WESTHAVEN COMMUNITY SERVICES DISTRICT

FINANCIAL PROCEDURES MANUAL

Revised 4-2012, 3-2015, 5-2020

WESTHAVEN COMMUNITY SERVICES DISTRICT

FINANCIAL PROCEDURES MANUAL

Table of Contents

General Financial Procedures ……..…..Page 1
Finance Officer ……...Page 2
Treasurer ……..……... Page 2
Cash Receipts …… Page 3
Cash Disbursements ……..…… Page 4
Checking Account…….. Page 5
Credit Card…….. Page 5
Petty Cash……... Page 5
Bank Reconciliations ……..……..Page 6
Personnel and Payroll ……..……..Page 6
Travel..... Page 7
Consultants and Outside Contractors ……Page 7
Telephone .....…….....Page 7
Insurance .....…….....Page 8
Leases .....…….. Page 8
Loans and Advances .....…... Page 8
Audit .....…….. Page 9
Budget and Financial Reports.....…..... Page 9
Reserves Policy …… Page 10
Identity Theft Prevention Program …….. Page 12

General Financial Procedures

1. The Board of Directors (designated as “Board” in this document) of the Westhaven Community Services District (designated as “District” in this document) shall formulate financial policies, delegate administration of the financial policies to the administrative staff, and review operation and activities.

2. Current job descriptions shall be maintained for all employees.

3. Financial duties and responsibilities shall be separated so that no single employee has sole control over receipts, disbursements, payrolls, reconciliation of bank accounts, etc.

4. The District shall use a double entry system in accordance with generally accepted accounting principles.

5. The District’s fiscal year is July 1 to June 30.

6. Financial procedures shall be reviewed by the Finance Officer, Manager and Bookkeeper annually. A report of the annual review shall be presented to the Board by the Manager. Changes to the Financial Procedures Manual shall be reviewed and approved by the Board and implemented by the Manager.

7. Expenditures of $500 or more require prior Board approval unless preauthorized for a grant.

8. A list of all checks written shall be provided to the Board on a monthly basis. Payment of checks must receive Board approval.

9. An audit shall be performed at least biennially by an accountancy firm qualified to audit California public agencies and not connected in any way with the on-going bookkeeping operations of the District.

10. Digital back-up copies of financial records shall be maintained at a location other than the District office.

Finance Officer

1. The Board shall appoint a Finance Officer

2. The Finance Officer may be a member of the Board who holds no other office on the Board or the Secretary or the Manager. (WCSD Ord. 06-2), (CA Gov't. Code 61043 (c)).

3. The Finance Officer may not be the Bookkeeper or the Cash Receipts Clerk.

4. The Finance Officer shall not handle District funds.

5. The Finance Officer shall review all receipts, disbursements and initial monthly bank statements to verify agreement with records of receipts and deposits.

6. The Finance Officer shall review all copies of checks returned from the bank to verify compliance with District policies regarding the signing of checks.

7. The Finance Officer may provide guidance to the Manager in preparation of the annual budget.

Treasurer

1. The Board shall appoint a District Treasurer (CA Gov't. Code 61053, WCSD Ord. 06-2, Section 603).

2. The Treasurer shall not be a member of the Board.

3. The Treasurer may be the General Manager.

4. The Treasurer shall, at the least:
   a. Serve in the place of the County Treasurer

   b. Formulate a policy for the management of the District's reserves per CA Gov't. Code 53646. The Reserves Policy shall be reviewed and approved annually by the Board.

   c. Provide at least quarterly and annual written reports to the Board, as the Board shall determine, regarding the investments, receipts, disbursements and balances in the accounts controlled by the Treasurer. All reports shall be considered at a public meeting of the Board.

Cash Receipts

1. Billing shall be prepared on a monthly basis by the Bookkeeper.

2. All payments for water, grant income, loan income, cash settlements, and other miscellaneous income shall be recorded by the Cash Receipts Clerk on a form titled "Record of Income". The Record of Income shall include the number and date of each check received. Checks shall be endorsed to read "For Deposit Only" to the appropriate bank account number. Written receipts shall be provided for all cash payments.

3. Deposits shall be prepared by the Cash Receipts Clerk. The Bookkeeper may prepare deposits in the event of an extended absence of the Cash Receipts Clerk, to be reviewed by the Manager. Deposit slips shall be dated and shall include the bank number and the total amounts from checks and cash. A duplicate deposit slip shall be prepared for each deposit and shall be forwarded by the Cash Receipts Clerk to the Finance Officer on a regular monthly basis. The Bookkeeper or the Manager, in the Bookkeeper's absence, shall make bank deposits, and the Bookkeeper shall record all deposits.

4. Payment amounts from the Record of Income shall be entered into the computer billing system by the Bookkeeper. A printed report of payments received shall be prepared and attached to each Record of Income sheet.

5. The Finance Officer shall be provided with duplicate deposit slips and reconciled bank statements to verify that deposits made by the Bookkeeper agree with the deposit information provided by the Cash Receipts Clerk.

Cash Disbursements

1. All original invoices shall be initialed by the person receiving the goods or services.

2. The Bookkeeper shall secure all blank checks.

3. The Bookkeeper shall prepare checks based on the information contained on the initialed invoices.

4. All checks require two signatures and will be signed only after being prepared. Other than checks described below in #6 and #7, checks over $500.00 shall require two Board member signatures.

5. All Board members shall be authorized to sign checks.

6. The Bookkeeper shall be one of the authorized signers on checks for payroll, payroll taxes, periodic insurance premiums, monthly utilities, and any other check less than $500.00.

7. The Manager may be one of the authorized signers on checks for payroll, payroll taxes, periodic insurance premiums, monthly utilities and refunds to customers who are closing water service accounts.

8. When a check is drawn payable to one of the authorized check signers, two alternate check signers shall sign the check unless the check represents a regular payroll payment, a preapproved reimbursement or a reimbursement for out-of-pocket expenses not exceeding $100.

9. Online payments may be made if paying by check is not possible. Payment confirmations shall be reviewed by the Finance Officer.

10. The Bookkeeper shall mark all invoices “Paid”. Check vouchers shall be attached to paid statements or invoices and / or the amount paid, date, and check number shall be written on paid statements or invoices.

11. Voided checks shall have the signature portion removed, be marked “VOID” in ink across the face of the check and be stapled to the check stub.

12. The Bookkeeper shall record disbursements in the appropriate check register. Check date, payee, and amount will be entered for each check.

13. Checks shall not be made payable to “cash” or “bearer”.

14. Checks made payable to “petty cash” shall not exceed $200 and shall not be cashed prior to approval at a board meeting.

15. The District Manager and Water Treatment Operator shall have advanced Board approval to purchase any needed parts or supplies, in addition to the regular monthly expenses such as chlorine, with a limit of $500 per purchase.

Checking Account

1. A general checking account shall be maintained for the purpose of paying all regular District expenses.

2. The checking account balance, following the payment of monthly warrants, shall be maintained at a minimum of one month's average total operating expense, as based on the annual operating budget.

3. Budgeted contributions to reserve accounts shall only be paid when the checking account balance is sufficient to cover the contributions without falling below the minimum balance.

Credit Card

1. A credit card account shall be maintained for the Manager's use in making purchases of supplies not available from the District's regular vendors.

2. The account balance limit on the credit card shall be $1,000.00.

3. Credit card purchases shall be limited to a maximum of $500.00 per purchase without Board approval.

Petty Cash

1. A petty cash box shall be kept in the vault in the District office.

2. The petty cash fund shall not exceed $250.

3. Petty cash shall be available to the Manager, Cash Receipts Clerk and the Bookkeeper.

4. Petty cash shall be used for making change for water payments made in cash, small purchases by District employees and washing the District truck and rental equipment at a coin-operated car wash, as needed.

5. Petty cash deposits and withdrawals shall be accompanied by receipts or other forms of documentation and be recorded in the petty cash ledger book kept in the cash box.

6. The Cash Receipts Clerk shall complete a cash box tally sheet at the time of preparing each bank deposit.

7. Petty cash deposits and withdrawals shall be recorded on a ledger kept in the cash box and reviewed quarterly by the Finance Officer.

Bank Reconciliations

1. As part of the month-end work, the Bookkeeper shall prepare a formal bank reconciliation including the journal entries necessary to record any bank-generated activity.

2. The reconciled bank balances shall be compared to the general ledger and the check register.

3. Bank reconciliations and paid checks shall be reviewed and initialed by the Finance Officer at the regular monthly meetings or by the Board chair, in the absence of the Finance Officer.

4. District records shall be adjusted to agree with bank records if discrepancies are $1.00 or less.

Personnel and Payroll

1. The Bookkeeper shall assure that all employees complete the Employee's Withholding Allowance Certificate, Form W-4, and an Employee Eligibility Verification, Form I-9.

2. The Bookkeeper shall set up a personnel file for each employee. The employment application, Form W-4, Form I-9 and Annual Evaluations shall be placed in each employee's personnel file.

3. Employees shall record time worked and shall submit a time sheet to the Bookkeeper for the preparation of payroll checks. Both the Manager and Bookkeeper shall review all timesheets.

4. Employees shall be paid twice monthly.

5. The Bookkeeper and the Finance Officer shall sign payroll checks. If the Finance Officer is unavailable, the Bookkeeper shall have the checks signed by either another Board member or the Manager.

6. The Bookkeeper shall make all payroll tax deposits by the required dates.

7. The Bookkeeper shall prepare quarterly payroll tax reports and forward them to the appropriate agencies by the required dates.

Travel

1. Employees shall be reimbursed for mileage in excess of distance from home to the District office traveled in personal vehicles in the course of their duties.

2. Mileage reimbursement shall be issued only when proof of current auto insurance and a copy of the driver's license are on file with the Bookkeeper.

3. The rate of reimbursement for automobile travel shall be at the maximum rate allowed by the IRS for nontaxable reimbursement.

4. All travel out of the county or requiring overnight lodging must be approved in advance by the Manager, or by the Board if the travel involves the Manager.

5. The cost of meals shall be reimbursed only when incurred during travel out of the county.

6. All reimbursement requests for travel expenses incurred out of the county must be documented by receipts. Receipts for travel expenses shall be reviewed by the Finance Officer.

Consultants and Outside Contractors

1. Consideration shall be given to in-house capabilities before contracting for outside services.

2. Written contracts clearly defining the work to be performed and payment agreements shall be maintained for all consultants and contract services.

3. Consultant services shall be paid for as specified by the contract. Invoices submitted by consultants are to be listed with the warrants for approval by the Board at their regular monthly meetings.

4. The Board shall approve all proposed contracts.

Telephones

1. Telephone logs shall be maintained for all calls to and from the District office and water treatment plant.

Insurance

1. Insurance policies shall be reviewed by the Board.

2. Coverage shall be maintained for**:**
   a. General liability
   b. Public official and employee errors
   c. Personal liability for Board members
   d. Employment practices liability
   e. Employee benefits liability
   f. Employee dishonesty / bonding
   g. Auto liability
   h. Uninsured / underinsured motorists
   i. Loss of property
   j. Boiler and machinery
   k. Workers compensation

3. Proof of employee's personal automobile insurance, including the name of the insurance company and the expiration date of the policy shall be maintained in the District office.

4. The administration of the district's insurance programs shall be the responsibility of the Manager. (WCSD Ord. 06-2, Section 802)

Leases

1. The Board shall review and approve all leases.

2. Copies of all leases shall be kept in the District office.

Loans and Advances

1. All loans shall be approved by the Board.

2. No loan or advance shall be made to any District employee.

Audit

1. An audit shall be performed at least biennially by an independent certified public accountant qualified to audit California public agencies.

2. The auditor shall submit the annual Report of Financial Transactions of Special Districts to the State Controller Division of Accounting and Reporting within 90 days after the end of the fiscal year.

3. The audit shall be completed within 6 months of the fiscal year end.

4. The audit shall include a management letter to be delivered to the Board.

5. The audit shall address District compliance.

6. The audit shall be performed under a fixed fee bid.

7. The audit contract shall be approved by the Board prior to beginning the audit.

Budget and Financial Reports

1. An annual budget shall be prepared by the District Manager.

2. The annual budget shall be reviewed and adopted by the Board prior to June 30.

3. Major changes in the budget must be approved by a Resolution of the Board.

4. A monthly review of the budget and financial reports shall be made by the Board in the form of a cumulative income and expense report presented by the Manager.

5. The annual budget shall be submitted to the Humboldt County Auditor Controller by the Manager as required by the County.

RESERVES POLICY

Purpose

The Westhaven Community Services District shall, at a minimum, maintain reserve funds for Operating Reserves and Capital Reserves. This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Cash flow requirements
- Economic uncertainties and other financial hardships
- Local disasters or catastrophic events
- Infrastructure replacement
- Future debt or capital obligations

Policy

Capital Reserves

1. A Capital Reserves Fund shall be maintained separately from other District fund accounts.

2. Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District's Capital Improvement Plan.

3. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense.

4. The limits of the capital reserves fund will be determined by the District's Capital Improvement Plan

5. The annual contribution to Capital Reserves shall be $20,000 and should be made on a regular annual basis unless unforeseen District expenses or unexpected revenue shortfalls prevent making a contribution of this amount.

6. When Capital Reserves funds are withdrawn to pay preliminary expenses for capital projects, all reimbursed funds shall be directly re-deposited into the Capital Reserves account.

Operating Reserves

1. An Operating Reserves Fund shall be maintained separately from other District fund accounts.

2. The targeted minimum balance of operating reserves shall be equal to 25% of the current annual regular operating expense budget.

3. Whenever operating reserves exceed 25% of the annual operating budget, the surplus operating reserves may be contributed to the Capital Reserves Fund at the recommendation of the Manager in consultation with the Board.

4. Annual contribution to the operating reserves shall be equal to the amount needed to restore the Operating Reserve to a minimum of 25% of the total annual operating budget, up to a maximum of $15,000 annually or to cover large, unexpected reductions in operating reserves.

Procedures for Use of Funds

Capital Reserves

1. The Board of Directors will authorize use of capital reserves during the budget process.

2. Capital reserves are also available for unplanned (unbudgeted) capital replacement.

3. Authorization for the use of capital reserves for unplanned capital replacement will be consistent with the District's Cash Disbursements.

Operating Reserves

1. Operating Reserves can be used at any time to meet cash flow requirements of District operations.

2. Authority to use the funds will be consistent with the District's Cash Disbursements.

Procedures for Monitoring Reserve Fund Levels

1. The District Treasurer shall submit a Reserve Analysis to the Board of Directors upon the occurrence of the following events:
   a. Board of Directors' deliberation of the annual budget;

   b. Board of Directors' deliberation of a service charge rate increase;

   c. When a major change in conditions threatens the reserve levels established within this policy.

2. If the analysis indicates projected or actual Operating Reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:
   a. An explanation of why the Operating Reserve levels are not at the targeted level, and/or

   b. An identified course of action to bring Operating Reserve levels at or above the minimum levels prescribed.

IDENTITY THEFT PREVENTION PROGRAM

Assessment of Existing Business Practices

This Program is intended to identify areas of potential risk within the Westhaven Community Services District's standard customer service practices. The District has conducted an internal risk assessment to evaluate how at risk we are for having customers establish a fraudulent water service account or manipulate an existing water service account. Using this assessment, we identified the following opportunities that could raise "Red Flags," indicating the potential for identity theft.

1. Opening new accounts

2. Accessing existing accounts

3. Modifying existing accounts

4. Closing existing accounts

Detection of Red Flags

The District uses the following procedures to detect Red Flags or potential instances of identity theft. These are not intended to be all-inclusive and other suspicious activity may be investigated as necessary.

1. Documents provided for identification appear to have been altered or forged.

2. Photograph, physical description and/or other information on the identification is not consistent with the appearance of the person presenting the identification.

3. Information provided by the customer is inconsistent with other information provided by the customer.

4. Information provided is associated with known fraudulent activity (address and/or phone number on an application is the same as the address provided on a previous fraudulent application.)

5. Address and/or telephone number provided is the same as or similar to ones provided by another customer.

6. District is notified that it has opened a fraudulent water service account for a person engaged in identity theft.

Personal Information Security Procedures

The following is a list of procedures that the District uses to prevent identity theft.

1. Require customers to present government-issued identification information to open an account or change the name on an account. Types of necessary information include:
   a. Name
   b. Date of birth
   c. Address
   d. Phone number
   e. Photo identification

2. Paper documents, files and electronic media containing secure information are stored in locked file cabinets.

3. Only employees with a legitimate need have keys to the secure file cabinets.

4. Employees do not leave sensitive papers out on their desks when they are away from their workstations.

5. Computer passwords are required.

6. Sensitive paper records are shredded before being placed in the trash

Response

Any employee of the District that detects or suspects a potential Red Flag shall implement the following procedures:

1. Notify the Manager

2. Ask applicant for additional documentation

3. Not open a new account

4. In the case of an existing water service account, the District may:
   a. Continue to monitor the account for evidence of identity theft and contact the customer to discuss possible actions
   b. Reopen an existing account with a new account number
   c. Close an existing account

5. Notify law enforcement of any attempted or actual identity theft

6. Notify authorities but make no attempt to collect against the account.

Program Administration

1. Staff Training
   Any employee with the ability to open a new account or access, manage or close an existing account will receive training on identifying and detecting Red Flags. They will also be trained in the appropriate response actions in the event that an instance of identity theft is suspected. The Manager will also receive training on the contents of this Program. As necessary, employees will be re-trained annually if the Program is updated to include new methods of identifying and detecting Red Flags, or if new response actions are implemented.

2. Program Review and Update
   A report will be prepared annually and presented to the Board of Directors containing matter related to the Program, the effectiveness of the policies and procedures, service provider arrangements, a summary of any identity theft incidents and response to the incidents, and recommendation for changes to the program, if any.

3. Program Approval and Adoption
   The Program shall be reviewed by the Manager and Board Finance Officer. It shall be adopted by Resolution by the Board of Directors as part of the Financial Policies and Procedures Manual.

4. Service Provider Oversight
   Whenever the District engages a service provider to perform an activity in connection with one or more of the customer accounts, such as a financial auditor, the District will verify that the activity of the service provider is conducted in accordance with reasonable policies and procedures designed to detect, prevent and mitigate the risk of identity theft. The District will require the service provider to have policies and procedures to detect relevant Red Flags that may arise in the performance of the service provider's activities, and either report the Red Flags to the District, or to take appropriate steps to prevent or mitigate identity theft.

Additional Security Information

The following suggestions are not required by the Federal Trade Commission as part of the Red Flags Rule. They are suggested as additional procedures a utility could consider as part of good management practice to protect customer personal information.

1. Files containing personally identifiable information are kept in locked file cabinets except when an employee is working on the file.

2. Employees store files when leaving their work areas.

3. Employees log off their computers or use password-activated screen savers when leaving their work areas.

4. Employees lock file cabinets when leaving their work areas.

5. Access to off-site storage facilities is limited to employees with a legitimate business need.

6. Access to sensitive information will be controlled using “strong” passwords. Employees will choose passwords with a mix of letters, numbers and characters. User names and passwords will be different.

7. Anti-virus and anti-spyware programs will be run on individual computers and on servers daily.

8. Laptop computers are stored in a secure place.

9. Employees never leave their laptop computers visible in a car; if a laptop must be stored in a vehicle, it is locked in the trunk.

10. Check references or do background checks before hiring employees who will have access to customer information.

11. Ask every new employee to sign an agreement to follow the company’s confidentiality and security requirements for handling customer data.

12. Employees no longer working for the company are prevented from accessing sensitive customer information.

13. Employees who violate security policies are subject to disciplinary action, up to, and including, dismissal.