hours of paid sick leave under this policy, that employee will stop accruing paid sick leave until the amount of accrued and unused paid sick leave is less than the maximum amount of 120 hours.

Employee Use of Paid Sick Leave

Full-time employees may use paid sick leave benefits under this policy for an absence due to their own illness, injury, or necessary health care appointments. Full-time employees may also use half of their annual accrued sick leave under this policy for "kin care" which is an absence due to diagnosis, care, preventative care, or treatment of an existing health condition for the employee or the following family members:

- The employee's biological, adopted, or foster child, stepchild, legal ward, or a child to whom the employee stands *in loco parentis*, regardless of the child's age or dependency status;
- The employee or the employee's spouse or registered domestic partner's biological, adoptive, or foster parent, stepparent, or legal guardian, or a person who stood *in loco parentis* when the employee was a minor child;
- The employee's spouse, registered domestic partner, grandparent, grandchild, or sibling.

Half of the annual accrued sick leave accrued under this policy can also be used by an employee who is a victim of domestic violence, sexual assault, or stalking to obtain treatment or counseling, engage in safety planning, or as otherwise provided under the law. No advance use of unaccrued paid sick leave under this policy is permitted.

Full-time employees who are unable to report to work due to illness or injury and wish to use sick leave under this policy should notify their supervisor at least two (2) hours before the scheduled start of their workday if possible. For use of sick leave under this policy, the supervisor must also be contacted on each additional day of absence. Consistent with the attendance and punctuality policy contained in the Panoche Water District's Employee Handbook, Full-time employees who fail to notify their supervisor of an absence under this policy for three (3) consecutive days will be presumed to have voluntarily resigned their employment with the Panoche Water District. Panoche Water District may, in its discretion, require the employee to obtain a doctor's note evidencing the use of sick leave under this policy, and certifying that the employee is released to return to work. Protected "kin care" absences are excluded from the notice requirements contained in this paragraph, although the District requests employees to provide notice of all absences so work responsibilities can be reassigned.

Full-time employees who use paid sick leave will first be required to use any accrued unused paid sick leave under the separate HWHFA paid sick leave policy. After sick leave under that policy has been exhausted, Full-time employees may then use accrued paid sick leave under this policy.

Sick leave benefits cannot be used as extra vacation.

Separation of Employment

Because paid sick leave benefits are solely intended to assist Full-time employees who miss work due to an illness or injury, or for medical appointments, no accrued and unused sick leave benefits will be paid to any employee upon their termination of employment for any reason.

E. BEREAVEMENT LEAVE

It is the policy of Panoche Water District to grant employees paid leave for purposes of bereavement. Human Resources will determine the number of paid bereavement days that will be approved. Bereavement leave will be granted when a death occurs in an employee's immediate family. Immediate family is considered to be the following: spouse, registered domestic partner, child, mother, father, sister, brother, legal guardian, grandparent, grandchild, and in-laws. The employee should notify Human Resources as soon as possible of the need for bereavement leave. Bereavement leave will be compensated based on the employee's scheduled hours on the day(s) of the leave, and will not be considered as hours worked for purposes of overtime calculation. Additional unpaid time off may be approved by Human Resources or the General Manager.

F. TIME OFF FOR VOTING

Panoche Water District encourages employees to exercise their voting privileges in local, state, and national elections. Because the polls are open for long periods, you are encouraged to vote before or after regular working hours. However, if necessary you may take up to two (2) hours paid leave from work at the beginning or end of your shift to vote in a governmental election or referendum. You are required to notify Human Resources at least two (2) working days in advance of your need to take time off to vote if, by the third working day prior to the election day, you know or have reason to believe time off will be necessary.

G. JURY DUTY LEAVE

Panoche Water District encourages employees to fulfill their civic duty and to serve on jury duty when called. Please notify Human Resources and your supervisor of the need for time off for jury duty as soon as a notice or summons from the court is received. You will be requested to provide written verification from the court clerk of having served. Jury duty leave is paid for only three (3) days unless additional days are approved by the General Manager. Any additional jury duty leave will be unpaid unless approved by the General Manager.

H. ORGAN OR BONE MARROW DONATION LEAVE

An employee may request a paid leave of absence of up to thirty (30) business days in a 12-month period to donate an organ to another person, and up to five (5) business days in a 12-month period to donate bone marrow.

The employee must provide written certification by a healthcare provider that the employee is an organ or bone marrow donor and that there is a medical necessity for the donation. The written certification must include the expected dates for the leave of absence.

For purposes of donating bone marrow, the employee will be paid for days the employee would have been regularly scheduled to work during the five-day leave period. The employee is required to use up to five days of earned but unused sick leave or vacation

during a leave of absence to donate bone marrow.

For purposes of donating an organ, the employee will be paid for days the employee would have been regularly scheduled to work during the 30-day leave period. The employee is required to use up to two weeks of earned but unused sick leave or vacation during the leave of absence to donate an organ.

Leave may be taken in one or more periods.

If the employee is unable to return to work at the end of the donation leave due to a disability, the employee may apply for unpaid FMLA/CFRA or an unpaid personal medical leave of absence. Otherwise, the employee is expected to return to work promptly at the end of the donation leave. The employee will be returned to the same or equivalent job if the employee timely returns from donation leave.

VII. **UNPAID LEAVES OF ABSENCE**

A. FAMILY AND MEDICAL LEAVE

Panoche Water District shall provide family and medical leave to eligible employees under the provisions of the California Family Rights Act (CFRA) and the Family and Medical Leave Act (FMLA). This policy is intended to comply with, and describes your rights, under the FMLA and CFRA. In addition, a description of your rights is posted in the Office Manager's office and in each shop. A General Notice of your rights and responsibilities under the FMLA is also attached to this Handbook as "Exhibit A."

Eligibility for Leaves

This policy applies to all employees who have worked for Panoche Water District for at least 12 months (52 weeks) at any time prior to the commencement of the requested leave, *and* who has actually worked at least 1,250 hours for Panoche Water District during the 12-month period immediately preceding the date the requested leave would begin, *and* who are employed at a worksite with at least 50 or more employees at the work site or within 75 miles of the worksite.

Amount of Leave

Eligible employees may take a family or medical leave of absence under this policy not exceeding the equivalent of twelve (12) of the employee's normally scheduled workweeks for specified purposes (or up to 26 workweeks for Service Member Family Leave) in any twelve (12) month period. Except for Service Member Family Leave, the twelve (12) month period means a rolling 12-month period measured backward from the date leave begins and continuing with each additional leave day taken. Leave under this policy does not need to be taken in one continuous period of time; however, it cannot exceed more than 12 workweeks total for any purpose in a 12-month period.

For any leave for birth, adoption, or placement of a child, the leave must conclude within 12 months after the birth, adoption, or placement. Leave taken under the CFRA

shall run concurrently with the leave taken under the FMLA as permitted by law, and shall commence as of the date leave taken under the FMLA commences. However, leave that is taken under the provisions of CFRA to care for an employee's registered domestic partner who has a serious health condition or for baby bonding shall not run concurrently with FMLA leave.

For Service Member Family Leave, the twelve (12) month period means a fixed twelve (12) month period that begins on the first day of Service Member Family Leave and ends twelve (12) months later. Service Member Family Leave shall only be available during a single twelve (12) month period. Service Member Family Leave shall run concurrently with leave taken under the FMLA and CFRA for other qualifying reasons.

Permissible Purposes of Family and Medical Leaves

Panoche Water District will grant unpaid family and medical leave to eligible employees for any one or more of the following reasons:

1. Birth of the employee's child, including but not limited to baby bonding with a child after birth;
2. The placement of a child with the employee in connection with an adoption or foster care of the child by the employee;
3. To care for a child, parent (biological, foster, or adoptive parent, a step-parent, legal guardian, or other person who stood in *loco parentis* to the employee when the employee was a child), or spouse (including same-sex partners in marriage) or registered domestic partner of the employee who has a serious health condition;
4. Due to the employee's own serious health condition that prevents the employee from performing any one or more essential functions of his or her position; or
5. Because of a qualifying exigency arising out of the fact that the employee's spouse, son, daughter, or parent is a military member of the U.S. Armed Forces (including the National Guard and Reserves) on covered active duty, or has been notified of an impending call to covered active duty; or
6. To care for the employee's spouse, son, daughter, parent, or next of kin who is an active service member in the U.S. Armed Forces (including the National Guard and Reserves) or a covered veteran, and who is undergoing medical treatment, recuperation, or therapy, is otherwise in outpatient status, or is otherwise on the temporary disability retired list for a serious injury or illness. (This is defined as Service Member Family Leave, qualifying for an extended level of leave benefit).

Notification Requirements

An employee seeking leave under this policy shall provide at least verbal notice to the District of the need for leave, the anticipated timing and duration of the leave, and the reason for the leave (e.g., expected birth of a child or for medical treatment).

If the need for FMLA, CFRA, or Service Member Family Leave is foreseeable, based on an expected birth, placement for adoption or foster care of a child, or planned medical treatment for a serious health condition of the employee or the employee's qualified family member, the employee must give the Human Resources Office at least thirty (30) days' advance notice of the need to begin leave under this policy.

Medical Certification

If an employee requests a family and medical leave due to a serious health condition of the employee or a family member, the employee must support the request with a written certification from the health care provider of the individual with the serious health condition. Panoche Water District will supply a certification form to the employee for this purpose.

For medical leave due to the employee's serious health condition, the certification need not, but may, at the employee's option, identify the serious health condition involved, and must include the following information: (1) the date, if known, on which the serious health condition commenced; (2) the probable duration of the condition; (3) a statement that, due to the serious health condition, the employee is unable to work at all or is unable to perform any one or more of the essential functions of his/her position.

For family care leave due to a serious health condition of the employee's child, parent, or spouse, the certification need not identify the serious health condition involved, but must include (1) the date, if known, on which the serious health condition commenced; (2) the probable duration of the condition; (3) an estimate of the amount of time that the health care provider believes that the employee needs to care for the child, parent, or spouse; and (4) a statement that the serious health condition warrants the participation of the employee to provide care during a period of treatment or supervision of the child, parent, or spouse.

Panoche Water District may require that the employee provide any certification within 15 calendar days of the request for such certification, unless it is not practicable for the employee to do so despite the employee's good faith efforts. This means that, in some cases, the leave may begin before Panoche Water District receives the certification. Absent extenuating circumstances (e.g., unavailability of healthcare provider), if the employee fails to timely return the certification, Panoche Water District may deny FMLA and CFRA protections for the leave following the expiration of the 15-day time period until a sufficient certification is provided. The same rules apply to recertification (discussed below).

Second Opinion

If Panoche Water District has a good faith, objective reason to doubt the validity of the certification the employee provides for his/her own serious health condition, Panoche Water District may require, at Panoche Water District's own expense, the employee to obtain the opinion of a second, independent health care provider, designated or approved by Panoche Water District, concerning any information in the certification.

Recertification

Upon expiration of the time period the health care provider originally estimated that the employee needed to take care of the employee's child, parent or spouse, or for the employee's own serious health condition, Panoche Water District may require the employee to obtain recertification if additional leave is requested.

Intermittent Leave

An employee may take the leave provided under this policy provision in one or more periods. The employee may take the leave intermittently (a few days or a few hours at a time) or on a reduced leave schedule when there is a medical need for the leave and that need can best be accomplished through an intermittent or reduced leave schedule.

The employee is entitled to intermittent leave or reduced hour schedule only in cases of medical necessity, as distinguished from voluntary treatments and procedures. In all cases of scheduled medically necessary treatment, the employee and Panoche Water District will work together to schedule the leave in a manner that meets the needs of the employee and Panoche Water District. The employee is required to make a reasonable effort to arrange scheduled medical treatments to minimize disruption to Panoche Water District's operations. Panoche Water District may require certification of the medical necessity of the need for intermittent leave or a reduced hour schedule, as provided below. After consulting with your supervisor, please contact Panoche Water District as soon as you are aware of your need for leave.

Except when leave is taken due to a qualifying exigency, the employee may be required to transfer temporarily to a position with equivalent pay and benefits that better accommodates recurring periods of leave when the leave is planned based on scheduled medical treatment.

Employee Status

Employees will retain their employee status during the period of a FMLA or CFRA leave. The employee's absence shall not be considered a break in service for purposes of determining their longevity or seniority. However, the employee will not accrue sick or vacation time when the employee is not receiving pay from Panoche Water District during FMLA or CFRA leave.

Benefits During Leave

Health insurance benefits ordinarily provided by Panoche Water District, and for which the employee is otherwise eligible, will be continued during the period of the leave if the employee elects to continue paying his or her share of the premiums for such coverage. If the employee wishes coverage to continue, Panoche Water District will continue to pay its share of the premiums for the period of the leave, up to a maximum of 12 weeks (or 26 weeks for Service Member Family Leave). The cost of dependent coverage normally borne by the employee will remain the sole responsibility of the employee. The employee must pay his or her share of the premiums for employee and dependent coverage by making timely payments to Panoche Water District, in care of the Human Resources Office, at the same time as such payments would be made if they were paid via payroll deductions.

Life and disability insurance coverage that is in effect when a leave begins will be continued automatically at the employee's expense. The employee should make arrangements with the Human Resources Office to pay the costs of such coverage. The full costs of maintaining life and disability insurance coverage will be recovered from the employee upon return from the leave if the employee does not pay such costs during the leave.

Use of Paid Sick Leave and Vacation Benefits

If an employee is receiving partial wage replacement benefits during leave under this policy, the employee is not considered to be on unpaid leave and is not required to use accrued vacation or sick leave, although the employee may elect to do so, and Panoche Water District and the employee may agree that the employee's sick leave and vacation will supplement the partial wage replacement benefits.

Reemployment Privileges

Except where the law authorizes a different result, an employee who complies with the provisions of this policy will be guaranteed reemployment upon expiration of an approved leave, provided that the total period of the leave does not exceed twelve (12) weeks (or 26 weeks for Service Member Family Leave). The employee will be reemployed in the same or a comparable position as that which he or she occupied when the leave commenced. An employee who takes a leave because of his or her own serious health condition must provide a medical certification verifying that he or she is able to return to work in the same manner as employees who return from other types of medical leave. If an employee fails to return for work immediately after the period of the approved leave expires, the employee will be considered to have voluntarily separated from Panoche Water District's employ.

B. GENETIC INFORMATION

The Genetic Information Nondiscrimination Act of 2008 (GINA) and the Fair Employment and Housing Act (FEHA) prohibit covered employers and other entities from requesting or requiring genetic information of an individual or family member of the individual, except as specifically allowed by this law. To comply with this law, we are asking that you not provide any genetic information when responding to any request for medical information. "Genetic information," as defined by GINA or FEHA, includes an individual's family medical history, the results of an individual's or family member's genetic tests, the fact that an individual or an individual's family member sought or received genetic services, the manifestation of a disease or disorder in family members of the individual, and genetic information of a fetus carried by an individual or an individual's family member or an embryo lawfully held by an individual or family member receiving assistive reproductive services.

C. MEDICAL DISABILITY LEAVE

Employees who do not qualify for leave pursuant to the Family Medical Leave Act may take an unpaid temporary disability leave of absence if necessary to reasonably

accommodate a workplace injury or a qualified disability under the Americans with Disabilities Act or the Fair Employment and Housing Act.

A personal medical disability leave may be a reasonable accommodation provided the leave is likely to be effective in allowing the employee to return to work at the end of the leave, with or without further reasonable accommodation, and leave does not create an undue hardship. The District is not required to provide an indefinite leave as a reasonable accommodation.

Duration of Leave

The duration of disability leave under this section shall be consistent with applicable law, but in no event shall the leave extend past the date on which an employee becomes capable of performing the essential functions of his or her position, with or without reasonable accommodation. For a full explanation of leave rights, employees should contact Human Resources.

If the disability leave is needed due to a work-related injury, all matters relating to an employee's leave rights, including compensation, benefits, substitution of paid leave, notice and certification requirements, and reinstatement shall be governed by applicable laws, including workers' compensation law. Employees having questions about such rights should contact Human Resources.

An employee taking temporary disability leave must substitute any accrued sick pay and vacation pay for the leave. Except to the extent that paid leave is substituted for temporary disability leave, the temporary disability leave will be unpaid. Additional leave may be granted in the discretion of the District.

Requesting Disability Leave

Unless the circumstances render it impractical, the District must approve a medical leave in advance. Whenever possible, an employee should submit a written request for disability leave to Human Resources as soon as the employee is aware of the need for such leave or transfer. Any request for disability leave must be supported by medical certification from a health care provider, which shall provide the following information:

- a. The date on which the employee became disabled;
- b. The probable duration of the period or periods of disability; and
- c. An explanatory statement that, due to the disability, the employee is unable to work at all or is unable to perform any one or more of the essential functions of his or her position without undue risk to himself, or to other persons. The certification should also explain what accommodations, if any, would assist the employee in performing the essential functions of his or her position.

Return to Work

Each employee who has taken a temporary disability leave must keep the Office Manager and Human Resources advised of his/her disability status and must contact the supervisor or Human Resources at least two (2) weeks prior to the expiration of his/her scheduled leave to discuss the employee's return to work.

Each employee who has taken a medical leave must keep his or her supervisor advised of the status of the leave and must contact his or her supervisor at least two (2) weeks prior to the expiration of the scheduled leave to discuss the employee's return to work. An employee desiring to return to work from medical disability leave shall be given his or her former position or reinstated to an equivalent position to the extent required by law.

Each employee who has taken a temporary disability leave must be released by a health care provider to return to work. The release must be in writing and submitted to Human Resources or the Office Manager prior to the employee's return from temporary disability leave.

An employee on medical leave who engages in other employment must notify the District prior to the commencement of any other employment. Failure to do so will be considered a voluntary resignation of the employee's employment with the District.

D. PREGNANCY DISABILITY LEAVE

Entitlement to Leave

The District recognizes that employees may be unable to work for temporary but extended periods of time due to pregnancy, childbirth, or related medical conditions ("Pregnancy-Disability"). Accordingly, Pregnancy-Disability leaves of absence without pay will be granted to employees who are disabled by pregnancy. A woman is disabled if, in the opinion of her health care provider, she is unable because of pregnancy, childbirth, or a related medical condition to perform any of the essential duties of her job or to perform any of those duties without undue risk to herself or other persons or to her pregnancy's successful completion.

An employee may be entitled to a reasonable accommodation, such as a modification of job duties or schedule, for pregnancy, childbirth, or related medical conditions if she so requests, if she provides Panoche Water District with medical certification from her health care provider that supports the need for the accommodation, and if the accommodation is reasonable and does not create an undue hardship. In addition to other forms of reasonable accommodation, a pregnant employee may be entitled to transfer temporarily to a less strenuous or hazardous position or to less hazardous or strenuous duties if she so requests, if the transfer request is supported by proper medical certification, and if the transfer can be reasonably accommodated.

Amount of Leave

An employee may be eligible for leave of absence without pay for Pregnancy-Disability leave for the time the employee is actually disabled by pregnancy, up to a maximum of the number of days or hours the employee would normally work within four (4) months (one-third of a year or 17½ weeks). If an employee's schedule varies from month to month, a monthly average of the hours worked over the four months prior to the beginning of the leave will be used for calculating the employee's normal work month. An employee taking pregnancy disability leave may substitute any accrued paid leave time for her leave. Except to the extent that paid leave is substituted for Pregnancy-Disability leave, the leave will be unpaid. The substitution of paid leave for pregnancy disability leave does not extend the total duration of the leave to which an employee is entitled. Leave may be taken intermittently (in no less than ½ hour increments) or on a reduced work schedule, as needed.

Pregnancy disability leave shall run concurrently with Family and Medical Leave (FMLA) provided the employee is eligible for FMLA.

Notice

Whenever possible, an employee should submit a written request for Pregnancy-Disability leave, reasonable accommodation, or transfer to her supervisor or Office Manager as soon as she is aware of the need for such leave, reasonable accommodation, or transfer. If the leave, reasonable accommodation, or transfer is foreseeable, the employee must provide thirty (30) calendar days' advance notice to Panoche Water District of the need for leave, reasonable accommodation, or transfer. If it is not practicable for the employee to give thirty (30) calendar days' advance notice of the need for leave, reasonable accommodation, or transfer, the employee must notify her supervisor, the Office Manager or Human Resources as soon as practicable after she learns of the need for the leave, reasonable accommodation, or transfer.

If an employee fails to provide the requisite thirty (30) days' advance notice for a foreseeable need for leave, reasonable accommodation, or transfer without any reasonable excuse for the delay, Panoche Water District reserves the right to delay the leave, reasonable accommodation, or transfer until at least thirty (30) days after the date the employee provides notice of the need for the leave, reasonable accommodation, or transfer.

Certification

Any request for pregnancy disability leave (PDL) must be supported by medical certification from a health care provider, which shall contain the following information:

- a. The date on which the employee became disabled due to pregnancy;
- b. The estimated duration of the PDL; and
- c. A statement that the employee needs to take PDL because she is disabled by pregnancy, childbirth, or a related medical condition.

In the case of a Pregnancy Disability reasonable accommodation or transfer, the medical certification shall provide the following information:

- a. The date on which the need for reasonable accommodation or transfer became or will become medically advisable;**
- b. The estimated duration of the reasonable accommodation or transfer; and**
- c. A statement describing the medical advisability of the reasonable accommodation or transfer because of pregnancy; and**
- d. A description of the requested reasonable accommodation or transfer.**

Upon expiration of the time period for the leave, reasonable accommodation, or transfer estimated by the health care provider, Panoche Water District may require the employee to provide another medical certification if additional time is requested for leave or transfer.

The employee must submit medical certification within 15 calendar days, if practicable, of when Panoche Water District provides the employee with the form for such certification. In the case of a foreseeable need for pregnancy disability leave, transfer, or reasonable accommodation, Panoche Water District may delay granting the leave, transfer, or reasonable accommodation to an employee who fails to provide timely certification after Panoche Water District has asked the employee to furnish such certification (within 15 days if practicable), until the required certification is provided. When the need for leave, transfer, or reasonable accommodation is not foreseeable, or in the case of recertification, an employee must provide certification (or recertification) within 15 days if practicable or as soon as reasonably possible.

Return to Work

The employee must discuss with Human Resources the employee's return date as far in advance as possible, and no later than ten (10) days in advance of the expected return. If there is a change in the date of reinstatement, or if no agreement was made about a date of reinstatement, an employee who has taken a pregnancy disability leave or transfer must notify her supervisor, the Office Manager or Human Resources at least two (2) days before her return to work or, as applicable, transfer back to her former position. An employee who timely returns to work at the expiration of her pregnancy disability leave will be reinstated to her former position, or a comparable position, whenever possible and consistent with applicable law.

Each employee who has taken a Pregnancy-Disability leave or transfer must be released by her health care provider to return to work. The release must be in writing and submitted to the Office Manager on or before the employee's return from a pregnancy disability leave or transfer.

An employee's failure to timely return from Pregnancy-Disability leave, or her failure to contact her supervisor or Office Manager within three (3) days after the scheduled date

of return, will be considered a voluntary resignation of her employment with the District.

Benefits

Subject to the terms, conditions, and limitations of the applicable plans, Panoche Water District will maintain health insurance benefits during pregnancy disability leave at the same level and under the same conditions as if the employee had continued working. If an employee fails to return to work from an unpaid pregnancy disability leave for a reason other than taking CFRA leave, the continuation, recurrence, or onset of the pregnancy-related disability, or another circumstance beyond the employee's control, Panoche Water District may require the employee to reimburse the amount it paid for the employee's health insurance premiums during the leave period.

E. LACTATION ACCOMMODATION

California law requires a reasonable lactation accommodation for employees who wish to express breast milk for their infant when they return to work. Employees may use their paid rest periods to express milk. If additional time is needed, that time may be unpaid. Panoche Water District will provide a private place to express milk that is in close proximity to the employee's work area, or the employee's normal work area may be used if it affords sufficient privacy. Panoche Water District does not discriminate on the basis of breastfeeding or any medical condition related to breastfeeding.

F. PERSONAL LEAVE

Employees who have been continuously employed with Panoche Water District for at least one year may request a personal leave of absence without pay for a reasonable period up to 30 calendar days. Requests for personal leave should be limited to unusual circumstances requiring an absence of longer than two (2) weeks. To take a personal leave, you should make a written request to your supervisor, the Office Manager or Human Resources as far in advance as possible. Requests to take personal leave must be approved in writing by your supervisor, the Office Manager and the General Manager and will be reviewed based on a number of factors, including business needs, equity and staffing requirements.

Before taking any personal leave, an employee must use all accrued paid vacation and sick leave unless approved by the General Manager.

Panoche Water District does not pay for group health insurance premiums during any unpaid portion of a personal leave of absence. The premiums for employee and dependent insurance shall be the complete responsibility of the employee, unless other arrangements are made in advance with the General Manager.

The period that an employee is on leave is not considered time worked for purposes of determining eligibility for benefits. When an employee returns from leave, the eligibility and accrual dates for such benefits will be adjusted forward to reflect the period of the leave. An employee is not eligible for holiday pay that occurs while the employee is on

personal leave, unless other arrangements are made in advance with the General Manager.

Sick leave and vacation benefits shall not accrue during unpaid personal leave, but any accrued sick leave shall not be lost. Upon return from personal leave, the employee will begin accruing vacation and sick benefits at the same rate as prior to the leave, unless other arrangements are made in advance with the General Manager.

Misrepresenting reasons for applying for a leave may result in disciplinary action, up to and including termination of employment.

When personal leave is granted, an effort will be made to hold the employee's position open for the period of the leave. However, due to the needs of Panoche Water District, there will be times when positions cannot be held open. Accordingly, it is not possible to guarantee reinstatement. If an employee's former position is unavailable when he or she is ready to return from leave, every effort will be made to place the employee in a comparable position for which he or she is qualified. If such position is not available, the employee will be offered the next available position for which he or she is qualified. An employee who does not accept a position offered by Panoche Water District will be considered to have voluntarily terminated employment, effective the day such refusal is made.

G. WITNESS LEAVE

Panoche Water District also provides unpaid time off if an employee is required to appear as a witness in a judicial proceeding. You will be requested to provide a copy of the subpoena or other notice compelling your attendance. You are required to provide reasonable advance notice of your request for witness leave to your supervisor, the Office Manager, or Human Resources.

H. SCHOOL VISIT LEAVE

Employees are eligible for school visit leave to participate in activities of the school or licensed day care facility of any child if the employee is the parent, guardian, grandparent, stepparent, or foster parent of the child, or person who stands in loco parentis to the child. Employees may take up to forty (40) hours leave each calendar year, not exceeding eight (8) hours in any calendar month. Employees must first use vacation hours during school visit leave. If an employee does not have vacation hours available, the employee may take unpaid leave for school visits, unless otherwise approved by your supervisor, Office Manager, or Human Resources. The employee must give reasonable notice to his or her supervisor, the Office Manager or Human Resources of the school or licensed day care facility visit prior to taking the time off from work.

I. SCHOOL DISCIPLINE LEAVE

Any employee who is the parent or guardian of a child is eligible for a school-discipline leave. The employee must have received a written notice from the principal of the school requesting his or her attendance at a conference to discuss the child's suspension

from school. School-discipline leave is not available to employees who voluntarily consult with school administrators regarding a child's performance in school.

The supervisor, Office Manager, or Human Resources may require the employee to provide a copy of the notice received from the school, prior to granting school-discipline leave, and may require documentation from the school as proof that the visit took place. The supervisor, the Office Manager or Human Resources may ask the employee or the principal to briefly reschedule the conference if the employee's attendance at work is essential at the time originally scheduled. Employees must first use vacation hours during school-discipline leave. If an employee does not have any vacation hours available, the employee may take unpaid leave.

J. MILITARY LEAVE

Employees who are absent from work due to service in the U.S. military are entitled to certain benefits and/or job protections. Panoche Water District fully complies with the currently applicable law in this regard. For more information and details about these protections and the Uniformed Services Employment and Re-Employment Rights Act of 1994 (USERRA), please contact the Office Manager.

K. VOLUNTEER CIVIL SERVICE PERSONNEL LEAVE

No employee shall be disciplined for taking time off to perform emergency duty as a volunteer firefighter, peace officer, or emergency rescue personnel. Employees are also eligible for unpaid leave for required training in connection with the aforementioned civil service. If you are an official volunteer firefighter, please let your supervisor, the Office Manager or Human Resources know that you may require time off for emergency duty. When taking time off for emergency duty, we ask that you please inform your supervisor, the Office Manager or Human Resources in advance of your need for time off, if possible. All leave taken under this section is unpaid.

L. CIVIL AIR PATROL LEAVE

Panoche Water District will provide up to ten (10) days of unpaid leave per year to eligible employees who are volunteer members of the Civil Air Patrol, and who are responding to an emergency operational mission. Civil Air Patrol leave for a single emergency operational mission generally shall not exceed three (3) days. In order to be eligible for Civil Air Patrol Leave, an employee must be continuously employed by the District for at least ninety (90) days before the commencement of the leave. Employees must provide the District with as much notice as possible of the intended dates upon which the leave will begin and end. Employees may be required to provide certification from the Civil Air Patrol authority to establish eligibility for leave.

M. MILITARY LEAVE FOR SPOUSE OR REGISTERED DOMESTIC PARTNER OF QUALIFIED SERVICEPERSON

An employee who works an average of twenty (20) or more hours per week, and is the spouse or registered domestic partner of:

- a member of the Armed Forces of the United States who has been deployed during a period of military conflict to an area designated as a combat theater or combat zone by the President of the United States; or
- a member of the National Guard or Reserves who has been deployed during a period of military conflict

may take up to ten (10) days unpaid leave during the time the employee's spouse or registered domestic partner is on leave from deployment during a period of military conflict.

The employee must provide notice of his or her intention to take leave under this policy within two (2) business days of receiving official notice that the employee's spouse or registered domestic partner will be on leave from deployment. The employee must also submit written documentation to Panoche Water District certifying that the employee's spouse or registered domestic partner will be on leave from deployment during the time the leave is requested.

N. DOMESTIC VIOLENCE, SEXUAL ASSAULT, AND STALKING VICTIMS LEAVE

Unpaid leave will be given to any employee who is a victim of domestic violence, sexual assault, and/or stalking assault and who needs time off for any of the following reasons:

- To obtain or attempt to obtain any relief, including a temporary restraining order, restraining order, or other injunctive relief, to help ensure the health, safety, or welfare of the employee or the employee's child;
- To seek medical attention for injuries caused by domestic violence, sexual assault, or stalking;
- To obtain services from a domestic violence program, shelter, or rape crisis center;
- To obtain psychological counseling related to an experience of domestic violence, sexual assault, or stalking; or
- To participate in safety planning and other actions taken to increase safety from future domestic violence, sexual assault, or stalking, including temporary or permanent relocation.

Domestic violence, sexual assault, and stalking leave is unpaid, unless approved by the General Manager. If an employee needs time off from work for this purpose, reasonable advance notice must be provided to his or her supervisor or Office Manager or Human Resources in writing. If an unscheduled absence or emergency court appearance is required for the health, safety, or welfare of the employee or a child, the employee must provide certification of the absence within a reasonable time after the court appearance. Certification shall be any of the following:

- A police report indicating that the employee was a victim of domestic violence, sexual assault, or stalking;
- A court order protecting or separating the employee from the perpetrator of an act of domestic violence, sexual assault, or stalking;
- A court order or other evidence from the court or prosecuting attorney that the employee appeared in court; or
- Documentation from a medical professional, domestic violence advocate, health care provider, or counselor that the employee was undergoing treatment for injuries or abuse resulting in victimization from an act of domestic violence, sexual assault, or stalking.

Panoche Water District will make reasonable efforts to maintain the confidentiality of an employee who requests leave under this section.

O. CRIME VICTIMS LEAVE

If an employee is the victim of, or an immediate family member of a victim of, a violent or serious felony, or a felony relating to theft or embezzlement, the employee may take unpaid leave (unless approved as paid leave by the General Manager) in order to attend the judicial proceedings related to that particular crime. An immediate family member is a spouse, registered domestic partner, child, stepchild, brother, stepbrother, sister, stepsister, mother, stepmother, father, or stepfather, and child of a registered domestic partner.

In addition, an employee may take time off to appear in court, upon the victim's request, at any proceeding, including a proceeding in which a right of the victim is at issue, related to any of the following offenses against the employee or the employee's spouse, registered domestic partner, parent, child, sibling, or guardian:

- Vehicular manslaughter while intoxicated,
- Felony child abuse likely to produce great bodily harm or death,
- Assault resulting in the death of a child under eight years of age,
- Felony domestic violence,
- Felony physical abuse of an elder or dependent adult,
- Felony stalking,
- Solicitation for murder,
- A serious felony, such as kidnapping, rape, or assault with a deadly weapon,
- Hit and run causing death or injury,
- Felony driving under the influence causing injury, or
- Sexual assault.

If an employee needs time off work for this purpose, the employee must provide reasonable advance notice to his or her supervisor, the Office Manager or Human Resources in writing, and provide the supervisor, Office Manager or Human Resources with a copy of the notice of each scheduled judicial proceeding.

If an unscheduled absence occurs, or advance notice is not provided or feasible, the employee must provide documentation evidencing the judicial proceeding from one of the following:

- The court or government agency that set the hearing,
- The district attorney or prosecuting attorney's office, or
- The victim/witness office that is advocating on behalf of the victim.

Panoche Water District will make reasonable efforts to maintain the confidentiality of an employee who requests crime victim's leave. Crime victim's leave is unpaid.

VIII. **HEALTH AND SAFETY**

A. SAFETY

Your safety and welfare are important to us. Panoche Water District is committed to preventing work-related accidents and maintaining a safe work environment. In keeping with our commitment, we have developed an Injury and Illness Prevention Program, which is available for review in the Risk Controller's office. Every employee must participate and comply fully with the Injury and Illness Prevention Program and the provisions in this Handbook.

Every effort is made to prevent accidents by providing proper equipment and safeguards, providing personal safety equipment on jobs requiring it, providing adequate safety instruction through proper job training, and through the careful review of all safety matters. You are required to make every effort and assume personal responsibility by using safety equipment and by following instructions and rules issued to prevent accidents. Please report any conditions you feel are unsafe such as slipping and tripping hazards, inadequate lighting, frayed electrical cords, etc. Be sure to acquaint yourself with the procedure for reporting a fire and with fire exits, fire alarm stations, and fire extinguisher equipment nearest your work area.

Panoche Water District will maintain safety and health practices consistent with the needs of our industry. If you are ever in doubt about how to safely perform a job, it is your responsibility to ask your supervisor, Human Resources, Risk Control, or the Risk Control Manager for assistance. Compliance with these safety rules is considered a condition of employment. Therefore, it is a requirement that each employee make the safety of employees an integral part of her/his job. It is the responsibility of each employee to accept and follow established safety regulations and procedures.

In the event of a disaster or emergency such as a fire, earthquake, or power outage, employees should use the stairs to exit the building, and should do so in an orderly fashion.

New employees must read and understand our Injury and Illness Prevention Program. If you do not understand something that you have read, please refer your questions to the Risk Control Manager.

All accidents, injuries, potential safety hazards, safety suggestions and health and safety related issues must be reported immediately to your supervisor, the Office Manager or the Risk Control Manager. If you or another employee is injured, you should contact outside emergency response agencies, if needed.

B. ERGONOMICS

Panoche Water District is subject to Cal/OSHA ergonomics standards for minimizing workplace repetitive motion injuries. The District encourages safe and proper work procedures, and requires all employees to follow safety instructions and guidelines.

Panoche Water District believes that the reduction of ergonomic risk is instrumental in maintaining an environment of personal safety and wellbeing, and that it is essential to our business. The District is committed to providing appropriate resources for its employees in order to provide as risk-free an environment as possible. To that end, the District will make any necessary adjustments to reduce exposure to ergonomic hazards through modifications to equipment and processes, and through employee training.

C. HEAT ILLNESS

Employees who work outside may be exposed to extreme temperatures and/or adverse working conditions, especially during the summer. For this reason, all supervisors are trained in the recognition and treatment of heat illness. Please refer to the District's Injury, Illness and Prevention Program or talk to your supervisor or Risk Control Manager for details about how to ensure that you are protected from heat illness. In addition, employees who work outside in areas where the temperature is hot are also entitled to take breaks to prevent heat related illness upon request.

D. INCLEMENT WEATHER/NATURAL DISASTERS

At the discretion of the General Manager, employee absences will be excused in the event of severe weather or a natural disaster that prevents employees from safely traveling to work.

Weather conditions that may excuse absence from work include road closures, heavy rains, and/or severe flooding. In the event that severe weather conditions prevent you from safely traveling to work, you must notify your supervisor, the Office Manager or the Human Resources by telephone, if service is available, or by any other means possible. Part time employees may be called off work or sent home early if work is no accessible due to

In the event of a natural disaster such as an earthquake or fire, the District office will be closed if there is any damage to the facility or if the roads leading to the office are damaged. You are asked to contact your supervisor, the Office Manager, or Human Resources immediately, if possible, in the event that you are required to report to another location.

E. WORKPLACE INJURIES

If you are injured on the job, even slightly, immediately report to your supervisor, the Office Manager, Human Resources, or Risk Control Manager for first aid. If the injury requires medical attention, you will be transported to a health care provider for professional care. Failure to report accidents or injuries can result in a violation of legal requirements. If you are injured on the job, you may be entitled to benefits under the State Worker's Compensation law.

F. SECURITY

Panoche Water District has developed this policy to help maintain a secure workplace. Be aware of persons loitering for no apparent reason in parking areas, walkways, entrances and exits, and service areas. Employees must report any suspicious persons or activities to Human Resources. Secure your desk or office at the end of the day. When called away from your work area for an extended length of time, do not leave valuable and/or personal articles that may be accessible in or around your workstation. The security of facilities as well as the welfare of our employees depends upon the alertness and sensitivity of every individual to potential security risks. You should immediately notify Human Resources if unknown persons are acting in a suspicious manner in or around the facilities, or if keys or identification badges are missing.

For employee security and safety, desks, lunchboxes, purses, briefcases, backpacks, containers, boxes, packages or other objects on Panoche Water District property can be inspected by any agent or authorized representative of Panoche Water District at any time, either with or without prior notice. Failure to cooperate with a requested inspection may result in immediate termination of employment.

G. WORKPLACE VIOLENCE

Panoche Water District has adopted the following workplace violence policy to help ensure a safe working environment for all of our employees. The District has zero tolerance for acts and/or threats of violence. All such acts and/or threats, even those made in apparent jest, will be taken seriously and will lead to disciplinary action up to, and including, termination of employment. A threat includes, but is not limited to, any indication of intent to harm a person or to damage District property. Threats may be direct or indirect, and they may be communicated verbally or nonverbally.

Possession of weapons on District premises and/or at District-sponsored events shall constitute a threat of violence. Possession of firearms while on duty is allowed **only** by employees specifically designated by the General Manager who are fully trained and are required to use firearms to protect themselves from reptiles or large animals, or to engage in rodent control, and only when other means of such protection or control are

not effective or feasible. The use or possession of all other dangerous weapons is prohibited.

It is every employee's responsibility to assist in establishing and maintaining a violence-free workplace. Therefore, each employee is required to report any incident which may be threatening to you and/or your co-workers, or any event or conduct that you reasonably believe is threatening or violent in nature. You may report any such incidents to Human Resources

IX.
RECEIPT AND ACKNOWLEDGEMENT OF HANDBOOK

PLEASE READ THE EMPLOYEE HANDBOOK, SIGN THIS ACKNOWLEDGEMENT, AND RETURN THIS ACKNOWLEDGEMENT TO YOUR SUPERVISOR WITHIN ONE WEEK.

Employee Name: _____

I acknowledge that I have received a copy of Panoche Water District's Employee Handbook ("Handbook") dated December 2016. The Handbook describes my employee benefits and obligations. I understand that I am responsible for reading the Handbook and for knowing and complying with the policies set forth in the Handbook during my employment with Panoche Water District. I have been given the opportunity to ask any questions I might have about policies that I do not understand.

I further understand that Panoche Water District has the right to amend, interpret, modify, or withdraw any of the provisions of the Handbook at any time in its sole discretion, with or without notice. Furthermore, I understand that, because Panoche Water District cannot anticipate every issue that may arise during my employment, if I have any questions regarding any of Panoche Water District's policies or procedures, I should consult my supervisor, the Office Manager or Human Resources.

I understand and agree that my relationship with Panoche Water District is "at-will," which means that my employment is for no definite period and may be terminated by me or by Panoche Water District at any time and for any reason with or without cause or advance notice.

I understand and agree that the terms of this Acknowledgment may not be modified or superseded except by a written agreement signed by me or my representative and the General Manager or President of the Board of Directors of Panoche Water District, that no other employee, supervisor, or representative of Panoche Water District has the authority to enter into any such agreement on behalf of Panoche Water District, and that any agreement to employ me for any specified period of time, or any agreement that is otherwise inconsistent with the terms of this Acknowledgment will be unenforceable unless it is in writing and signed by the General Manager or President of the Board of Directors of Panoche Water District. I further understand and agree that if the terms of this Acknowledgement are inconsistent with any policy or practice of Panoche Water District now or in the future, the terms of this Acknowledgment shall control.

I understand and agree that nothing in this Handbook is intended to interfere with my right to participate in concerted activity such as communicating with my co-workers regarding my wages, hours, or terms and conditions of employment, or with my right to self-organize or join labor organizations or any other rights protected under the National Labor Relations Act.

Employee's Printed Name

Position

Employee's Signature

Date

**EMPLOYEE ACKNOWLEDGMENT OF RECEIPT OF HARASSMENT,
DISCRIMINATION AND RETALIATION PREVENTION POLICY**

This will acknowledge that I have received a copy of the Harassment, Discrimination, and Retaliation Prevention Policy which is contained in the Panoche Water District Employee Handbook, and that I understand and will comply with the requirements of that policy at all times.

Employee's Name (Please Print)

Employee's Signature

EMPLOYEE RIGHTS AND RESPONSIBILITIES UNDER THE FAMILY AND MEDICAL LEAVE ACT



For additional information:

1-866-4US-WAGE (1-866-487-9243) TTY: 1-877-889-5627

WWW.WAGEHOUR.DOL.GOV

U.S. Department of Labor Wage and Hour Division

WHD Publication 1420 • Revised February 2013

Basic Leave Entitlement

FMLA requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to eligible employees for the following reasons:

- for incapacity due to pregnancy, prenatal medical care or child birth;
- to care for the employee's child after birth, or placement for adoption or foster care;
- to care for the employee's spouse, son, daughter or parent, who has a serious health condition; or
- for a serious health condition that makes the employee unable to perform the employee's job.

Military Family Leave Entitlements

Eligible employees whose spouse, son, daughter or parent is on covered active duty or call to covered active duty status may use their 12-week leave entitlement to address certain qualifying exigencies. Qualifying exigencies may include attending certain military events, arranging for alternative childcare, addressing certain financial and legal arrangements, attending certain counseling sessions, and attending post-deployment reintroduction briefings.

FMLA also includes a special leave entitlement that permits eligible employees to take up to 26 weeks of leave to care for a covered servicemember during a single 12-month period. A covered servicemember is: (1) a current member of the Armed Forces, including a member of the National Guard or Reserves, who is undergoing medical treatment, recuperation or therapy, is otherwise in outpatient status, or is otherwise on the temporary disability retired list, for a serious injury or illness*; or (2) a veteran who was discharged or released under conditions other than dishonorable at any time during the five-year period prior to the first date the eligible employee takes FMLA leave to care for the covered veteran, and who is undergoing medical treatment, recuperation, or therapy for a serious injury or illness.*

*The FMLA definitions of "serious injury or illness" for current servicemembers and veterans are distinct from the FMLA definition of "serious health condition".

Benefits and Protections

During FMLA leave, the employer must maintain the employee's health coverage under any "group health plan" on the same terms as if the employee had continued to work. Upon return from FMLA leave, most employees must be restored to their original or equivalent positions with equivalent pay, benefits, and other employment terms.

Use of FMLA leave cannot result in the loss of any employment benefit that accrued prior to the start of an employee's leave.

Eligibility Requirements

Employees are eligible if they have worked for a covered employer for at least 12 months, have 1,250 hours of service in the previous 12 months*, and if at least 50 employees are employed by the employer within 75 miles.

*Special hours of service eligibility requirements apply to airline flight crew employees.

Definition of Serious Health Condition

A serious health condition is an illness, injury, impairment, or physical or mental condition that involves either an overnight stay in a medical care facility, or continuing treatment by a health care provider for a condition that either prevents the employee from performing the functions of the employee's job, or prevents the qualified family member from participating in school or other daily activities.

Subject to certain conditions, the continuing treatment requirement may be met by a period of incapacity of more than 3 consecutive calendar days combined with at least two visits to a health care provider or one visit and a regimen of continuing treatment, or incapacity due to pregnancy, or incapacity due to a chronic condition. Other conditions may meet the definition of continuing treatment.

Use of Leave

An employee does not need to use this leave entitlement in one block. Leave can be taken intermittently or on a reduced leave schedule when medically necessary. Employees must make reasonable efforts to schedule leave for planned medical treatment so as not to unduly disrupt the

employer's operations. Leave due to qualifying exigencies may also be taken on an intermittent basis.

Substitution of Paid Leave for Unpaid Leave

Employees may choose or employers may require use of accrued paid leave while taking FMLA leave. In order to use paid leave for FMLA leave, employees must comply with the employer's normal paid leave policies.

Employee Responsibilities

Employees must provide 30 days advance notice of the need to take FMLA leave when the need is foreseeable. When 30 days notice is not possible, the employee must provide notice as soon as practicable and generally must comply with an employer's normal call-in procedures.

Employees must provide sufficient information for the employer to determine if the leave may qualify for FMLA protection and the anticipated timing and duration of the leave. Sufficient information may include that the employee is unable to perform job functions, the family member is unable to perform daily activities, the need for hospitalization or continuing treatment by a health care provider, or circumstances supporting the need for military family leave. Employees also must inform the employer if the requested leave is for a reason for which FMLA leave was previously taken or certified. Employees also may be required to provide a certification and periodic recertification supporting the need for leave.

Employer Responsibilities

Covered employers must inform employees requesting leave whether they are eligible under FMLA. If they are, the notice must specify any additional information required as well as the employees' rights and responsibilities. If they are not eligible, the employer must provide a reason for the ineligibility.

Covered employers must inform employees if leave will be designated as FMLA-protected and the amount of leave counted against the employee's leave entitlement. If the employer determines that the leave is not FMLA-protected, the employer must notify the employee.

Unlawful Acts by Employers

FMLA makes it unlawful for any employer to:

- interfere with, restrain, or deny the exercise of any right provided under FMLA; and
- discharge or discriminate against any person for opposing any practice made unlawful by FMLA or for involvement in any proceeding under or relating to FMLA.

Enforcement

An employee may file a complaint with the U.S. Department of Labor or may bring a private lawsuit against an employer.

FMLA does not affect any Federal or State law prohibiting discrimination, or supersede any State or local law or collective bargaining agreement which provides greater family or medical leave rights.

FMLA section 109 (29 U.S.C. § 2619) requires FMLA covered employers to post the text of this notice. Regulation 29 C.F.R. § 825.300(a) may require additional disclosures.

TAB 7

**FINAL VERSION
12-6-16**

**Panoche Water District
Policy Statement on Reimbursement of Reasonable
Expenses and Use of Public Resources**

EXHIBIT "B"

Official Use of District-Owned or -Leased Motor Vehicles.

Policy Statement

The use of District-owned or -leased motor vehicles ("District Vehicle") is restricted to official District purposes. No District official shall use or permit the use of any District Vehicles other than for use in the conduct of necessary District business and as permitted herein for limited personal use in commuting to work and incidental use during District business trips.

Licensing & Operation

All employees who operate a District Vehicle or a personal vehicle for District-authorized business must possess and maintain a valid California Driver's License and have an acceptable driving record. In the event an employee's Driver's License is suspended or revoked, the employee shall immediately inform Human Resources and shall be prohibited from driving District Vehicles. An employee who drives a District Vehicle without a valid license will be subject to discipline, up to and including termination of employment.

Employees operating District Vehicle or authorized to use a personal vehicle for District-authorized business must observe all traffic rules and regulations at all times. All vehicles shall be equipped with seat belts/shoulder harnesses, which shall be worn by all vehicle occupants at all times. If an employee is cited for any violation of law, the employee will be responsible to pay any fines or penalties associated with the violation.

Transportation of Non-Official Passengers. Non-District employees or members of an employee's family are not allowed to ride as passengers in a District Vehicle without prior approval by the supervisor, Office Manager, Human Resources, or the General Manager. An exception may be granted only when:

- (a) The vehicle is being used for and the trip is connected with the conduct of official District business;
- (b) Space is available and is not needed in connection with the accomplishment of official business;
- (c) Must be without expense to the District;

- (d) Must not delay District business or result in circuitous routes; and
- (e) Must not involve private profit making activities.

A non-official passenger is a passenger who is not expected to participate in any business being conducted by the District (e.g., a spouse or child accompanying a District employee on a trip). Non-District employees such as Federal employees, State/City employees, consultants, contractors, etc., traveling with District employees and performing work supporting a District program are considered to be conducting official business, and are not classified as non-official passengers. Employees are prohibited from carrying hitchhikers.

Use and Care of Vehicles

Personal Use Prohibited. Authority will not be granted at any level of administrative responsibility for the personal use of any item of District-owned or -leased property, including District Vehicles. District-owned or -leased vehicles or property may not be used to conduct personal business. Personal business includes driving children to daycare, shopping, or transporting other non-District passengers, and also includes the use of space in a District garage or repair shop, and District-owned tools, parts, and accessories in the maintenance or repair of privately-owned motor vehicles. For employees authorized to take home a District Vehicle, the employee must reimburse the District or will be charged as compensation for the cost of their commute from their residence or lodging to their place of employment, unless the employee is travelling on behalf of the District for a District purpose ("Official Travel Status").

Authorized and Unauthorized Use. District Vehicles may only be used between places of official District business and destinations that are part of official District business (e.g., pick up District supplies or parts, attending meetings on behalf of the District, or filing or delivering documents for the District). In addition, incidental uses of District Vehicles are permitted to certain places when such places are necessary for the subsistence, comfort, or health of the employee to foster the continued efficient performance of District business.

Examples of *authorized* incidental uses of District Vehicles while on a business trip include: (1) going to a pharmacy; (2) going to grocery stores; (3) attending worship services; (4) going to barber shops; (5) going to restaurants; (6) going to dry cleaning or laundry establishments. Examples of *unauthorized* incidental uses of District Vehicles include: (1) going to antique shops; (2) attending local sporting events or attractions unless part of a District-related activity (e.g., a conference); (3) going to liquor stores, bars, or lounges.

Driver Responsibilities. All employees who are assigned or authorized to drive a District Vehicle are responsible for the following:

- (a) Assuring that the vehicle is kept up, maintained and serviced at locations and on schedules directed by the District.
- (b) Recordation of mileage on Monthly Vehicle Mileage Log (*see* Exhibit "C");
- (c) Recordation of the vehicle number and/or vehicle license number on all gasoline charge slips and shop gas pump logs;

- (d) Exercising reasonable care and common sense in his/her driving habits;
- (e) Reporting all property damage and/or personal injuries immediately; and
- (f) Obeying traffic laws at all times.

All expenses associated with use of District-owned vehicles for business purposes will be paid by the District as required by law.

If an employee is authorized to use a personal vehicle on District business, the employee will be reimbursed at the current Internal Revenue Service mileage reimbursement amount.

Accidents and Damages to Vehicles

Employees are required to report any accident to their supervisor, the Office Manager and/or Human Resources at the earliest possible opportunity but no later than twenty-four (24) hours after the incident occurs. All District vehicles have the proper accident forms in the glove box; however, all accidents must be reported to Human Resources to ensure that the necessary paperwork has been completed. Employees who are involved in accidents will be subject to post-accident drug and alcohol testing as stated in the District's Drug Testing policy in the Handbook. Employees who are involved in an accident may be subject to discipline, up to and including termination.

Employees must take precautions to prevent damage to the vehicle or its equipment caused by insufficient oil, water, air, etc. Employees should ascertain that the vehicle has sufficient fluids and tire pressure as necessary and that the vehicle is clean, equipped, and safe to use.

Authorization to Use a District Vehicle Between Employee's Domicile and Place of Employment While in Travel Status.

(a) **Authority.** Official Travel Status means signed out with one's supervisor to conduct District business away from the employee's assigned District work location or locations. Employees on Official Travel Status may use District Vehicles between their residence or lodgings and places of employment in connection with official duties when alternative arrangements are impractical and meet the following conditions:

- (1) Will substantially increase the efficiency and economy of the District in energy consumption and/or cost savings;
- (2) The comfort and convenience of an employee is not a consideration;
- (3) Required at the beginning or close of a day to initiate, continue, or complete official travel.

Vehicle Home Retention ("Take-Home Assignment").

Home retention of District Vehicles on an on-going non-temporary basis by an employee may be authorized by written assignment by the General Manager ("Take-Home Assignment").

Employees with Take-Home Assignments do not have special privileges or permission to use the vehicle for any activities other than official District business, except travel to and from the employee's workplace to their residence. It is the employee's responsibility to ensure the vehicle is parked and secured when not in use. Isolated instances of temporary storage of a District Vehicle at an employee's residence – up to one week or one weekend – does not require written authorization from the General Manager for Take-Home Assignments (*see Temporary Vehicle Home Retention*).

(a) Criteria for Take-Home Assignment. The District may justify the assignment based on the following criteria:

- (1) Emergency Call Back.** Likelihood of the required return of an employee to duty after normal working hours as a result of an unexpected situation or sudden occurrence of a serious and urgent nature, which demands immediate action and the use of a District Vehicle for work purposes. This category includes, but is not limited to, employees on call for emergency responses 24/7 during water delivery periods. Scheduled return after normal working hours to complete work to meet a deadline does not qualify as an emergency. Assignments requiring the retention of non-special purpose vehicles (vehicles equipped to respond to the emergency situation) must meet a frequency response guideline of at least an average of two emergency callbacks per month.
- (2) Proximity to Place or Area of Work.** If an employee consistently uses a District Vehicle on District business in areas closer to the employee's home than a District location where the vehicle would normally be parked, a Take-Home Assignment may be more economical for the District. A cost/benefit analysis must show an advantage to the District for an employee to respond directly from home rather than from the District vehicle storage area. This cost/benefit analysis must be kept on file with the written Take-Home Assignments.
- (3) After-Hours District Business.** Subject to General Manager approval and authorization, a District Vehicle may be assigned to an employee required to attend frequent meetings or conduct District business outside of normal working hours (which would not otherwise qualify as after-hours "emergency" duties). Frequency of such regular meetings shall be tracked in documentation, which shall be reviewed on a seasonal basis, at least biannually, for appropriateness of the Take-Home Assignment by the General Manager. Assignments made under this criterion should meet a frequency guideline of at least an average of three occasions per month. Records indicating the frequency meetings attended must be kept on file with the written authorization for the Take-Home Assignment.
- (4) Special Purpose Vehicles.** Vehicles outfitted with special equipment or capabilities required for the response to emergency situations. Examples of special equipment/capabilities include, but are not limited to, installed two-way radio communications equipment, off-road response capabilities, or the transportation of after-hours response equipment.

(5) **Vehicle Security.** If the risk of damage to a District vehicle normally operated by an employee is less if parked overnight at the employee's home than the District location where the vehicle would normally be stored, the General Manager may authorize home retention.

(6) **Employment Benefits.** Vehicles provided to an employee as part of the employee's compensation for use for District purposes by such employee and for commuting and incidental personal use within the guidelines of this policy.

(b) **Assignment Documentation.** For each Take-Home Assignment, the General Manager will retain on file adequate documentation explaining the basis under which the home retention determination was made. As applicable, documentation on file must contain the employee's name, the vehicle identification number, and justification relating to the assignment criteria listed above, and must be signed by the General Manager. On a seasonal basis, at least biannually, the General Manager or designee is responsible for review of the necessity for all existing Take-Home Assignments and shall rescind any such assignments that do not meet the above criteria.

Employees authorized to drive District Vehicles shall complete and submit to the General Manager each month the Monthly Vehicle Mileage Log (Exhibit "C"), which will be available for annual compliance auditing purpose and will provide data necessary for compliance with the 1984 Tax Reform Legislation requiring use of a home retention District vehicle to be reported as income. In completing the form, the employee must provide the vehicle's District identification number, the beginning mileage for the month, beginning and ending odometer readings, beginning and ending location, purpose for the trip, and a description of the activity. If more than one vehicle is used for home retention during the month, the employee is responsible to submit a Monthly Vehicle Mileage Log for each vehicle used. District employees that have take-home vehicle privileges are required to be taxed as a fringe benefit based on the cost of commute mileage at a rate determined by the District Board of Directors. This cost of the rate includes the cost to the District of operating such vehicles and will be adjusted on an annual basis as these District costs change. The District will indicate the value of their personal use (commute mileage) of the District-owned vehicle on their W-2. Alternatively, at the District's option, the District employees may reimburse the District for the cost of the commute mileage at a rate determined by the Board of Directors. This reimbursement rate includes the cost to the District of operating vehicles and will be adjusted on an annual basis as the District's costs change.

(c) **Temporary Vehicle Home Retention.** The General Manager or designee may allow the temporary home retention of a District Vehicle on isolated and infrequent occasions lasting up to one business week or a single weekend (e.g. traveling to an out-of-town conference, providing temporary relief for another employee who is absent or on leave) when it is in the best interest of the District for the performance of official District business. Isolated and infrequent instances of home retention on a temporary basis will not be considered a Take-Home Assignment, and will not require written authorization of the General Manager; however, the employee shall still be required to complete and submit a Monthly Vehicle Mileage Log (Exhibit "C") for each instance of temporary home retention. Any request for temporary home retention that exceeds a frequency of four instances per month or for a period longer than one business week or a single weekend must meet the criteria for a Take-Home Assignment.

It is *not* an acceptable use of the temporary vehicle home retention policy to provide District vehicles as temporary replacements for commuter vehicles (i.e., to get to work while the employee's personal vehicle is being repaired).

(d) All District employees driving a District Vehicle shall first review and sign the Motor Vehicle Use Agreement attached hereto as Exhibit "D."

MONTHLY VEHICLE MILEAGE LOG

Employee ID:

Travel Record

Travel Record									
Date	Vehicle ID#	Starting Point	Destination	Purpose of Trip (be specific)	Odometer Readings		After hours emergency Y/N?	Mileage	
					Start	End		Personal Miles	Renters Miles

Date _____

Sign and submit to general manager by end of the month.

EXHIBIT "D"

PANOCHE WATER DISTRICT

Motor Vehicle Use Agreement

As a driver of a Panoche Water District motor vehicle ("District Vehicle"), I agree to adhere to the terms and conditions set forth below. I realize that failure to comply with these terms and conditions may result in termination of my District motor vehicle driving privileges and administering disciplinary action.

I understand the following:

1. District Vehicles are for conducting official District business purposes only.
2. Possession of a valid California driver's license is required to operate a District vehicle or a personal vehicle used for conducting District business.
3. Operators of a District Vehicle must comply with all sections of the California Vehicle Code.
4. All occupants of District Vehicles must wear properly adjusted and fastened safety belts while the vehicle is in motion.
5. District officers and employees shall not carry a spouse, child, or any other person not engaged in official District business as a passenger in a District vehicle, unless the passenger is accompanying the employee to a meeting, conference, or seminar with the approval of the employee's supervisor, Human Resources, the Office Manager, or the General Manager.
6. Vehicle accidents and/or damages are to be reported to a supervisor, Human Resources, or the Office Manager no later than 24 hours after the incident occurs.
7. If any citations and/or tickets are issued for such things as driver's license, seatbelt, parking, speeding, DUI and/or other traffic (non-"fix-it" related) violations to a District employee while driving a District Vehicle and/or a District Vehicle which is assigned to them, then the corresponding fines and/or fees are the SOLE responsibility of the District employee to either pay or successfully contest.
8. If any "fix-it" citations or tickets are issued for such things as deficient equipment, proof of insurance, proof of registration and/or other "fix-it" related violations to a District employee while driving a District Vehicle and/or a District Vehicle which is assigned to them, then they must be sent to the General Manager or designee within two days of their issuance.
9. The General Manager or designee will be notified of delinquent citations and/or tickets received due to an employee's failure to pay the corresponding fines or fees. An employee's non-payment of any citations and/or tickets incurred while they are in possession of a District Vehicle may be the basis for disciplinary action up to and including termination.
10. Drivers shall remain attentive to driving at all times. Use of a hand-held cellular phone, including texting, is prohibited (Cal. Veh. Code § 23123). Eating, drinking, or other distractions should be avoided while the vehicle is in motion.
11. Smoking and chewing tobacco are not permitted in any District motor vehicle at any time by anyone.

12. Driving a District Vehicle while under the influence of alcohol, drugs, or other intoxicants is strictly prohibited.
13. An assignment of a District Vehicle for use outside of working hours shall be placed in a garage or carport, if available or at a minimum, shall be parked off-street, if off-street parking is available, when not in actual use to afford the maximum protection practicable against theft, vandalism, damage and the elements.
14. An assigned District Vehicle must have preventive maintenance performed as outlined in the MV User's Guide. A MV User's Guide is provided with every motor vehicle and is generally located in the glove compartment and available online.
15. I authorize the Panoche Water District to review my driver record through the California Department of Motor Vehicles (DMV) "Pull Notice Program".
16. I have read and agree to comply with the Panoche Water District Vehicle Use Policy.

Driver's Name (Print or Type)

Driver's Signature

Date

**State Controller's Office
Division of Audits
Post Office Box 942850
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<http://www.sco.ca.gov>