

HARTSTENE POINTE WATER-SEWER DISTRICT
MASON COUNTY, WASHINGTON

RESOLUTION 2016-04

A RESOLUTION OF THE
HARTSTENE POINTE WATER-SEWER DISTRICT COMMISSIONERS
ADOPTING THE 2017 BUDGET

WHEREAS, Hartstene Pointe Water-Sewer District is a special purpose district, governed by Title 57 of the Revised Code of Washington; and

WHEREAS, the District Commissioners held a public hearing on the proposed 2017 Budget on November 12, 2016 and heard testimony at said hearing; and

WHEREAS, the Hartstene Pointe Water-Sewer District provided public notice of its intent to adopt a 2017 Budget; and

WHEREAS, the District Commissioners determined the proposed 2017 Budget included expenditure limitations to allow prudent operation of the water, waste water collection, and waste water treatment systems, payment on the District's annual debt service, and funding for scheduled capital outlay projects; and

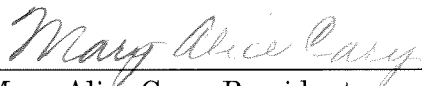
WHEREAS, the estimated revenues of the District in 2017 plus the estimated 2017 starting fund balance of are adequate to fund 2017 expenditures;

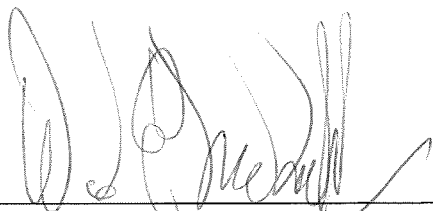
THEREFORE, The Board of Commissioners of the Hartstene Pointe Water-Sewer District hereby resolves:

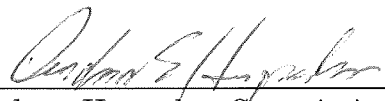
To adopt the enclosed Budget for the period of January 1, 2017 through December 31, 2017 for the Hartstene Pointe Water-Sewer District.

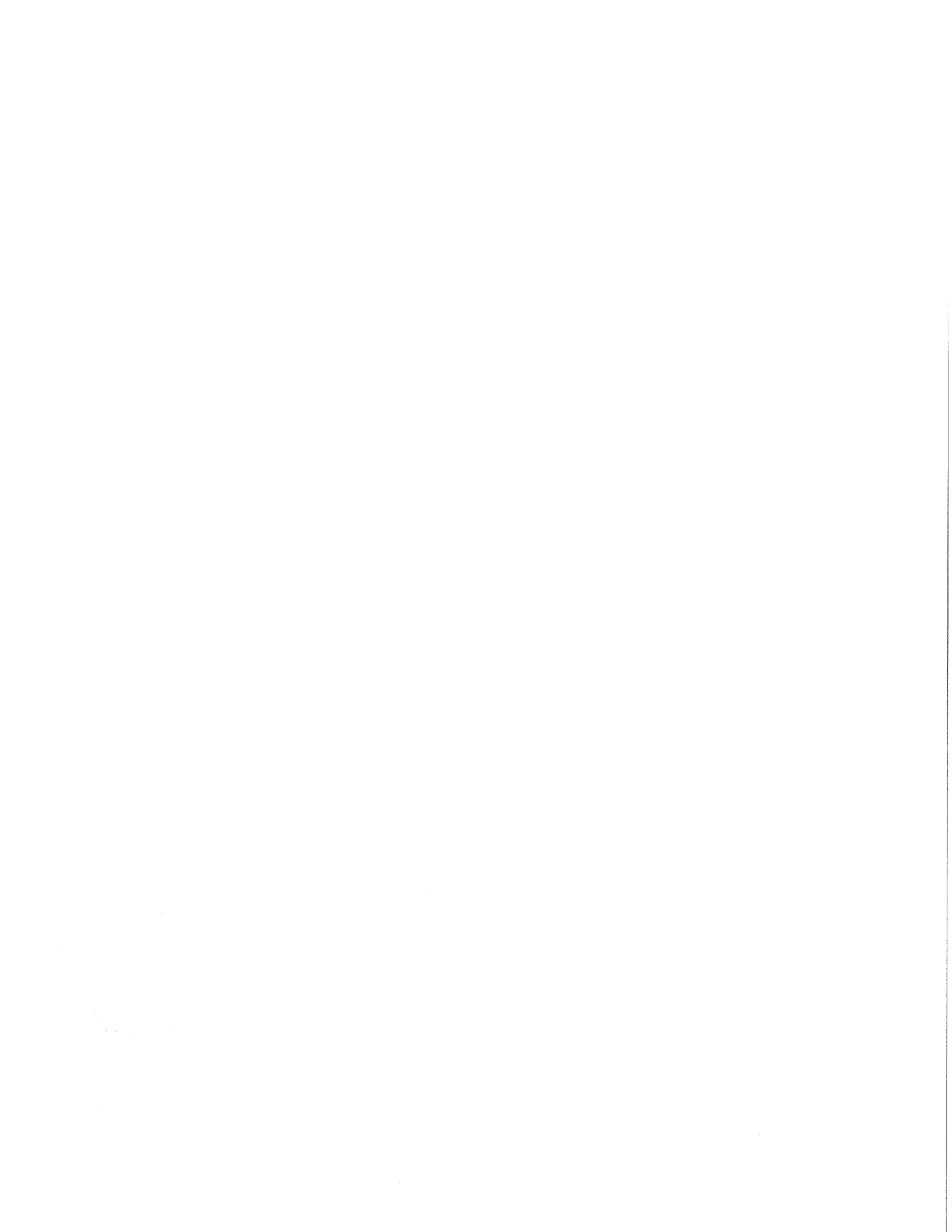
ADOPTED by the District Board of Commissioners at its scheduled meeting on November 17, 2016.

Hartstene Pointe Water-Sewer District
Mason County, Washington

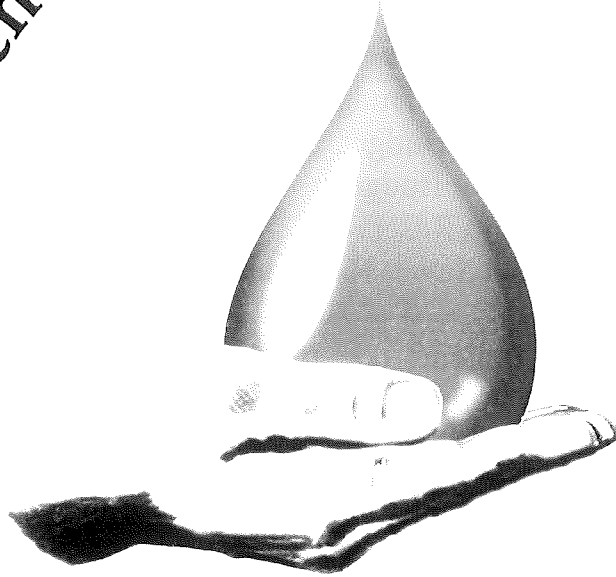

Mary Alice Cary, President


David McNabb, Commissioner


Andrew Hospador, Commissioner



Hartstene Pointe Water - Sewer District



Dedicated to Service

2017 Proposed Budget

November 8, 2016

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Budget Message

November 8, 2016

Board of Commissioners

Hartstene Pointe Water-Sewer District's Customers and Stakeholders:

We are pleased to present the Hartstene Pointe Water-Sewer District's ("District") proposed budget for 2017. This budget was developed to further the District's mission of providing reliable, high quality water, sewer collection, and wastewater treatment services at fair and reasonable rates to meet the current and future needs of our community. The financial policies adopted by the Board of Commissioners (Board), included in the Appendix, provided additional guidance to this budget process.

Budget Summary

When the District was first formed in 2008, many aspects of the existing infrastructure were in disrepair or non-functional. Over the past eight years the District has worked to replace and repair broken equipment, address regulatory issues, and most importantly, ensure delivery of safe, clean drinking water and the protection of our beautiful Puget Sound. Now that the District has addressed many of the issues of the past, it can set its sights on financial sustainability and viability for the future.

In 2014 the Board adopted its District Funds Policies (included in the appendix) which address goals for building and maintaining reserves. The District is committed to building adequate reserves to meet the operational and capital needs of the system, as well as to be prepared for emergencies and unforeseeable circumstances. In 2016, the District utilized a portion of these reserves for the Well 1 Replacement Project and other asset replacements. The preliminary budget for 2017 seeks to replenish the \$50,000 drawn from the Capital Improvement Fund for the Well 1 Replacement within five years. The budget also designates funds for capital improvement projects (\$37,500 for reservoir repair and \$18,000 to address Inflow and Infiltration), as well as continuing the annual contributions of \$10,000 to the Risk Management Fund and \$9,000 to the Asset Replacement Fund.

There is a \$53,000 decrease from the 2016 budget in the Water Repair and Maintenance budget line due to non-recurring maintenance and inspection costs budgeted for 2016. There are also decreases in the Water Supplies budget line. Overall, the 2017 Water Operating Expenditures are down by \$64,200, or 40%, from the 2016 budget.

Due to the addition of a regular, part-time field technician, as well as increasing costs to repair and replace failing sewer lateral lines, the wastewater repair and maintenance budget line increased from \$10,000 in the 2016 budget to \$40,500 in the 2017 proposed budget. Wastewater Treatment Plant Operator costs increased by \$12,000 over the 2016 budget. Overall, the 2017 Wastewater Operating Expenditures are up by \$38,500, or 36%, from the 2016 budget.

The District is scheduled to be audited in 2017, which accounts for about half of the \$11,700 increase in Combined Water/Sewer Operating Expenditures. The setup costs for ebilling and an enhanced online payment system will result in a \$2,000 increase for the first year, however, by 2018, resulting savings to postage, printing, and AAS time for processing and posting payments should offset the new system's costs.

Construction on the Water Treatment Project, paid for under the Drinking Water State Revolving Fund Loan, will be completed in 2017, and the first loan payment under the loan will be due in October, increasing the District's debt service by \$65,125, or 84%. In 2017 the District's debt will be 24% of its revenues.

The Capital Expenditure budget continues the District's commitment to maintain and replace the aging water and wastewater infrastructure and increase system reliability and product quality. The 2017 budget utilizes a more broad definition of "Capital Expenditure" to include non-routine (less than once per year) maintenance projects, such as the reservoir cleaning and inspection planned for 2017. Management utilized a Business Risk Exposure calculation to help prioritize projects on the Five-Year Capital Improvement Plan in order to first allocate District resources to the projects which address those needs representing the greatest risk and liability of failure. The Capital Expenditures Budget for 2017 totals \$104,990, \$20,000 of which will be paid from the District's Asset Replacement Fund.

At the current rates, the Operating Account is projected to have a net loss of \$10,600 in 2017, and a trend of annual net losses persists in the five-year financial projections for the District at the current service rates. In order for the District to have a balanced budget for its operating fund, and in order to better reflect the District's actual wastewater treatment costs for 2017, we are recommending a 4% sewer rate increase (\$1.96/month; \$3.92/bi-monthly billing) for 2017. We are also recommending a \$200 increase in Sewer Capital Facilities Charges (CFC) for new connections, bringing the total CFC to \$4,300 (\$1,700 for water and \$2,600 for sewer).

Future

Under Washington State law, special purpose water and sewer districts are not legally mandated to submit or approve an annual budget. However, under the forward-thinking direction of the Board of Commissioners, the District has developed and used the budget process as a planning tool for the future. Over the past three years of budget preparation, the District has worked to include five-year projections in its budget considerations in an effort to anticipate the needs of the District, not only for the upcoming fiscal year, but for the foreseeable future, in order for the water and sewer systems to be viable and sustainable assets to our community.

Sincerely,

Mont Jeffreys
General Manager

Miceal Carnahan
Accounting and Administrative Services Manager

Hartstene Pointe Water-Sewer District 2017 Proposed Budget Overview

	2016	2017	2018	2019	2020	2021
	Budget	Budget	Projected	Projected	Projected	Projected
Beginning Balances:						
Operating Account	172,275	119,024	119,026	101,454	100,255	98,471
Capital Project Account	73,531	70,984	-	-	-	-
Asset Replacement Fund	36,000	12,540	1,540	10,540	9,540	18,540
Capital Improvement Fund	151,000	154,500	220,000	100,000	132,000	166,000
Risk Management Fund	141,789	108,005	93,977	104,823	115,767	126,809
Total Beginning Balances:	574,594	465,053	434,543	316,817	357,562	409,819
Revenues						
Water Sales	311,040	313,572	313,980	314,688	315,396	316,104
Sewer Sales	258,120	270,641	292,683	308,011	324,140	324,868
Late Fees/Other Fees	7,399	5,738	5,746	5,759	5,772	6,410
Connection Fees	4,800	4,300	4,300	4,300	4,300	4,300
Interest	659	1,272	1,051	1,153	1,257	1,141
Total Revenues	582,018	595,523	617,760	633,911	650,864	652,823
Expenditures						
Water Operating Expenditures	158,496	94,350	94,697	96,641	97,141	99,084
Wastewater Treatment Operating Expenditures	106,806	145,340	145,810	147,309	148,839	151,816
Combined Water/WWT Operating Expenditures	133,942	145,616	151,297	137,660	146,070	148,991
Total Operating Expenses	399,244	385,306	391,805	381,610	392,050	399,891
Total Debt Service	117,257	142,566	142,566	142,566	142,566	142,566
Total Capital Expenditures	162,000	104,990	200,000	65,000	60,000	57,000
Total Expenditures	678,501	632,862	734,371	589,176	594,616	599,457
Total Operating Account Transfers Out (In)	(7,328)	(37,341)	(99,039)	45,934	58,033	53,132
Total Operating Fund Gain (Loss):	\$(89,155)	\$ 2	\$(17,572)	\$(1,199)	\$(1,784)	\$ 234
Ending Balances:						
Operating Account	83,120	119,026	101,454	100,255	98,471	98,705
Capital Project Account	(0)	-	-	-	-	-
Asset Replacement Fund	45,000	1,540	10,540	9,540	18,540	20,540
Capital Improvement Fund	242,000	220,000	100,000	132,000	166,000	202,000
Risk Management Fund	152,001	93,977	104,823	115,767	126,809	137,950
Total Ending Balance:	522,121	434,543	316,817	357,562	409,819	459,195

Updated 11/03/16

Hartstene Pointe Water-Sewer District

2017 Proposed Budget

Operating Budget

	2017				
	2016 Budget	Proposed Budget	2018 Projection	2019 Projection	2020 Projection
Water Expenditures					
Water Operating Expenditures					
Supplies - Water					
Supplies - Water	13,000	1,375	1,403	1,431	1,459
Chemicals - Water	3,500	4,000	4,080	4,162	4,245
Total Supplies - Water	16,500	5,375	5,483	5,592	5,704
Services - Water					
Meter Reading	6,000	6,000	6,120	6,242	6,367
Attorney Fees - Water	500	500	500	500	500
Consultant Fees - Water	500	500	500	500	500
Operations - Water	29,988	29,988	29,988	29,988	29,988
Operations - Non-routine Water	420	350	350	350	350
Lab Testing - Water	1,700	472	993	2,000	1,500
Repair & Maintenance - Water					
<i>JMS Contract</i>	20,000	12,000	12,240	12,485	12,734
<i>Other Repair &. Maintenance</i>	55,000	10,000	10,200	10,404	10,612
Total Repair & Maintenance - Water	75,000	22,000	22,440	22,889	23,347
Electricity - Water	11,458	11,500	11,730	11,965	12,204
Customer Refund, Prior Period - Water	-	-	-	-	-
Total Services - Water	125,566	71,310	72,621	74,434	74,756
Intergovernmental - Water					
Excise Tax - Water	15,642	15,770	15,790	15,826	15,861
Permit Fees - Water	788	774	804	789	820
Intergovernmental - Other	-	1,122	-	-	-
Total Intergovernmental - Water	16,430	17,666	16,594	16,615	16,681
Total Water Operating Expenditures	158,496	94,350	94,697	96,641	97,141

2017 Proposed Budget

Operating Budget

	2017				
	2016 Budget	Proposed Budget	2018 Projection	2019 Projection	2020 Projection
Wastewater Expenditures					
Wastewater Operating Expenditures					
Supplies - Wastewater					
Supplies - Wastewater	4,200	2,000	2,040	2,081	2,122
Chemicals - Wastewater	3,400	3,000	3,060	3,121	3,184
Total Supplies - Wastewater	7,600	5,000	5,100	5,202	5,306
Services - Wastewater					
Attorney Fees - Wastewater	500	500			
Consultant Fees - Wastewater	500	500			
Operations - Wastewater	38,588	54,000	54,000	54,000	54,000
Operations - Non-routine Wastewater	4,200	840	840	840	840
Lab Testing - Wastewater	11,276	7,900	8,058	8,219	8,384
Biosolids Hauling, SBR Cleaning	18,000	14,000	14,000	14,000	14,000
SCADA System Maintenance - WWT	-	2,000	2,000	2,000	2,000
Repair & Maintenance - Wastewater					
<i>Sewer Collection</i>	2,500	15,000	15,300	15,606	15,918
<i>JMS Contract</i>	5,000	20,500	20,910	21,328	21,755
<i>Wastewater Treatment - Other</i>	2,500	5,000	5,100	5,202	5,306
Total Repair & Maint. - Wastewater	10,000	40,500	41,310	42,136	42,979
Electricity - Wastewater	10,200	13,000	13,260	13,525	13,796
Customer Refund, Prior Period - Sewer	-	-	-	-	-
Total Services - Wastewater	93,264	133,240	133,468	134,721	135,998
Intergovernmental - Wastewater					
B&O/Excise Tax - Wastewater/Sewer	3,872	5,000	5,100	5,202	5,306
Permit Fees - Wastewater	2,070	2,100	2,142	2,185	2,229
Total Intergovernmental - Wastewater	5,942	7,100	7,242	7,387	7,535
Total Wastewater Treatment Operating Expenditures	106,806	145,340	145,810	147,309	148,839

2017 Proposed Budget

Operating Budget

	2017				
	2016 Budget	Proposed Budget	2018 Projection	2019 Projection	2020 Projection
Combined Water/WWT Operating Expenditures					
Commissioner Per Diem/Payroll Taxes					
Commissioner 1	3,306	3,534	3,534	3,534	3,534
Commissioner 2	3,306	4,094	4,094	4,094	4,094
Commissioner 3	3,306	3,534	3,534	3,534	3,534
Payroll Taxes	759	854	854	854	854
Total Commissioner Per Diem/Payroll Taxes	10,677	12,016	12,016	12,016	12,016
Supplies - Combined Water/WWT					
Tools/Equip/Supplies	4,800	3,000	1,500	1,530	1,561
Office Supplies	700	750	765	780	796
Total Supplies - Combined Water/WWT	5,500	3,750	2,265	2,310	2,357
Services - Combined Water/WWT					
General Manager	45,313	45,313	45,313	45,313	45,313
Acct & Admin Services Manager	29,000	31,000	31,000	31,000	31,000
Bank Fees	1,200	-	-	-	-
Lockbox Services	10,570	10,000	10,200	10,404	10,612
Online Payment System	2,160	4,200	1,674	1,758	1,846
IT/Software Applications	2,700	2,935	3,023	3,114	3,207
Storage Unit Rental	-	756	756	756	756
Merchant Services Fees	2,000	1,900	1,938	1,977	2,016
Postage	1,900	1,500	1,530	1,561	1,592
Telephones/Internet	8,500	9,000	9,180	9,364	9,551
Legal Notices & Publications	81	250	255	260	265
Liability Insurance/Bonds	7,854	9,000	9,450	9,923	10,419
Professional Dues	1,100	1,600	1,632	1,665	1,698
Printing	2,000	1,900	1,995	2,095	2,199
Travel/Mileage/Training	2,550	3,500	3,570	3,641	3,714
Total Services - Combined Water/WWT	116,928	122,854	121,516	122,829	124,188
Intergovernmental - Combined Water/WWT					
B&O Tax (on Fees/Penalties)	180	86	86	86	87
Other	449	200	200	200	200
County Election Costs	208	210	214	218	223
State Audit	-	6,500	15,000	-	7,000
Total Intergov - Combined Water/WWT	837	6,996	15,500	505	7,509
Total Combined Water/WWT Operating Expenditures	133,942	145,616	151,297	137,660	146,070
Total Operating Expenditures	399,244	385,306	391,805	381,610	392,050

Updated 10/30/16

Capital Improvement Plan

	2016		2017							
	Budget	Budget	Budget	Budget	2018	2019	2020	2021		
Waste water/Sewer Collection Capital Expenditures										
<i>Inflow & Infiltration Abatement (transfer to reserves)</i>	16,000	18,000	20,000	22,000	24,000	26,000				
WWTP Sludge Pump Upgrade	75,000	-	-	-	-	-				
New Lift Station 8 Pump and Rebuild for Spare	16,000	-	-	-	-	-				
In-Plant Lift Station New Pump and Spare Rebuild	-	-	-	-	-	-				
Rebuild Effluent Pump	15,000	-	-	-	-	-				
Composite Sampler	-	-	-	-	-	-				
Replace Gaseous Cl2 System	10,000	15,000	-	-	-	-				
Lift Station Generators	-	-	30,000	30,000	30,000	-				
Phase 3 WWT SCADA/Lift Station Telemetry Upgrade	20,000	37,900	-	-	-	-				
Lift Station 5 Spare Pump	-	-	-	10,000	-	-				
Spare Composite Sampler	-	-	-	-	-	7,000				
Incubator/Lab Equipment for In-House Testing	-	4,500	-	-	-	-				
Total Wastewater/Sewer Capital Expenditures	136,000	57,400	30,000	40,000	30,000	7,000				
Drinking Water Capital Expenditures										
Well 1 Replacement	-	25,000	-	-	-	-				
Pressure Reducing Valve Replacement	-	-	-	-	-	-				
Reservoir Inspection and Cleaning	-	5,590	-	-	-	-				
Reservoir Mixer	11,000	12,000	-	-	-	-				
Well Generator	-	-	-	-	30,000	-				
Replace Housing for Well 1 and Well 2	-	5,000	-	-	-	-				
Reservoir Cathodic Protection	10,000	-	20,000	-	-	-				
Reservoir Interior Painting/Repair	-	-	150,000	-	-	-				
Lateral Replacements	5,000	-	-	10,000	-	50,000				
Booster Pump Generator	-	-	-	15,000	-	-				
Total Drinking Water Capital Expenditures	26,000	47,590	170,000	25,000	30,000	50,000				
Total Capital Expenditures/Major Repairs	162,000	104,990	200,000	65,000	60,000	57,000				
Asset Replacement Fund Transfers										
(From Asset Replacement Fund 020 to Operating 010)	14,200	20,000	-	10,000	-	7,000				

Updated 10/31/16

Hartstene Pointe Water-Sewer District

2017 Proposed Budget

Fund 020 - Water/Sewer Committed Funds

	2017					
	2016 Budget	Proposed Budget	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Asset Replacement Fund						
Balance Forward	36,000	12,540	1,540	10,540	9,540	18,540
Revenues						
Transfers From Operating Account - 010	9,000	9,000	9,000	9,000	9,000	9,000
Total Revenues	9,000	9,000	9,000	9,000	9,000	9,000
Expenditures						
Transfers to Operating Account - 010	(14,200)	(20,000)	-	(10,000)	-	(7,000)
Total Expenditures	(14,200)	(20,000)	-	(10,000)	-	(7,000)
Net Asset Replacement Fund Gain (Loss)	(5,200)	(11,000)	9,000	(1,000)	9,000	2,000
Ending Asset Replacement Fund Balance	30,800	1,540	10,540	9,540	18,540	20,540
Capital Improvement Fund						
Balance Forward	151,000	154,500	220,000	100,000	132,000	166,000
Revenues						
Transfers From Operating Account - 010						
Reservoir Repair	75,000	37,500	-	-	-	-
Inflow & Infiltration	16,000	18,000	20,000	22,000	24,000	26,000
Other Capital Projects	-	10,000	10,000	10,000	10,000	10,000
Total Transfers From Operating Account - 010	91,000	65,500	30,000	32,000	34,000	36,000
Total Revenues	91,000	65,500	30,000	32,000	34,000	36,000
Expenditures						
Transfers to Operating Account - 010	-	-	(150,000)	-	-	-
Total Expenditures	-	-	(150,000)	-	-	-
Net Capital Improvement Fund Income (Loss)	91,000	65,500	(120,000)	32,000	34,000	36,000
Ending Capital Improvement Fund Balance	242,000	220,000	100,000	132,000	166,000	202,000
Risk Management Fund						
Balance Forward	141,789	108,005	93,977	104,823	115,767	126,809
Revenues						
Interest Income	493	972	846	943	1,042	1,141
Transfers From Operating Account - 010	10,000	10,000	10,000	10,000	10,000	10,000
Total Revenues	10,493	10,972	10,846	10,943	11,042	11,141
Expenditures						
Transfers to Operating Account - 010	-	(25,000)	-	-	-	-
Total Expenditures	-	(25,000)	-	-	-	-
Net Risk Management Fund Income (Loss)	10,493	(14,028)	10,846	10,943	11,042	11,141
Ending Risk Management Fund Balance	152,282	93,977	104,823	115,767	126,809	137,950

Hartstene Pointe Water-Sewer District

2017 Proposed Budget

Fund 065 - Capital Project Account					
	2016 Budget	2017 Budget	2018	2019	2020
Balance Forward	70,984	70,984	-	-	-
Revenues					
DWSRF Loan Proceeds	570,000	763,516	-	-	-
Transfers from Operating Account - 010	-	-	-	-	-
Total Revenues	570,000	763,516	-	-	-
Expenditures					
Engineering		50,000			
Construction		762,821			
Other		5,000			
Total Expenditures	570,000	817,821	-	-	-
Transfers to Operating Account - 010	73,531	16,678			
Net Fund Gain (Loss)	(73,531)	(70,984)	-	-	-
Ending Fund Balance	(2,547)	-	-	-	-

Hartstene Pointe Water-Sewer District

2017 Proposed Budget

Fund 030 - Ecology Loan Reserve Fund					
	2016 Budget	2017 Budget	2018	2019	2020
Balance Forward	38,170	38,325	38,425	38,530	38,640
Revenues					
Interest Earned	57	100	105	110	115
Transfers from Operating Account - 010	-	-	-	-	-
Total Revenues	57	100	105	110	115
Expenditures					
Transfers to Operating Account - 010	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Net Fund Gain (Loss)	57	100	105	110	115
Ending Fund Balance	38,228	38,425	38,530	38,640	38,755

*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.

Hartstene Pointe Water-Sewer District

2017 Proposed Budget

Fund 050 - DWSRF Loan Reserve Fund					
	2016 Budget	2017 Budget	2018	2019	2020
Balance Forward	48,000	68,000	2,875	-	-
Revenues					
Transfers from Operating Account - 010	-	-	62,250	65,125	65,125
Total Revenues	-	-	62,250	65,125	65,125
Expenditures					
Transfers to Operating Account - 010	(48,000)	(65,125)	(65,125)	(65,125)	(65,125)
Total Expenditures	(48,000)	(65,125)	(65,125)	(65,125)	(65,125)
Net Gain (Loss)	(48,000)	(65,125)	(2,875)	-	-
Ending Fund Balance	-	2,875	-	-	-

*Per the DWSRF loan contract, the District must make regular deposits into this fund so that by the date of each of the District's scheduled payments, the reserve fund contains the full payment amount. Based on the current project estimates, the loan terms, and the current projected completion date, the monthly transfer should be \$2,000. This amount should be adjusted once the project is completed and the actual payment amount is determined.

Hartstene Pointe Water-Sewer District

2017 Proposed Budget

Fund 070 - USDA Revenue Bond Reserve					
	2016 Budget	2017 Budget	2018	2019	2020
Balance Forward	12,782	16,715	20,648	24,581	28,514
Revenues					
Transfers from Operating Account - 010	3,933	3,933	3,933	3,933	3,933
Total Revenues	3,933	3,933	3,933	3,933	3,933
Expenditures					
Transfers to Operating Account - 010	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Net Gain (Loss)	3,933	3,933	3,933	3,933	3,933
Ending Fund Balance	16,715	20,648	24,581	28,514	32,447

*Per bond covenants, monthly deposits equaling \$327.75 should be deposited into the account so that the balance within 10 years is equal to one annual loan payment, \$39,330. Last transfer should be made September 2022.

Hartstene Pointe Water-Sewer District

2017 Proposed Water and Sewer Rates

	Water Rates			Sewer Rates			Total Water/Sewer Rates		
	Current		Proposed	Current		Proposed	Current		Proposed
	Rate	Monthly	Increase	Rate	Monthly	Increase	Monthly	Monthly	Monthly
Residential	59	59.00	-	49.00	50.96	1.96	108.00	109.96	1.96
Prepaid Connection	25	25.00	-	20.00	20.80	0.80	45.00	45.80	0.80

Proposed Total Bi-Monthly Bill - Residential: \$ 219.92
Proposed Total Bi-Monthly Bill - Prepaid Connection: \$ 91.60

Updated 11/03/16

Proposed Capital Facilities Charges

	Water	Sewer	Total
Debt Share	500	757	1,257
Future Improvements	945	852	1,797
Assets	269	1,029	1,298
Total Capital Facilities Charges	\$ 1,700	\$ 2,600	\$ 4,300
Connection Fees	\$ 250	\$ 250	\$ 500
Total CFC + Connection Fees	\$ 1,950	\$ 2,850	
Total Cost for New Connections			\$ 4,800

Updated 10/24/16

Appendix

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. The 25% target amount should be invested in the State Investment Pool. 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.).
- **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. 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.
 - *Asset Replacement Fund:* For the replacement of short-lived equipment. This fund 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. 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. Based on current loan projections, the monthly transfer should be \$2,000. Once the loan is closed and the actual annual payment amount is determined, the monthly transfer amount should be adjusted.
- **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.

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 Annual Budget Preparation and Adoption Policies and Procedures

1. Preparation

a. **Preliminary Budget:**

District management shall prepare a preliminary District budget which shall set forth the complete financial program of the District for the ensuing fiscal year, showing the expenditure program and the sources of revenue by which it is to be financed.

The revenue section shall set forth the estimated receipts from all sources for the ensuing fiscal year, the actual receipts for the first nine months of the current fiscal year and the actual receipts for the last completed fiscal year, and the estimated receipts at the close of the current fiscal year.

The expenditure section shall set forth the estimated expenditures for the ensuing fiscal year, the appropriations for the current fiscal year, the actual expenditures for the first nine months of the current fiscal year, the estimated expenditures at the close of the current fiscal year, and the actual expenditures for the last completed fiscal year.

b. **Revision by District Commissioners:**

The budget shall be submitted by District management to the board of district commissioners on or before the fourth Thursday in October of each year. The board shall thereupon consider the same in detail, making any revisions or additions it deems advisable.

c. **Budget Hearing:**

The District shall provide notice stating that it has completed and placed on file its proposed budget for the District for the ensuing fiscal year, a copy of which will be furnished to any citizen who will call at its office for it, and that it will meet on or before the second Saturday in November thereafter for the purpose of presenting the proposed budget, and that any subscriber may appear thereat to ask questions or provide comment.

On or before the second Saturday in November in each year the board of District commissioners shall meet at the time and place designated in the notice, whereat the proposed budget is presented and any subscriber may appear and ask questions or provide comment.

2. Adoption

a. **Adoption by the Board of Commissioners:**

At the next regular meeting of the board of District commissioners the board shall fix and determine each item of the budget and shall by resolution adopt the budget as so finally determined and enter the same in detail in the official minutes of the board.

b. **Submission to the County:**

The adopted budget shall be submitted to the Mason County Auditor's office in the form required by the county auditor.

