

# 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.
    - *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. Based on current loan projections, the 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 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. 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.