

**KING COUNTY WATER DISTRICT NO. 90
KING COUNTY, WASHINGTON
RESOLUTION NO. 969 ^B**

A **RESOLUTION** of the Board of Commissioners of King County Water District No. 90, King County, Washington, adopting Financial Management Policies of the District.

WHEREAS, King County Water District No. 90 is granted the authority to adopt certain financial policies of the District pursuant to the Revised Code of Washington, Title 57; and

WHEREAS, the purpose of establishing Financial Management Policies for the District is to promote the financial integrity and stability of the District's water system and to provide guidance and consistency in decision making for the District's management; and

WHEREAS, the Board of Commissioners had deemed it in the best interest of the District to adopt certain Financial Management Policies; and

WHEREAS, the Board of Commissioners reserves the right to make decisions from time-to-time that may vary from the policies adopted by this Resolution and/or amend the policies herein adopted as needed;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 90 AS FOLLOWS:

Section 1: That the Financial Management Policies of the District attached hereto and incorporated herein by reference are hereby adopted in their entirety.

Section 2: That the Board of Commissioners reserves the right to make decisions from time-to-time that may vary from the policies adopted herein and/or to amend the policies as may be deemed necessary.

Section 3: That this Resolution and the implementation thereof shall become effective the 21 day of January, 2014.

BOCm

ADOPTED by the Board of Commissioners of King County Water District No. 90, King County, Washington, at an open public meeting thereof held on the 20th day of May, 2014.

BRV Sidner 5-20-14

Ann Curcio 5/20/14

By D. M. 5/20/14

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FINANCIAL MANAGEMENT POLICIES

1.0 POLICY GOAL

The purpose of establishing financial policies for King County Water District No. 90 (KCWD90 or the District) is to promote the financial integrity and stability of our water system and to provide guidance and consistency in decision making for the District's management. It is intended that these policies be reviewed periodically. The Board of Commissioners reserves the right to make decisions, from time-to-time, which may vary from these policies and/or amend these policies as needed.

KCWD90 observes and complies with all federal and state laws. The District policy follows "Title 57; Water and Sewer Districts" in the Revised Code of Washington (RCW). Section 57:20 of the RCW specifically deals with Finance.

2.0 BANK ACCOUNTS/FUNDS

King County Water District No. 90 has a contract with King County Treasury for Cash Management Services and Investment services effective as of March 16, 2010. The District has three Funds with King County Treasury. These include the Maintenance, Construction and Retainage Funds. Additionally, separate Funds will be established for each Public Work Trust Fund Loan, or other loan, in order to keep those Funds separate from the other Funds.

In addition to District Funds on deposit with the King County Treasurer, KCWD90 has additional accounts with US Bank in Renton, Washington. Accounts include; Deposit Account, Imprest/Petty Cash Account, Payroll Account and a Draft Account. These accounts are all in the name of and for the benefit of the District.

All District monies shall be kept on deposit in approved US Bank Accounts or with the King County Treasurer. Except for the following:

2.0.1 The District has one Cash Drawer with a balance of \$75.00 for making small change for customers. The District keeps a Change Bank of small bills in the amount of \$150 in the safe.

2.1 Maintenance and Construction Funds

The Maintenance Fund is the District's primary operating account. The Maintenance Fund is used for operating and maintenance expenses, including labor costs, related to the day-to-day operation of the District. The Construction Fund is used for Capital purchases and District Capital projects. A Capital project includes new construction, expansion or renovation of the District's assets and infrastructure. A capital project must have a total cost of at least \$1,500 and have a useful life of more than one year.

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2.1.1 Warrants (or vouchers) are issued, at District direction, by King County Treasury, from both the Maintenance and Construction funds depending on the nature of the expense. The Board of Commissioners shall be presented with all District warrants and Automated Clearing House (ACH) payments to be issued on behalf of the District at its regularly scheduled meetings for review and approval. If circumstances merit, warrants and/or ACH payments may be approved at special board meetings, provided such meetings have been properly posted for notice.

The warrant request form, called "Special District Voucher Approval Document," has been provided by King County Treasury and includes the check sequence number, the date of issue, the vendor, a description of the goods or services purchased and the amount of the check.

2.2 Retainage Fund

The District keeps monies belonging to third parties in a separate account called the Retainage Fund. Monies in the Retainage Fund include: deposits from developers, deposits for hydrant rental, contractor Retainage, maintenance guarantees, and deposits in-lieu of construction. Interest Income earned on this Fund is transferred to the Construction account and is counted as Construction Fund Interest Income. Refunds are issued directly from the Retainage account when applicable and are paid through the District's voucher process.

2.3 Deposit Account

All monies collected from customers is receipted and deposited into the Deposit account at US Bank. All monies collected that belong in the Construction or Retainage account are transferred on a monthly basis. All District funds received shall be deposited at US Bank within one business day of receipt, except in rare circumstances when staffing levels are inadequate.

The District Finance Manager, or Board approved designee, is authorized to transfer funds from the deposit account to the King County Treasury Funds. The Cash Drawer shall be balanced and funds deposited daily. Any out-of-balance conditions (Cash Over/Short) shall be reported to the Finance Manager, reviewed, and posted. Cash over/short conditions, of more than \$100 shall be reported to the District Manager and the Board of Commissioners no later than the next regular board meeting

The District shall provide a numerically sequential receipt and a unique transaction batch number for all financial transactions.

Customer transactions and/or payments received after 3:00 p.m. of each business day shall be credited on the next business day.

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2.4 Imprest (Petty Cash) Account

The District maintains an Imprest Account in the amount of \$10,000, established by the Board of Commissioners on August 7, 2012. The Imprest account is essentially a petty cash account that is reimbursed through the District's voucher process. Reimbursements may be made from either the Maintenance Fund or Construction Fund depending on the nature of the expenses. The Finance Manager, or Board approved designee, acts as custodian of the Imprest account. The District Manager and the Operations Manager have check signing authority on the Imprest account.

Imprest Fund checks are limited to the purchase of: minor office supplies, small tools and equipment, postage, credit card payments, customer account refunds, permits and other de minimis operating expenses. The Imprest account does not include reimbursements to employees for travel, tests, or training. All Imprest checks shall be supported by detailed receipts or invoices and reviewed by the Finance Manager and approved by Operations Manager or General Manager. The District Finance Manager, or Board approved designee, shall prepare a monthly reimbursement of the Imprest Account using the "Imprest Account Reimbursement Form" to replenish the fund balance. See Attachment "A" of this policy.

The Reimbursement form will include the Date, Name of Payee, Check Number, Amount, GL Account Number, and a Description of the item paid for. In addition, a copy of each detailed receipt will be attached to the Reimbursement Form for review by the District Commissioners.

All Imprest Account reimbursements along with a copy of the reconciled bank statement will be provided to the Board of Commissioners at regularly scheduled Board meetings.

2.5 Payroll Account

The District maintains a Payroll account with US Bank in Renton, Washington. Funds, in the total amount of payroll, are transferred from the Maintenance Fund to the Payroll Account prior to each pay date.

The Districts pay periods are the 1st to the 15th and the 16th to the last day of the month. The District's pay dates are no later than the 5th and the 20th of each month. If these dates fall on a weekend, the pay date is moved to the last business day prior to the 5th and the 20th. Pay dates are in accordance with the District's Collective Bargaining Agreement between the District's Union Employee's and the Communication Workers of America (CWA).

Employees are required to be paid via Direct Deposit initiated from this Payroll Account. Employee reimbursements for mileage, training, and other expenses are also reimbursed with each regular payroll.

Employee reimbursements are reviewed by the employee's manager, the Accounts Payable Clerk as well as the Finance Manager prior to approval. All

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employee reimbursements require detailed receipts or invoices or a confirmation of distance (i.e. MapQuest or Google maps) for mileage reimbursements.

2.6 Draft Account

The Draft account is a separate deposit account used for customer payments that are “pulled” (or drafted) from a customer’s account. Customers of the District can sign up for “Autopay” which authorizes the District to deduct the full amount of a customer’s bill, from a checking or savings account, on the due date. There is no fee to the customer for this service.

Deposits to the Draft account are automatically “swept” into the Maintenance Fund by King County Treasury after the transactions are processed each month.

3.0 REVENUE SUFFICIENCY

The Board of Commissioners of KCWD90 generally establishes water rates that are anticipated to be sufficient on an annual basis to meet all utility requirements for general operating expenses, debt service, rate funded capital costs and additions to reserves. Commissioners may budget a loss in any one year with the understanding that they can make up that loss in subsequent years or utilize reserve balances to make up the difference.

KCWD90 prepares an annual budget document for each calendar year (January 1 - December 31,) that provides a basic understanding of the planned spending for its regular operating expenses for the coming year. In support of the budget process, the District develops a rate forecast as needed. Changes in water rates and other fees resulting from the rate forecast are directed by the Board.

The District imposes a General Facility Charge (GFC) on new or expanded development(s) to reflect an appropriate capital investment by new customers commensurate with system costs, including both existing assets and future improvements that serve such growth. The District reviews and adjusts, if appropriate, the GFC as needed. The GFC represents a new customers “buy-in” to the District’s entire system.

The District imposes a Local Facility Charge (LFC) on all property seeking to connect to the District’s water system. The LFC applies to properties abutting or adjacent to local facilities for which the property owner has not paid an equitable share of the cost of such. Properties seeking to connect are charged an amount per lineal foot, with a 90 foot minimum, of frontage on the water main of the real property to be served as LFC Charge. The District reviews and adjusts, if appropriate, the LFC as needed. The LFC represents a “buy-in” to the District’s infrastructure on or adjacent to the customer’s property.

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4.0 SUSTAINABILITY OF INFRASTRUCTURE

In conjunction with establishing or planning its capital program, the District maintains a six year capital-financing plan that supports execution of that program and is capable of sustaining long-term utility capital requirements. The capital program incorporates system expansion, upgrades and improvements, and system repair and replacement. The intention is to establish an integrated capital funding strategy.

4.1 Capital Facilities Planning

Comprehensive plans for the District are completed or updated every six to ten years (per RCW 57:16), using a 20-year planning horizon. The District maintains a capital projects schedule, the "Capital Improvement Program" or CIP of at least six years in duration and consistent with the comprehensive long-range plans for the system. The schedule will include the project description, estimated year of construction and total estimated cost. Various funding sources are identified also.

4.2 Capital Facilities Funding

The District works to pursue a reasonable capital improvement program through careful balance of pay-as-you-go capital projects and increased debt.

4.2.1 General Facility Charge (GFC) revenue is revenue received from new customers connecting to the water system. GFC revenue is used to fund capacity enhancing infrastructure and/or associated debt service.

4.2.2 Local Facility Charge (LFC) revenue, when applicable, is revenue received from new customers connecting to the water system. LFC revenue is used to fund capacity enhancing infrastructure and/or associated debt service.

4.2.3 Capital Funding from water rates is the annual contribution transferred from rates to the Construction Fund and is determined by the Board of Commissioners each year. The District uses the Annual Depreciation Total as a reference number for transfers from the Operating Fund of the District to the Construction Fund.

4.2.4 The District utilizes low interest Public Works Trust Fund loans to assist in Capital Funding whenever necessary. Each capital project that may be funded by a loan is evaluated within the context of the District's capital improvement program and the capital budget. Alternative financing sources are always considered. The District will not issue or accept long-term debt to finance current operations.

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5.0 RESERVES

Reserve balances are funds that are set aside for a specific project, task, covenant requirement, and/or emergencies. These balances are maintained in order to meet short-term cash flow requirements, while at the same time minimizing the risk associated with meeting financial obligations and continued operational needs under adverse conditions.

The District has targeted 3 million dollars in total reserves by 2016. Reserve funds will be held by the Maintenance and Construction Funds, and can be corroborated by the ending Fund balance. Reserve balances are expected to vary during the course of the calendar year. Reserves are held to meet the following reserve goals.

5.1 Operating Reserve

The purpose of an Operating Reserve is to maintain financial viability of the utility despite short-term variability in revenues and expenses, primarily caused by billing cycles, payroll cycles, accounts receivable/payable, weather variability and unexpected system changes. In addition, the Operating Reserve provides the District protection from well failure. The Operating Reserve targets are reviewed as part of the budget process each year. The District has a target goal of 1.5 million in reserves by 2016.

5.2 Tank Painting Reserve

Periodically, the District is required to engage in the large maintenance expense of painting the District's reservoirs. The goal for the Tank Painting Reserve is to provide a source of funding for these large maintenance items as they arise. While reservoirs need only to be painted every 20 to 30 years, the cost of this maintenance expenditure can easily exceed one (1) million dollars. This District has six (6) reservoirs that will need to be painted within the 30 year period, along with two (2) concrete reservoirs that do not require painting.

This is a new reserve fund that will begin in 2015, after the completion of painting Tank #2 and performing repair and maintenance functions of Tanks 1, 3A, 3B, 4, 5, 6, and 7. The actual amount of the reserve will be established by the Commissioners during the annual budget process with the goal of meeting this reserve target prior to the next scheduled tank painting.

5.3 Capital Funding Reserve

The District also maintains a Capital Funding Reserve. This account is to be used for non-planned or emergency CIP projects, or planned CIP projects in the event that other funding sources are insufficient to cover these expenditures.

If a portion of this fund is used for unexpected or emergency operating expenses, it must be replenished according to a schedule as determined by the Board of Commissioners during the annual budgeting process. The District will maintain a reserve of 1.5 million in the Construction Fund.

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6.0 FRAUD

It is the District's goal to prevent, detect and eliminate all forms of fraud. The District has established these and other financial procedures and policies to promote consistent organizational behavior by providing guidelines for District personnel.

6.1 Scope of Fraud Policy

This policy applies to any irregularity or suspected irregularity involving employees, commissioners, consultants, vendors, contractors, or any other outside agency, engaging in a business relationship with the District.

Any investigation of fraud will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the District.

6.2 Responsibility & Investigation

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be reported immediately to the District Manager, who coordinates all investigations with the legal counsel in conjunction with the President of the Board. In the event that fraud is suspected by the District Manager or President of the Board, the Finance Manager shall act as substitute. All suspected fraud is to be reported in a timely manner to the Board of Commissioners.

If the investigation substantiates that fraudulent activities have occurred, the District Manager will inform the Board of Commissioners and the Finance Manager will inform the State Auditor's Office.

Decisions to prosecute or refer the investigation results to the appropriate law enforcement agency for independent investigation will be made by the Board of Commissioners.

6.3 Actions Constituting Fraud

Fraud terms such as misappropriation or other fiscal irregularities refer to, but are not limited to the following:

- 6.3.1 A dishonest or fraudulent act
- 6.3.2 Misappropriation of funds, supplies or other assets
- 6.3.3 Impropriety in handling or reporting of money or financial transactions
- 6.3.4 Profiteering as a result of insider knowledge of District activities
- 6.3.5 Disclosing confidential and proprietary information to outside parties

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6.3.6 Accepting or seeking anything of material value from contractors, vendors, or persons providing services or materials to the District

6.3.7 Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment

7.0 ACCOUNTING - OTHER

KCWD90 will maintain a uniform system of accounts, and maintain accounting practices that follow Generally Accepted Accounting Principles (GAAP) and Statements issued by the Governmental Accounting Standard's Board (GASB) for its accounting procedures and financial statement preparation. Each year the District will be audited by the Washington State Auditor's Office.

7.1 Fixed Asset Inventories

KCWD90 will maintain accurate inventories of all physical assets, their condition, life spans and cost to ensure proper stewardship of public property. The Board of Commissioners along with management staff establishes policies and appropriate procedures to manage fixed assets, including establishing the threshold dollar amount for which fixed asset records are maintained and how often physical inventories will be taken. Commissioners have determined that the current threshold for Capitalization is \$1,500. Additionally, physical inventories are taken at the end of December or beginning of January of each year.

7.2 Procurement and Contracts

The District shall conform to the public bidding requirements outlined in Title 57 of the Revised Code of Washington and outlined by Municipal Research Services of Washington, web-link for Water and Sewer Districts: <http://www.mrsc.org/govdocs/PurchasingChartA.xls> when purchasing goods and services.

The District Manager shall have authority to waive bidding requirements to the extent provided by law, particularly when a vendor has been determined "sole source" by the District Manager. The following are examples of bases for sole source acquisitions:

7.2.1 The supplies or services to be acquired are unique to a contractor.

7.2.2 Time is of the essence and only one known source can meet the District's needs within the required timeframe.

7.2.3 Data is unavailable for competitive procurement.

7.2.4 It is necessary that the item being acquired from the one source be compatible and interchangeable with existing equipment.

The District Manager shall have the authority to execute professional service agreements and/or contracts for a dollar amount less than \$5,000, and a term not to exceed one year.

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The District Manager shall have the authority to extend the term of a professional service agreement and/or contract authorized under this provision for an additional year given unforeseen circumstances. The District Manager shall report to the Board of Commissioners any professional service agreement or contract that has been administratively approved or extended beyond one year at their next business meeting. Professional service agreements or contracts equal to or more than \$5,000, or with a term greater than one year shall be reviewed and approved by the Board of Commissioners prior to being executed.

7.3 Surplus Equipment

The District Manager may administratively surplus office equipment, computer equipment, small tools, computer software and minor equipment with a value of less than \$2,500. Titled vehicles, real property, and any District property with a value of greater than \$2,500, will be surplus by resolution. The District Manager shall report to the Commissioners, at their next regular business meeting, any property administratively surplus.

Property where the expected value is less than the cost to surplus may be destroyed, donated to another governmental agency or local community non-profit. District personnel and their immediate families cannot purchase surplus equipment unless approved by the District Manager and as part of the public bid process.

7.4 Other Related Policies

The District has other policies that are meant to be used in conjunction with this policy. The District employee manual includes the following:

- Appendix B – Credit Card Policy
- Appendix C – Education and Training Policy
- Appendix E – Small tools, Equipment and Capital Asset Inventory Policy
- Collective Bargaining Agreement between KCWD90 and CWA.

**KING COUNTY WATER DISTRICT #90
 IMPREST ACCOUNT REIMBURSEMENT**

Date: November 30, 2012

\\kcwd90\data\CompanyData\Policies Procedures Forms\District Policy\Employee Manual\Financial Policy, Attachment A.xlsx]1-21-14

M/1010.00 \$ 2,232.99
C/1010.00 \$ 734.00

Date	Name	Check #	Amount	Account #	Description
8/28/2012	Costco	1747	158.05	7430.00	Office Supplies (mouse x3) & etc.
8/28/2012	Costco	1747	65.27	7298.00	Janitorial Supplies
9/6/2012	Dept of Licensing	1748	71.00	5130.00	B. Anderson - CDL License
10/2/2012	Pubic Health of KC	1749	734.00	1700.76	Well Source Site Application
10/18/2012	Northshore Utility Distric	1750	200.00	7335.00	Employee Database Project
10/18/2012	Costco	1751	28.90	7298.00	Janitorial Supplies
10/31/2012	Ryan Fattore	1752	139.42	2570.00	Cust Reimb - Acct 4491-1
10/31/2012	Jorge Riquelme	1753	92.35	2570.00	Cust Reimb - Acct 2515-0
10/31/2012	Frishkin & Muessig	1754	16.00	2570.00	Cust Reimb - Acct 2543-0
10/31/2012	Wade & Teresa Gough	1755	70.50	2570.00	Cust Reimb - Acct 8397-1
10/31/2012	Tran Hoang	1756	104.16	2570.00	Cust Reimb - Acct 9904481
10/31/2012	Joe & Cheri Hoggard	1757	150.35	2570.00	Cust Reimb - Acct 4161-1
11/5/2012	Trina Hernandez	1758	87.75	2570.00	Cust Reimb - Acct 3785-0
11/14/2012	Jimmy Shin	1759	100.41	7298.00	Reimb for Janitorial Supplies
11/14/2012	A+ Embroidery	1760	106.76	5140.00	Embroidery of Uniforms / Coats
11/16/2012	Kyle & Jill Johnson	1761	99.27	2570.00	Cust Reimb - Acct 1485-1
11/16/2012	Christina Titchenal	1762	88.75	2570.00	Cust Reimb - Acct 3382-1
11/16/2012	Leslie Nichols	1763	50.00	2570.00	Cust Reimb - Acct 7134-1
11/16/2012	Kenneth Ambur	1764	154.00	2570.00	Cust Reimb - Acct 5007-2
11/16/2012	Cleo Rubalcaba	1765	89.80	2570.00	Cust Reimb - Acct 3419-0
11/16/2012	Michael Wainwright	1766	122.65	2570.00	Cust Reimb - Acct 1130-0
11/16/2012	Alan & Peg Moudy	1767	53.43	2570.00	Cust Reimb - Acct 9904338
11/29/2012	Darcey Peterson	1768	164.17	7298.00	Reimb for Costco 11/27/12 - Supplies
8/15/2012	US Bank	Auto	5.00	7520.00	Service Charge - August
9/15/2012	US Bank	Auto	5.00	7520.00	Service Charge - September
10/15/2012	US Bank	Auto	5.00	7520.00	Service Charge - October
11/15/2012	US Bank	Auto	5.00	7520.00	Service Charge - November
Total Reimbursement			\$ 2,966.99		
Balance in Account			\$ 7,033.01		
Authorized Balance			\$ 10,000.00		

Prepared By: _____

Approved By: _____