

**HARTSTONE POINTE WATER-SEWER DISTRICT
SPECIAL MEETING
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584
March 29, 2024 9:15 A.M.**

AGENDA

1. Call to Order
2. Roll Call
3. Subscriber Remarks
4. Present Agenda

BUSINESS:

5. Review District Funds Structure (2-5)
6. Discuss Entity Responsible/Liable for Bluff Maintenance, Affecting District's Sewerage, with District's Counsel (*executive session expected*)
7. Discussion with WA State Department of Ecology Water Quality Program Permit Manager, Dave D.
8. Discuss Bluff Sewer Main Relocation
9. Discuss Grinder Pump Plan

Hartstene Pointe Water-Sewer District

District Funds Policies

The District shall utilize “proprietary fund accounting” as the organizational structure for its financial activities. The following funds have been established with the Mason County Treasurer’s Office for budgeting and accounting purposes.

- **690-005-010 – General Operating Fund:** The General Operating Fund accounts for all financial resources and transactions, except those required to be accounted for in another fund. The minimum fund balance shall be targeted at 25% of the annual operating and maintenance budget. Projected variances from the 25% minimum target shall be disclosed during the annual budget process or during the current year if unanticipated circumstances occur that negatively impact current year revenue and/or expenditure projections. Fund balance targets may be modified during the annual budget process to reflect extraordinary circumstances (e.g., projected future extraordinary expenditure demands, projected revenue uncertainty, etc.). At least 20% of the annual operating and maintenance budget is to be invested in the State Investment Pool.
- **690-005-020 – Water/Sewer Committed Fund:** The Water/Sewer Committed Fund accounts for monies held for specified purposes but not designated for debt service. Use of monies held within this fund is subject to a vote of the District Commission. The Water/Sewer Committed Fund is divided into three sub-funds:
 - *Risk Management Fund:* For operating shortfalls due to unforeseen cost increases, unanticipated revenue losses, or unforeseen emergency expenditures. The minimum balance for this sub-fund shall be targeted at \$200,000 by 2025. The sub-fund must maintain no less than 12.5% of annual operating revenue in order to meet requirements set forth in the District’s DWSRF Loan contract.
 - *Capital Improvement Fund:* For the accrual of monies to fund capital projects laid out in the District’s six year Capital Improvement Plan.
 - *Inflow & Infiltration:* For future repairs to the district’s water and sewer mains/laterals. The District Commissioners purpose to allocate \$20,000 from each year’s budget to contribute to this reserve. “Metered Water Charges” will contribute to this fund and transfers will be swept into this fund from 010 Operating Fund monthly.
 - *Reservoir Fund:* For future repairs to reservoir. The target balance for this sub-fund shall be \$150,000 by 2027.
 - *Asset Replacement Fund:* For the replacement of short-lived equipment. This reserve receives a \$9,000 annual contribution from the General Operating Fund, per the District’s USDA Bond Covenants.
- **690-005-030 – Ecology Loan Reserve:** Used to hold in reserve an amount equal to one full year of debt service payments (\$38,111.40) for the District’s Department of Ecology Loan. The balance of this fund is invested in the State Investment Pool.

- **690-005-050 – DWSRF Loan Reserve:** The District shall make regular transfers from the General Operating Fund into this fund such that by September 30th of each year the fund balance equals the annual DWSRF loan debt service payment. The balance of this fund is to be invested in the State Investment Pool until withdrawn for disbursement for the annual debt service payment. All interest earned on funds held within this fund shall accrue and be applied toward reducing the amount of the Drinking Water State Revolving Fund loan. For the life of the loan, monthly transfers shall be made to the DWSRF Loan Reserve so that the annual payment amount is accrued by October of each year, in accordance with the loan contract.
- **690-005-060 – Hartstene Pointe Bond Fund:** Used to make semi-annual debt service payments of \$19,665. District must transfer the payment amount from the General Operating Fund into the Bond Fund at least 5 days prior to payment due dates (March 5 and September 5). The payment is electronically transferred from this fund to the USDA on the payment due date.
- **690-005-065 – Hartstene Pointe Capital Project Fund:** Used to accept construction loan funds and pay contractors for financed capital projects.
- **690-005-070 – Water Revenue Bond, 2012 Debt Service Reserve:** Used to hold one full year of USDA Bond debt service payments (\$39,330). Per bond covenants, monthly transfers of \$327.75 should be made from the General Operating Fund into this fund so that the balance is reached no later than September 2022. The balance of this fund is to be invested in the State Investment Pool.

For the purposes of annual financial reporting to the Washington State Auditor’s Office, all funds are rolled into one general fund, designated as fund 401.

Hartstene Pointe Water-Sewer District
Policies and Procedures
Electronic Funds Transfer (EFT) Receipts and Payment Account

The District has authorized by Resolution 2015-03 the establishment of a revolving fund called the Electronic Funds Transfer (EFT) Account. ~~The imprest amount for the account will be \$500.00 unless increased by way of resolution of the Board of Commissioners.~~ **Resolution 2018-07 established the account imprest amount of \$30,500.00.** The account balance shall not exceed ~~\$20,000~~ **\$50,500**. Resolution 2015-03 designated Bank of America, Shelton Branch as the depository of the account. **Since the account's inception, the Mason County Treasurer's Office has moved all of its banking to Columbia Bank, Shelton Branch, including the District's EFT Account.** The General Manager, Mason County Treasurer, and Mason County Deputy Treasurer are signers on the account.

Following are the authorized policies for use of the District's EFT Account:

GENERAL POLICIES

Purpose

The purpose of the account is limited to receipt of customer payments via Electronic Fund Transfers (EFT), **electronic payment (direct deposit) of wages payable, payroll taxes, and employee benefits**, and disbursements to vendors who require payments be made via EFT.

Instruments

Customer payments electronically transferred into the account will be swept, at the District's request, by the County into the District's General Fund maintained by the County.

For payments, a warrant will be deposited into the account for the amount to be paid and the disbursements will be made electronically.

Security

The District will not maintain a debit card or checkbook for the EFT Receipts and Payment account.

Custodian

The appointed Custodian of the account shall be the District General Manager. The Custodian should be independent of the invoice processing, EFT disbursements, and general accounting functions. The Custodian shall be bonded in an amount equal to or greater than the authorized account balance ~~(\$20,000.00)~~ **\$50,500.00**.

Audit Commissioner

For the purposes of ensuring segregation of duties, the Audit Commissioner shall monitor account activity and provide a report of the internal audits performed to the Board of Commissioners at least monthly. Audit Commissioner's responsibilities are outlined in Section 3 – Audit Procedures.

PROCEDURES

Section 1: Disbursing Vendor Payments by EFT

The ~~Bank of America CashPro~~ **Columbia Bank** previous day reports will be utilized to check disbursements against vendor statements. The account will maintain debit filters to ensure that only authorized vendors may initiate disbursements from the EFT Account. When possible, funds equaling anticipated disbursements should be deposited by warrant to the EFT account prior to the disbursement.

When vendor statements are received after the disbursement has been made, the [EFT Expense Log](#) will be completed showing:

1. Date of disbursement
2. Payee name
3. Amount of disbursement
4. Purpose of disbursement
5. Budget expense line item

The EFT Account Expense Log, with the attached vendor statements/invoices, will be prepared by the AAS, audited and approved by the Audit Commissioner, and included in the next voucher for the EFT Account replenishment.

Section 2: Deposits and Transfers to the County

A running account balance will be updated and maintained **weekly** utilizing ~~Bank of America CashPro~~ **Columbia Bank** previous day reports. The prior ~~day's~~ **week's** deposits and disbursements will be checked against records of customer payments and entered into the District's accounting software.

At least weekly, or whenever the account balance approaches ~~\$20,000~~ **\$50,500**, the AAS shall request that the Mason County Treasurer's Office transfer funds from the EFT Account to the Hartstene Pointe General Fund 010. The AAS shall prepare the [EFT Account Transfer Request Letter](#) and the [EFT Account Transfer Transmittal](#) form to indicate how the funds should be credited. These forms shall be emailed to the Treasurer's Office email, TreasTransmittals@co.mason.wa.us. The receipt of each deposit included in this transfer shall be noted with the date the funds are transferred. The transfer shall then be recorded in the District's accounting software.

Section 3: Audit Procedures

1. It is the responsibility of the Audit Commissioner to ensure proper use of the EFT Receipts and Payment Account. This will be accomplished using the following procedures.
 - a. The Audit Commissioner shall review the disbursements made from the account by auditing and approving each entry in the EFT Expense Log.
 - b. Monthly, the Audit Commissioner shall audit the reconciliation of the EFT Account against the bank statement. The Audit Commissioner shall also ensure that the customer payments received in the account were transferred within one week to the District's Operating Fund maintained by the Mason County Treasurer's Office.
 - c. The Audit Commissioner shall provide a monthly report to the Board of Commissioners of the audits performed.

Section 4: Replenishing the Account

Whenever disbursements are made, the fund must be replenished at least monthly by warrant. The replenishment shall be made as follows:

1. Replenishment must be by voucher, coded to the BARS code appropriate to the purchase.
2. The Payee shall be the Hartstene Pointe Water Sewer District.
3. Vouchers must be reviewed by the Audit Commissioner prior to presentation to the full Board of Commissioners for authorization.
4. Warrants drawn for replenishment shall be deposited into the bank account within 5 days of receipt.

Section 5: Payroll Disbursements by EFT

Upon processing the monthly payroll, employee direct deposits, monthly payroll tax deposits, and benefits payments (insurance, retirement, and HRA deductions and contributions) will be initiated from the District's EFT account. These amounts will be replenished to the account monthly, by warrant, through the Payroll Voucher.