

RESOLUTION 06-3

FINANCIAL PROCEDURES MANUAL

WHEREAS, the Westhaven Community Services District maintains a financial procedures manual for the purpose of governing the District's financial operations, and

WHEREAS, California Government Code 61000 et seq., as amended in 2005 by Senate Bill 135, requires that certain financial procedures of community services districts be adopted by resolution of a district's board of directors,

NOW, THEREFORE, BE IT RESOLVED by the Westhaven Community Services District Board of Directors that the document herein contained shall be known as the Financial Procedures Manual of the Westhaven Community Services District.

PASSED, APPROVED, and ADOPTED this Twelfth day of April 2006 by the following roll call vote:

AYE: Blake, Cline McKay

NO:

ABSTAIN:

ABSENT: Nichols, Smith

Barbara Cline, President
Westhaven Community Services District

ATTEST:

Annette C. Leshner, Secretary
Westhaven Community Services District

WESTHAVEN COMMUNITY SERVICES DISTRICT

FINANCIAL PROCEDURES MANUAL

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SECTION 1 - DEFINITIONS

- 101 District means the Westhaven Community Services District.
- 102 Board means the Board of Directors of the District.
- 103 President means the President of the Board.
- 104 Vice President means the Vice President of the Board.
- 105 Finance Officer means the Finance Officer of the Board.
- 106 Treasurer means the Treasurer of the District.
- 107 Manager means the General Manager of the District.
- 108 Secretary means the Secretary of the District.
- 109 Personnel means the Manager, Secretary, Bookkeeper, Water Treatment Operators, Cash Receipts Clerk, and any other staff of the District.

SECTION 2 - OFFICERS

- 201 The Manager shall be responsible for the supervision of the District's finances.
- The Manager shall:
1. Install and maintain a system of accounting and auditing that shall completely and at all times show the financial condition of the District.
- 202 The Board shall appoint a Treasurer who shall serve in the place of the County Treasurer. The Treasurer shall serve at the pleasure of the Board. The same person may be the Manager and the Treasurer. A member of the Board shall not be the Treasurer.
- The Treasurer shall:
1. Serve in the place of the county Treasurer
 2. Make quarterly or more frequent written reports to the Board, as the Board shall determine, regarding the receipts and disbursements and balances in the accounts controlled by the Treasurer.
- 203 The Board shall elect a Finance Officer from among their members.
- The Finance Officer shall:
1. Review all receipts, disbursements, and bank statements.
 2. Review and initial monthly bank statements to verify agreement with records of receipts and deposits.
 3. Review the long distance summary included with the phone bill.
 4. Provide guidance to the Manager in preparation of the annual budget.
 5. In consultation with the Manager and Bookkeeper, present to the Board an annual review of the Financial Procedures Manual.
 6. Not handle District funds.

SECTION 3 - General Financial Procedures

- 301 The Board shall formulate financial policies, delegate administration of the financial policies to the Manager, and review financial operations.
- 302 Financial duties and responsibilities shall be separated so that no single employee has sole control over receipts, disbursements, payrolls, reconciliation of bank accounts and investments.
- 303 The District shall use a double entry system in accordance with generally accepted accounting principles.
- 304 The District's fiscal year is July 1 to June 30.
- 305 Financial procedures shall be reviewed annually by the Board. Changes to the Financial Procedures shall be approved by the Board and implemented by the Manager.
- 306 Single expenditures of \$500 or more require prior Board approval.
- 307 A list of all checks written shall be provided to the Board on a monthly basis. Payment of checks must receive Board approval.
- 308 Electronic back-up of financial records shall be maintained at a location other than the District office.

Section 4 - Depositories

The Board may, by resolution, establish depositories for District funds. A depository shall be a bank, a savings and loan association, a credit union, the Humboldt County Investment Fund or the State of California Local Agencies Investment Fund.

Section 5 - Investment Policy

- 501 The Treasurer shall annually render to the Board and any oversight committee of the District a statement of investment policy, which the Board shall consider at a public meeting. Any change in the policy shall also be considered by the Board at a public meeting.
- 502 The Treasurer shall render a quarterly report to the Manager and the Board.
1. The quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report. Except as provided in Sections 504 and 505, this report shall include the type of investment, issuer, date of maturity par and dollar amount invested on all securities, investments and moneys held by the local agency, and shall additionally include a description of any of the local agency's funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation.
 2. The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.
 3. The quarterly report shall include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.
 4. In the quarterly report, a subsidiary ledger of investments may be used in accordance with accepted accounting practices.
- 503 Pursuant to Section 502, the treasurer shall report whatever additional information or data may be required by the Board.
- 504 The legislative body of a local agency may elect to require the report specified in Section 502 to be made on a monthly basis instead of quarterly.

505 For local agency investments that have been placed in the State of California Local Agency Investment Fund, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the Financial Code, or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in the Humboldt County Investment Fund, or any combination of these, the Treasurer may supply to the governing body, the Manager, and the auditor the most recent statement or statements received by the local agency from these institutions in lieu of the information required by Section 502 regarding investments in these institutions.

Section 6 - Financial Reports

- 601 Monthly financial reports with income and expense summaries shall be prepared by the Bookkeeper and presented by the Manager to the Board in a public meeting.
- 602 Quarterly reports of District investments shall be prepared and presented by the Treasurer to the Board in a public meeting.
- 603 Annual financial reports with income and expense summaries shall be prepared by the Bookkeeper and presented by the Manager to the Board in a public meeting.
- 604 Biennial audit reports shall be prepared and presented by the District's contracted auditor to the Board in a public meeting.

Section 7 - Audits

- 701 The board of directors shall provide for regular audits of the district's accounts and records pursuant to Section 26909.
- 702 The board of directors shall provide for annual financial reports to the Controller pursuant to Article 9 (commencing with Section 53890) of Chapter 4 of Part 1 of Division 2 of Title 5.
- 703 An audit shall be performed at least biennially by an independent certified public accountant qualified to audit California public agencies.
- 704 The auditor shall submit the 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.
- 705 The audit shall:
1. Be completed within 120 days of the fiscal year end.
 2. Include a management letter to be delivered to the Board.
 3. Address District compliance.
 4. Be performed under a fixed fee bid.

Section 8 - Budgets

- 801 On or before July 1 of each year the Board shall adopt a preliminary budget that conforms to generally accepted accounting and budgeting procedures for special districts. [61110 (a)]
- 802 The Board may divide the preliminary budget into categories, including, but not limited to, the following:
1. Maintenance and operation.
 2. Services and supplies.
 3. Employee compensation.
 4. Capital outlay.
 5. Interest and redemption for indebtedness.
 6. Designated reserve for capital outlay.
 7. Designated reserve for contingencies.
- 803 On or before July 1 of each year the board of directors shall publish a notice stating all of the following:

1. Either that it has adopted a preliminary budget or that the general manager has prepared a proposed final budget which is available for inspection at a time and place within the district specified in the notice.
2. The date, time, and place when the board of directors will meet to adopt the final budget and that any person may appear and be heard regarding any item in the budget or regarding the addition of other items.

- 804 The board of directors shall publish the notice at least two weeks before the hearing in at least one newspaper of general circulation in the district pursuant to Section 6061.
- 805 At the time and place specified for the hearing, any person may appear and be heard regarding any item in the budget or regarding the addition of other items. The hearing on the budget may be continued from time to time.
- 806 On or before September 1 of each year the board of directors shall adopt a final budget that conforms to generally accepted accounting and budgeting procedures for special districts. The general manager shall forward a copy of the final budget to the auditor of each county in which the district is located.
- 807 At any regular meeting or properly noticed special meeting after the adoption of its final budget, the board of directors may adopt a resolution amending the budget and ordering the transfer of funds between categories, other than transfers from the designated reserve for capital outlay and the designated reserve for contingencies.
- 808 The board of directors may authorize the general manager to transfer funds between budget categories, other than transfers from the designated reserve for capital outlay and the designated reserve for contingencies.
- 809 In its budget, the board of directors may establish a designated reserve for capital outlay and a designated reserve for contingencies. When the board of directors establishes a designated reserve, it shall declare the exclusive purposes for which the funds in the reserve may be spent. The funds in the designated reserve shall be spent only for the exclusive purposes for which the board of directors established the designated reserve. The reserves shall be maintained according to generally accepted accounting principles.
- 810 Any time after the establishment of a designated reserve, the board of directors may transfer any funds to that designated reserve.
- 811 If the board of directors finds that the funds in a designated reserve are no longer required for the purpose for which it established the designated reserve, the board of directors may, by a four-fifths vote of the total membership of the board of directors, discontinue the designated reserve or transfer any funds that are no longer required from the designated reserve to the district's general fund.
- 812 Notwithstanding any other provision of this section, in a state of emergency or in a local emergency, as defined in Section 8558, a board of directors may temporarily transfer funds from the designated reserve for capital outlay or the designated reserve for contingencies to the district's general fund. The board of directors shall restore these funds to the designated reserves when feasible.
- 813 The board of directors of each district that has designated an alternative depository pursuant to Section 61053 and appointed a district treasurer shall adopt and annually review a policy for the management of reserves.
- 814 An annual budget shall be prepared by the Manager in consultation with the Finance Officer.
- 815 The annual budget shall be reviewed and adopted by the Board.
- 816 Major changes in the budget must be approved by the Board. A monthly review of the budget shall be made by the Board.
- 817 The annual budget shall be submitted to the Humboldt County Auditor Controller as required.

Section 9 - Rates for Service

901 The Board shall adopt rates for District services that fully support the costs of providing the services.

Section 10 – Billing and Collections

1001 Billing

1. The billing period for regular water service shall be monthly.
2. Monthly billing shall be comprised of the base rate for the month in which bills are due plus the commodity rate for metered consumption during the previous monthly period.
3. Meters shall be read between the 26th and 31st of the month.
4. Bills shall be mailed before the end of the month.
5. Bills shall be past due after the 24th day of the following month.
6. After the due date a 1.5% monthly service charge shall be added to past due balances.

1002 Collection of past due amounts

1. At the regular billing time, customers with a new past due balance greater than \$25.00 or a continuing past due balance greater than \$2.00 shall have a notice of disconnection included with their bills.
2. The minimum payment to avoid disconnection shall be the entire current balance plus one twelfth (8.35%) of the past due balance. If a portion of the past due balance has been carried from the previous month, then the minimum payment shall still be the entire current balance plus one twelfth (8.35%) of the initial past due balance.
3. The deadline for payment of the minimum amount due to avoid disconnection shall be the 18th day of the month or the first business day following the 18th day, if the 18th falls on a weekend or legal holiday.
4. At least 48 hours (excluding weekends and legal holidays) prior to disconnection the customer shall be given notice of the pending disconnection by contact with an adult person residing at the premises to be disconnected. Contact shall be by telephone, in person or by written notice posted in a conspicuous location at the premises.
5. Every notice of disconnection of service pursuant to section 1. above shall include the following information:
 - A. The name and address of the customer whose account is delinquent
 - B. The amount of the delinquency
 - C. The date by which payment or arrangement for payment is required in order to avoid disconnection
 - D. The procedure by which a customer may initiate a complaint or request an investigation concerning services or charges, except that if the bill for service contains a description of that procedure, the notice pursuant to subdivision 1. is not required to contain that information
 - E. The procedure by which the customer may request amortization of the unpaid charges
 - F. The procedure by which a customer may obtain information on the availability of financial assistance, including private, local, state or federal sources, if applicable
 - G. The telephone number of a representative of the district who can provide additional information or institute arrangements for payment

6. Every notice of disconnection pursuant to section 4. above shall include the information in paragraphs A., B., C.,F. and G.
7. If payment or arrangement for payment of the minimum amount due specified in the notice of disconnection is not made by the time specified in the notice of disconnection, the service shall be locked off and re-connected only after payment of the minimum amount due plus the reconnection charge set by Resolution of the Board.
8. A customer wishing to pay the minimum amount due at the time that a district employee is in the process of disconnecting the service must also pay the reconnection charge to avoid disconnection.
9. No disconnection of service shall be effected without compliance with the above conditions, and any service wrongfully disconnected shall be restored without charge for the restoration of service. This restoration of service shall be the limit of the District's liability for wrongful disconnection.
10. No service shall, by reason of delinquency in payment, be disconnected on any Saturday, Sunday, legal holiday, or at any time during which the business offices of the district are not open to the public.

1003 Abandonment of water service entitlement

If the minimum amount due on the account plus the reconnection charge has not been paid in full at the end of seven (7) calendar days from the date a service has been disconnected for non-payment, a certified letter will be sent to the customer of record and/or property owner of record stating that if after another thirty (30) calendar days the bill and applicable charges have not been paid the water service entitlement will be declared abandoned, at which time a second certified letter will be sent informing the customer of record and/or property owner of the abandonment. When a water service entitlement has been declared abandoned, the parcel to which the abandoned entitlement was attached shall be considered for new service within Section 403 of Ordinance 97-3 or its equivalent section in subsequent revisions.

SECTION 11 - Cash Receipts

- 1101 All billing shall be prepared by the Bookkeeper. Billing for regular water service shall be prepared on a monthly basis.
- 1102 All 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. For all cash payments received, written receipts shall be provided, and copies of the receipts shall be retained.
- 1103 Bank deposits shall be prepared by the Cash Receipts Clerk. 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. The Bookkeeper shall make and record all deposits.
- 1104 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.
- 1105 The Finance Officer shall be provided with duplicate deposit slips and reconciled bank statements on a regular monthly basis to verify that deposits made by the Bookkeeper agree with the deposit information provided by the Cash Receipts Clerk.

SECTION 12 - Cash Disbursements

- 1201 The Bookkeeper shall secure all blank checks in the District office vault.
- 1202 All invoices shall be initialed by the employee purchasing the goods or services.

- 1203 The Bookkeeper shall prepare disbursements based upon vendor statements or upon initialed invoices if no statement is provided.
- 1204 Disbursements shall be approved by the Board as warrants presented by the Treasurer.
- 1205 All checks require two signatures and will be signed only after being prepared. Other than checks described below in #5, checks over \$300.00 shall require two Board member signatures.
- 1206 All Board members shall be authorized to sign checks. The Secretary shall be authorized to sign all checks for payroll, payroll taxes, periodic insurance premiums, monthly utilities, and any check less than \$300. The Manager shall be authorized to sign checks for payroll taxes, periodic insurance premiums and monthly utilities.
- 1207 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 or a reimbursement for out-of-pocket expenses not exceeding \$100.
- 1208 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.
- 1209 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.
- 1210 The Bookkeeper shall record disbursements in the appropriate check register. Check date, payee, and amount shall be entered for each check.
- 1211 Checks shall not be made payable to "cash", "bearer", or "petty cash".
- 1212 The Manager and Water Treatment Operators 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.
- 1213 The Manager shall be provided a District credit card with a credit limit of \$500.00.

SECTION 13 - Bank Reconciliations

- 1301 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.
- 1302 The reconciled bank balances shall be compared to the general ledger and the check register.
- 1303 Bank reconciliations and paid checks shall be reviewed by the Finance Officer at the regular monthly meetings. Bank statements shall be initialed by the Finance Officer to indicate approval. Paid checks shall be reviewed by the Finance Officer for accuracy and to verify that appropriate signatures were obtained.
- 1304 District records shall be adjusted to agree with bank errors of \$1.00 or less.

Section 14 - Insurance

- 1401 Insurance policies shall be reviewed by the Board.
- 1402 Insurance coverage shall be maintained for property, liability, worker's compensation and other coverage as required and approved by the Board.
- 1403 Proof of each 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. Personal automobile travel expense shall be reimbursed only when such proof of insurance is on file.

SECTION 15 - Personnel

- 1501 The Board shall approve the hiring of all employees.
- 1502 Current job descriptions shall be maintained for all employees.
- 1503 All employees shall comply with District personnel policies.
- 1504 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.
- 1505 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.

SECTION 16 - PAYROLL

- 1601 Employees shall be paid monthly.
- 1602 Employees shall record time worked and shall submit a time sheet to the Bookkeeper for the preparation of payroll checks.
- 1603 The Finance Officer, or another Board member if the Finance Officer is unavailable, shall sign payroll checks.
- 1603 The Bookkeeper shall make all payroll tax deposits by the required dates.
- 1604 The Bookkeeper shall prepare quarterly and annual payroll tax reports and forward them to the appropriate agencies by the required dates.

Section 17 - Consultants and Outside Contractors

- 1701 Consideration shall be given to in-house capabilities before contracting for outside services.
- 1702 Written contracts clearly defining the work to be performed and payment agreements shall be maintained for all consultants and contract services.
- 1703 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.
- 1704 The Board shall approve all proposed contracts.

Section 18 - Leases

- 1801 The Board shall review and approve all leases.
- 1802 Copies of all leases shall be kept in the District office.

Section 19 - Loans and Advances

- 1901 Loans from outside sources shall be approved by the Board.
- 1902 No loans or advances shall be made to any District employee.

Section 20 – Reimbursement for Travel, Meals, Lodging and Miscellaneous

2001 Reimbursement

1. All reimbursements shall be approved by the Board in a public meeting.
2. Other than employees' reimbursement for daily mileage traveled in the course of regular duties, requests for reimbursement shall be submitted on expense report forms as provided by the District and shall be accompanied by receipts.
3. Rates for reimbursement for travel, meals and lodging shall not exceed those set by the IRS or by California Government Code 53232.
4. Reimbursement for overnight travel, meals and lodging shall be approved in advance of incurring the expense except in circumstances where short notice precludes prior Board approval. When short notice has precluded prior approval, reimbursement shall be approved only after an explanation of the short notice and a brief report of the event in question has been provided to the Board.
5. Reimbursement payments shall be included in the monthly warrants for approval by the Board.
6. Brief reports of meetings attended at District expense shall be provided at the next regular Board meeting.

2002 Travel

1. Employees shall be reimbursed for mileage traveled in personal vehicles in performance of their official duties. Mileage so traveled shall be recorded on employees' monthly time sheets.
2. Board members may be reimbursed for mileage traveled in personal vehicles in performance of their official duties.
3. 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.

2003 Meals

1. Employees and Board members may be reimbursed for the cost of meals purchased during performance of their official duties.

2004 Lodging

1. If lodging is in connection with a conference or organized activity, reimbursement shall not exceed the maximum group rate published by the activity sponsor. If the group rate is not available, reimbursement shall not exceed the provisions of Section 2001.2, above.

2005 Miscellaneous Expenses

1. Reimbursement for miscellaneous expenses for items required unexpectedly shall be based upon expense report forms with receipts attached. Reimbursement for miscellaneous expenses in excess of \$100.00 shall require prior Board approval.

Section 21 - Telephone

2101 Personal long distance phone calls shall not be made on District telephones, except in case of emergency.

2102 A telephone log shall be maintained for all calls.