

**HARTSTENE POINTE WATER-SEWER DISTRICT  
REGULAR MEETING  
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584  
TELECONFERENCE AVAILABLE  
Per State of Emergency Declared in Washington State and Mason County  
May 20, 2021 1:00 P.M.**

**AGENDA**

1. Call to Order
2. Roll Call
3. Subscriber Remarks
4. Correspondence
5. Present Agenda
6. Minutes of the May 6, 2021 Regular Meeting (2-3)

**REPORTS:**

7. Century West Engineer Update
8. Commissioner Reports
9. Financial/Administrative Report:
  - Bills to Be Authorized:
    - Voucher 2021-20
  - Bills to Be Reviewed:
    - Voucher 2021-19
10. General Manager's Report (4-5)

**BUSINESS:**

11. Remove Old Commissioners and Outgoing GM as Petty Cash Account Signers
12. Add Current Commissioners and Incoming GM as Petty Cash Account Signers
13. Approve Annual Report to the State Auditor's Office

**As per the State of Emergency, the district's Open Public Meetings will be held via teleconference. Until further notice, meetings WILL NOT be held at the District office.**

**To join a meeting, follow the instructions below:**

- 1. Call (425) 436-6260 or (800) 719-6100**
- 2. Enter Access Code 535 9093 #**

If you have a webcam-enabled computer, you may try to connect to the meeting using the link below:

<https://hello.freeconference.com/conf/call/5359093>

*Note: Due to limited internet connection speeds at Hartstene Pointe, joining meetings via webcam may lead to reduced quality*

**HARTSTENE POINTE WATER-SEWER DISTRICT  
REGULAR MEETING of the BOARD OF COMMISSIONERS  
May 6, 2021  
Conducted Via Teleconference  
Per State of Emergency Declared in Washington State and Mason County**

**MINUTES**

**PRESENT:** President E. J. Anderson, Secretary S. Swart, Audit Commissioner A. Hospador, General Manager (GM) J. Palmer, Project & Accounts Manager (PM) J. Sartori

**CALL TO ORDER:** The meeting was called to order at 1:00 pm.

**SUBSCRIBER REMARKS:** No subscribers present

**CORRESPONDENCE:** None

**PRESENT AGENDA:** *Commissioner Hospador moved to adopt the agenda. Commissioner Anderson seconded.* PM requested to amend the Financial/Administrative Report. Commissioner Hospador requested to add item “#13 Scheduling a Barbecue to Recognize Outgoing General Manager” to the agenda. *Hearing 3 aye votes and 0 nay votes, the agenda was adopted.*

**MINUTES:** The minutes of the April 15, 2021 regular meeting were presented. *Commissioner Hospador moved to approve the minutes as presented. Commissioner Swart seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved.*

**REPORTS:**

**Commissioner Reports:**

- Commissioner Swart presented statistics regarding water consumers’ views on rates and what many consumers pay for water dispersed from kiosks

**Water Board Bible:** Commissioners reviewed and discussed chapter three.

**Financial/Administrative Report:**

- Bills to Be Authorized:
  - Voucher 2021-18, in the amount of \$39,347.41, was presented in full. *Commissioner Anderson moved to approve voucher 2021-18 in the amount of \$39,347.41. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
- Bills to Be Reviewed: PM presented vouchers 2021-16 and 2021-17 for review
- Monthly Billing Report: PM presented the billing report for May 2021

**BUSINESS:**

**Discuss/Approve Resolution #2021-02 Establishing a Time & Place for Meetings:** *Commissioner Hospador moved to adopt Resolution #2021-02 Establishing a Time & Place for Meetings. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, Resolution #2021-02 is adopted.*

**Discuss/Approve Posting Job for Wastewater Treatment Plant Operator:** Commissioners reviewed and discussed job posting draft. *Commissioner Hospador moved to approve GM to post job listing. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the motion is approved.*

**Discuss Moving to a Blended Rate Structure:** Commissioners discussed transitioning to a blended rate structure and the logistics that will need to be addressed.

**Scheduling a Barbecue to Recognize Outgoing General Manager:** *Commissioner Anderson move to schedule a barbecue to recognize outgoing general manager on 5/13/2021 at 11:00 am at which no business will be discussed or transacted. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the barbecue is scheduled.*

*Commissioner Hospador moved to adjourn the meeting. Commissioner Swart seconded. Hearing 3 aye votes and 0 nay votes, the meeting adjourned at 3:02 pm.*

Respectfully Submitted By:

\_\_\_\_\_  
*Signature*

Stacy Swart, Secretary, Commissioner #3  
*Name and Title*

Approved at the Regular Meeting of the Board on: 5-20-2021

**HARTSTENE POINTE WATER-SEWER DISTRICT**  
**General Manager's Report**  
**May 17, 2021**

**Water Treatment and Distribution:**

Lorenzo has been hard at work, replacing old meters with the new Kamstrup meters. We currently have 110 installed.

Water main flushing has been scheduled for May 17 – 28.

Lorenzo and I worked on a water leak at 323 PDE today. We spent quite a bit of time trying to chase down its location, and it was approx. 3' down. Thankfully, we had a mini excavator that we were able to put to good use.

Water consumption has been low, but will start to increase soon as our weather is improving. Just this last weekend, it went up 10,000 gallons on Saturday.

**Wastewater Collection and Treatment:**

There has been an issue with the decant actuator on SBR #1, which had been causing poor quality effluent. There were also some issues trying to drain the SBR so we could inspect the decanter from below. It took longer than I would have liked, but the basin level finally was low enough, and Lorenzo and I were able to identify and correct the problem. The WWTP is now operating normally and the effluent is very clean again.

We have started using AAA Septic to haul our biosolids. Their price per gallon was significantly lower than Flohawks. We typically haul 2-3 times a year, so this will really make a difference. With the added benefit of using a local company.

When AAA hauls our biosolids, they will be taking it to City of Shelton WWTP to dump. I spoke with Brent Armstrong from Shelton about it. During our conversation, he inquired if some of their WWTP employees could visit for a tour of our WWTP. Their visit took place on May 10<sup>th</sup>.

**Capital Improvements-2021:**

**Engineering Report:** Bad news from USDA – we were turned down for a grant. While the State office felt it looked good, the National office determined the Median Household Income (HMI) was too high. So, in order to pay for the Preliminary Engineering Report, we either obtain a loan or pay it out of our funds. Steve Nelson from Century West has volunteered to attend any of our Board meetings to help us understand what's involved.

**Moving Forward with 2021 CIP:** As mentioned above, installation of new Kamstrup meters is moving along. We have 70 units on hand awaiting installation, and we have placed an order for

200 more units, as approved. Once these are all installed, along with the 110 already installed, we will have 380 new Kamstrup meters in place.

**General Comments:**

Lastly, I wanted to say how great the team has been doing. The change from David to myself as GM was not as smooth as expected, but it would be worse if it wasn't for the support of the Board members and the staff. I have much appreciation and kudos for all.

*Submitted by Jeff Palmer, General Manager*

**ANNUAL REPORT CERTIFICATION**  
**HARTSTENE POINTE WATER-SEWER DIST**  
(Official Name of Government)

2965  
MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended DECEMBER, 2020

GOVERNMENT INFORMATION:

Official Mailing Address 772 E CHESAPEAKE DR SHELTON WA 98584-7015

Official Website Address www.hpwatersewer.com

Official E-mail Address info@hpwatersewer.com

Official Phone Number (360) 427-2413

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Joe Sartori, Project & Accounts Manager

Contact Phone Number (360) 427-2413

Contact E-mail Address acct@hpwatersewer.com

I certify \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature: \_\_\_\_\_

**Hartstene Pointe Water-Sewer District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	551,753
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	748,377
350	Fines and Penalties	2,725
360	Miscellaneous Revenues	25,503
Total Revenues:		776,605

**Expenditures**

530	Utilities	600,035
Total Expenditures:		600,035
Excess (Deficiency) Revenues over Expenditures:		176,570

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	1,939
Total Other Increases in Fund Resources:		1,939

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	31,355
591-593, 599	Debt Service	159,858
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	1,226
Total Other Decreases in Fund Resources:		192,439

**Increase (Decrease) in Cash and Investments: (13,930)**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	94,729
50841	Committed	-
50851	Assigned	325,383
50891	Unassigned	117,711
<b>Total Ending Cash and Investments</b>		<b>537,823</b>

**Hartstene Pointe Water-Sewer District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2020**

**Note 1 - Summary of Significant Accounting Policies**

The Hartstene Pointe Water-Sewer District was incorporated in May of 2008 and operates under the laws of the state of Washington applicable to a Water-Sewer District. The District is a special purpose local government and provides water, sewer collection, and wastewater treatment services.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Budgets

The Hartstene Pointe Water-Sewer District is not required by State law to adopt an annual appropriations budget; however, it is the District's practice to adopt an annual budget as a fiscal management tool.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Water Sewer Fund	\$762,428	\$791,248	+\$28,820

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

All regular full-time employees are eligible for Paid Time Off (PTO) as outlined below or as described in the offer of employment. PTO accrual for regular part-time employees will be prorated based on hours worked.

Employees shall accrue PTO and shall be entitled to leave annually as follows:

<u>Length of Service</u>	<u>Monthly Accrual</u>	<u>Total Yearly Accumulation</u>
Years 1 – 5	12 hours (0.0692/hour)	144 (18 – 8 hour days)
Years 6 – 10	14 hours (0.0808/hour)	168 (21 – 8 hour days)
Years 11 – 15	16 hours (0.0923/hour)	192 (24 – 8 hour days)
Years 16 – 20	18 hours (0.1038/hour)	216 (27 – 8 hour days)
Years 21 and beyond	20 hours (0.1154/hour)	240 (30 – 8 hour days)

When an employee separates from the District, regardless of the reason, the employee may cash out 50% of the value of the PTO remaining at the date of separation.

The District's PTO/Sick Leave accrual year is January 1 – December 31. The maximum PTO/Sick Leave carryover is 6 weeks (240 hours) per calendar year.

Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 3, *Debt Service Requirements*.

H. Restricted Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted when it is subject to restrictions on use by externally enforceable legal restrictions (imposed by creditors, grantors, donors, other governments, most voter approved levies, etc.). The restrictions may also be imposed by law through constitutional provisions or enabling legislation.

Restricted portion of Ending Cash and Investments consist of \$94,729.47.

#### I. Assigned Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as assigned when it reflects that reflects a government's intended use of resources. These are amounts intended to be used by the government for specific purposes that are neither restricted nor committed. Intent can be expressed in one of two ways:

1. The governing body can state its intent to use resources for a specific purpose. The intent would be expressed in an informal way such as a motion or other form of a directive.
2. The governing body can delegate authority to others (e.g., finance or executive director, chief, head of a department, manager, etc.) to express intent to use amounts for specific purposes.

Any transfer of resources to funds other than the general fund represents an assignment since the transfer represents the intent for those resources to be used for a specific purpose.

The creation of a fund outside of the general fund is considered at least assigned, since the creation of a fund automatically sets aside the monies for a purpose.

By definition a special purpose district's monies in any fund that is not the general fund are considered at least assigned since they are only able to use the monies for the purpose of their government.

Assigned portion of ending cash and investments consist of \$325,383.

### **Note 2 – Deposits and Investments**

#### A. District Fund Policy:

The following funds have been established with the Mason County Treasurer's Office.

- 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 10% of the annual operating and maintenance budget is to be invested in the State Investment Pool for 2019 and 20% for future fiscal years.
- 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 accrument 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 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. 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. 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.
- 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: In previous years, this was used to accept construction loan funds and pay contractors for financed capital projects. By the beginning of FY 2019, this remainder of this fund was transferred to the General Operating Fund.
- 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, all funds are rolled into one general fund, designated as fund 401.

Reservations of Ending Cash and Investments consist of \$537,823.

**B. District Investments:**

The District invests its cash as detailed in the above funds policy. The interest on these investments is prorated to the various invested funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or WA Public Deposit Commission. All investments are insured, registered or held by the District or its agent in the government’s name.

Investments are reported at fair value. Investments by type at December 31, 2020 are as follows:

Type of Investment	District’s own Investments	Investments held by District as an agent for other local governments, individuals, or private organizations	Total
WA State Investment Pool	\$445,063	\$0	\$464,260

**Note 3 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District’s debt transactions for year ended December 31, 2020.

The District currently has two loans and one bond:

1. Washington State Water Pollution Control Revolving Fund
  - a. Maturity date: 12/21/2027
  - b. Interest rate: 1.5%
  - c. Semi-annual payment: \$19,055.70
2. USDA Water Revenue Bond
  - a. Maturity date: 09/05/2032
  - b. Interest rate: 2.75%
  - c. Semi-annual payment: \$19,665.00
3. Drinking Water State Revolving Fund Loan
  - a. Maturity date: 10/01/2036
  - b. Interest rate: 1.5%
  - c. Fixed Principal Loan
  - d. Annual Fixed Principal Loan Payment: \$65,670.81
  - e. Annual Interest Amount Varies

The debt service requirements for general obligation loans, revenue bonds, and revenue obligation loans, are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 127,385	\$ 32,473	\$ 159,858
2021	128,667	30,206	158,873
2022	129,978	27,910	157,888
2023	131,319	25,585	156,903
2024-2028	639,539	92,089	731,628
2029-2033	475,532	38,759	514,291
2034-2036	<u>197,012</u>	<u>5,910</u>	<u>202,923</u>
<b>Totals</b>	<b><u>\$ 1,829,432</u></b>	<b><u>\$ 252,932</u></b>	<b><u>\$ 2,082,365</u></b>

Schedule 9 also discloses the value of accrued compensated absences as of December 31, 2020, that is, the amount that would be due to employees to buy-out paid time off balances if employment had been discontinued at fiscal year-end. The amount includes the associated employer cost of retirement contributions and Medicare tax. The total value of compensated absences as of December 31, 2020 is \$8,477.

**Note 4 – OPEB Plans**

The Hartstene Pointe Water-Sewer District is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the

amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The district had four (4) active plan members and no retired plan members as of December 31, 2020. The district contributed \$43,084 to the plan for the year ended December 31, 2020.

**Note 5 – Deferred Compensation Plan**

The District offers a Deferred Compensation Plan, a 457(b) retirement plan (Plan) to its regular employees. The plan is administered by the WA State Department of Retirement Systems, a department within the primary government of the State of Washington. The District contributes an amount equal to 8% of the employee’s salary/wages each pay period to the plan. The District’s contributions to the plan qualify it as a FICA replacement plan, and employees are not subject to Social Security deductions. The Plan also allows employees to set aside compensation on a tax-deferred basis for retirement. Contributions are subject to annual IRS deferral limits. Employees are 100% vested on plan entry date. The district contributed \$19,446 to the plan for the year ended December 31, 2020.

**Note 6 – Risk Management**

The Hartstene Pointe Water-Sewer District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 70 members. The Pool’s fiscal year is November 1st through October 31st.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: All-Risk Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Employment Practices Liability, Cyber Liability, Identity Fraud Reimbursement Program; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most coverages are on an “occurrence” basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
<b>Property Loss:</b>			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$50,000,000

Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$10,000,000 dedicated to Sammamish Plateau)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$25,000	\$25,000	Replacement Value Coverage
<b>Liability:</b>			
Commercial General Liability	\$1,000 - \$25,000	\$300,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$15,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$15,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$15,000,000
<b>Other:</b>			
Cyber Liability	\$50,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible, which exceeds \$25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2021, written notice must be in possession of the Pool by April 30, 2021). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with various independent public adjusters.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

### **Note 7 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The District complied—and continues to comply—with state requirements. As such, the District assessed no late fees on past-due customer account balances and posted no shut-off notices. The District office is closed to the public and employees work remotely when possible.

The Board of Commissioners adopted two resolutions in response to the State of Emergency. Resolution #2020-02 declared a state of emergency at the District level and defined or modified standard operating procedures. Subsequently, Resolution #2020-03 was adopted, defining a delinquent account payment plan process.

In order to continue internal auditing by the designated “audit” commissioner, an Interim Audit Control Policy was adopted by the commissioners, which modified the District's internal auditing process controls. Closure of the office delays the auditing process; the audit commissioner reviews reconciliations, vouchers, the petty cash account, and fund replenishment forms remotely.

The length of time these measures will continue to be in place and the full extent of the financial impact on the District is unknown at this time.

### **Note 8 – Other Disclosures**

#### **A. Ongoing Capital Construction Projects**

The District had limited budget allocation for capital projects in 2020 and the state of emergency caused delays on these projects. Capital projects with expenditures in fiscal year 2020 are outlined below:

1. **New Radio-Read Water Meter Installation:**

The Board of Commissioners budgeted \$28,882.00 toward the purchase of new water meters and reading equipment to replace the aging and failing water meters that were installed in the District's infrastructure in 2013 (these meters were purchased used). The District solicited bids from suppliers and Commissioners selected the vendor who supplied the lowest-cost bid that met the needed requirements. \$24,170.55 was expensed and the 100 meters are installed and operating. District staff saved certain budgeted costs by performing setup of software in-house. This project is ongoing and more meters are slated to be installed in 2021.

2. **Test Pump Well #3:**

\$10,000 was budgeted to test the viability of connecting the District's “Well #3” to the treatment system. Due to the state of emergency, this project was delayed. No expenditures were incurred for this project.

3. **Well #4 Fence Project:**

In order to protect the District's "Well #4" assets and to mitigate risk liability of these assets, the Board of Commissioners voted to re-allocate \$5,000 from the budgeted 2019 "Marina Shut Off Valve" capital expense to fund this project. After soliciting estimates, the material costs expended in 2019 ended up at \$5,491.86. In 2020, an additional \$444.71 was needed to cover various unforeseen costs. District staff performed the installation; by not contracting outside labor to install fencing—which would be a public works project, paying prevailing wages—it is estimated that the District saved between \$5,000 and \$10,000 in labor costs.

4. Inflow & Infiltration:

For the purpose of reducing our inflow and infiltration on sewer laterals, the District budgeted \$22,222 in 2020 to begin replacing aging/damaged infrastructure. Equipment and training for this project training are ongoing. No funds were expended on this project.

5. Repair Leaking Manholes:

Relating to item #4, \$1,000 was budgeted to address leaking manholes. No funds were expended on this project.

6. Fiber Project:

In an effort to bring reliable fiber-optic service to the District's facilities and into the community, the District worked with Mason County PUD No. 3 to install a "Fiber Hut" inside the District's boundaries in 2019. Fiber-optic service is now available to a portion of the community, including some of the District's facilities. \$100 was expended in 2020. However, an additional \$1,207.68 was invoiced during 2020 and invoices paid in January 2021. This project is considered complete.

# Hartstene Pointe Water-Sewer District

Schedule 01

For the year ended December 31, 2020

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3083100	Restricted Cash and Investments - Beginning	\$91,854
2965	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$322,937
2965	401	Operations	3089100	Unassigned Cash and Investments - Beginning	\$136,962
2965	401	Operations	3434000	Water Sales and Services	\$389,747
2965	401	Operations	3435000	Sewer/Reclaimed Water Sales and Services	\$358,630
2965	401	Operations	3590000	Non-Court Fines and Penalties	\$2,725
2965	401	Operations	3611000	Investment Earnings	\$3,515
2965	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$21,900
2965	401	Operations	3698000	Cash Adjustments	\$12
2965	401	Operations	3699100	Miscellaneous Other	\$76
2965	401	Operations	5340010	Water Utilities	\$109,455
2965	401	Operations	5340020	Water Utilities	\$41,474
2965	401	Operations	5340030	Water Utilities	\$20,146
2965	401	Operations	5340040	Water Utilities	\$83,023
2965	401	Operations	5350010	Sewer/Reclaimed Water Utilities	\$143,059
2965	401	Operations	5350020	Sewer/Reclaimed Water Utilities	\$42,643
2965	401	Operations	5350030	Sewer/Reclaimed Water Utilities	\$20,895
2965	401	Operations	5350040	Sewer/Reclaimed Water Utilities	\$139,340
2965	401	Operations	5083100	Restricted Cash and Investments - Ending	\$94,729
2965	401	Operations	5085100	Assigned Cash and Investments - Ending	\$325,383
2965	401	Operations	5089100	Unassigned Cash and Investments - Ending	\$117,711

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3899000	Holding and Clearing Account Transactions	\$1,939
2965	401	Operations	5899000	Holding and Clearing Account Transactions	\$1,226
2965	401	Operations	5913470	Debt Repayment - Water Utilities	\$93,456
2965	401	Operations	5913570	Debt Repayment - Sewer/Reclaimed Water Utilities	\$33,931
2965	401	Operations	5923480	Interest and Other Debt Service Cost - Water Utilities	\$28,291
2965	401	Operations	5923580	Interest and Other Debt Service Cost - Sewer/Reclaimed Water Utilities	\$4,180
2965	401	Operations	5943460	Capital Expenditures/Expenses - Water Utilities	\$31,305
2965	401	Operations	5943560	Capital Expenditures/Expenses - Sewer/Reclaimed Water Utilities	\$50

**Hartstene Pointe Water-Sewer District  
Schedule of Liabilities  
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
263.83	WA St. Water Pollution Control Revolving Fund	12/21/2027	286,243	-	33,931	252,312
	<b>Total General Obligation Debt/Liabilities:</b>		<b>286,243</b>	<b>-</b>	<b>33,931</b>	<b>252,312</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	Drinking Water State Revolving Fund Loan	10/1/2036	1,116,403	-	65,671	1,050,732
252.11	USDA Revenue Bond, 2012	9/5/2032	426,789	-	27,785	399,004
259.12	Compensated Absences, Cash Out Value		5,189	8,477	5,189	8,477
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>1,548,381</b>	<b>8,477</b>	<b>98,645</b>	<b>1,458,213</b>
	<b>Total Liabilities:</b>		<b>1,834,624</b>	<b>8,477</b>	<b>132,576</b>	<b>1,710,525</b>

## Hartstene Pointe Water Sewer District

## Profit &amp; Loss

January through December 2020

	Jan - Dec 20
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>Non-Operating Revenue</b>	
361.11 · Interest earned	
010	367.36
020	2,369.19
030	295.95
050	258.79
070	224.12
<b>Total 361.11 · Interest earned</b>	3,515.41
367.40 · Contributions - Nongov't - DW	10,470.00
367.50 · Contributions - Nongov't - WW	11,430.00
369.80 · Cash Adjustments Over/Short	11.68
<b>Total Non-Operating Revenue</b>	25,427.09
<b>Operating Revenue</b>	
343.40 · Water Sales and Services	389,746.99
343.50 · Sewer Sales and Services	358,630.26
359.90 · Penalties and Fees	2,724.88
369.91 · Miscellaneous Revenues	75.68
<b>Total Operating Revenue</b>	751,177.81
<b>Total Income</b>	776,604.90
<b>Expense</b>	
<b>534 · Water Expenditures</b>	
<b>534.10 · Salaries - Water</b>	
Apprentice/Trainee	13,760.00
Water Distribution Manager	24,531.83
<b>Total 534.10 · Salaries - Water</b>	38,291.83
<b>534.20 · Personnel Benefits, Payroll Tax</b>	
FICA/Medicare - Water	552.83
Insurance	14,593.28
L&I expense - Water	1,160.46
Retirement Contribution	3,054.22
SUTA - Water	484.52
<b>Total 534.20 · Personnel Benefits, Payroll Tax</b>	19,845.31
<b>534.30 · Supplies - Water</b>	
31 1010 · Supplies - Water	
35 1010 · Tools/Equip - Water	5,135.73
31 1010 · Supplies - Water - Other	2,170.12
<b>Total 31 1010 · Supplies - Water</b>	7,305.85
31 1011 · Chemicals - Water	5,483.58
<b>Total 534.30 · Supplies - Water</b>	12,789.43
<b>534.40 · Services - Water</b>	
<b>Intergov</b>	
53 1010 - Excise Tax - Water	19,977.81
53 1020 - Permit Fees - Water	766.00
<b>Total Intergov</b>	20,743.81
<b>Professional Services - Water</b>	
41 1040 · Operations - Water	280.00
41 1050 · Lab Testing - Water	2,588.95
<b>Total Professional Services - Water</b>	2,868.95
<b>Water Repair and Maint.</b>	
48 1020 · SCADA - Water	1,472.50
48 1030 · Repair & Maintenance - Water	
Other	3,183.98
Water Leak Repair	5,257.18
<b>Total 48 1030 · Repair &amp; Maintenance - Water</b>	8,441.16
<b>Total Water Repair and Maint.</b>	9,913.66

## Hartstene Pointe Water Sewer District

## Profit &amp; Loss

January through December 2020

	Jan - Dec 20
47 1010 · Electric - Water	9,313.56
<b>Total 534.40 · Services - Water</b>	<b>42,839.98</b>
<b>594.34 · Capital Expenditures - Water</b>	
Ferric Chloride Well 4 Install	4,750.00
Generator	1,890.00
New Radio Read Water Meters	24,170.55
Well #4 Fence Project	444.71
<b>Total 594.34 · Capital Expenditures - Water</b>	<b>31,255.26</b>
<b>59X.34 · Debt Service - Water</b>	
<b>5913470 · Debt Service Principal - Water</b>	
DWSRF Loan Principal	65,670.81
78 1010 · USDA Loan Principal	27,785.38
<b>Total 5913470 · Debt Service Principal - Water</b>	<b>93,456.19</b>
<b>5923480 · Debt Service Interest - Water</b>	
DWSRF Loan Interest	16,746.06
83 1010 · USDA Loan - Interest	11,544.62
<b>Total 5923480 · Debt Service Interest - Water</b>	<b>28,290.68</b>
<b>Total 59X.34 · Debt Service - Water</b>	<b>121,746.87</b>
<b>Total 534 · Water Expenditures</b>	<b>266,768.68</b>
<b>535 · WW Treatment Expenditures</b>	
<b>535.10 · Salaries/Wages-WWT</b>	
Wastewater Treatment Plant Oper	71,895.13
<b>Total 535.10 · Salaries/Wages-WWT</b>	<b>71,895.13</b>
<b>535.20 · Personnel Benefits - WW</b>	
Employment Security	894.95
FICA Expense	1,041.82
HRA VEBA - WW	659.04
Insurance - WW	10,485.36
L&I - WW	2,181.15
Retirement - WW	5,751.61
<b>Total 535.20 · Personnel Benefits - WW</b>	<b>21,013.93</b>
<b>535.30 · Supplies - WW Treatment</b>	
31 3010 · Supplies - WW Treatment	
Sewer	90.08
31 3010 · Supplies - WW Treatment - Other	1,379.15
<b>Total 31 3010 · Supplies - WW Treatment</b>	<b>1,469.23</b>
31 3011 · Chemicals - WW Treatment	1,522.04
35 3010 · Tools/Equip - WW Treatment	10,546.65
<b>Total 535.30 · Supplies - WW Treatment</b>	<b>13,537.92</b>
<b>535.40 · Services - WW Treatment</b>	
Intergov	
B&O/Excise Tax	
B&O Tax - Wastewater Treatment	5,275.87
Excise Tax - Sewer	446.50
<b>Total B&amp;O/Excise Tax</b>	<b>5,722.37</b>
Permit Fees - WW Treatment	999.00
<b>Total Intergov</b>	<b>6,721.37</b>
Professional Services - WWT	
41 3050 · Lab Testing - WW Treatment	7,559.44
<b>Total Professional Services - WWT</b>	<b>7,559.44</b>
<b>WW Treatment Maint. and Repair</b>	
48 3010 · Biosolids Disposal	24,808.47
48 3020 · SCADA - WW Treatment	5,040.00

**Hartstene Pointe Water Sewer District**  
**Profit & Loss**  
 January through December 2020

	Jan - Dec 20
48 3030 · Repair & Maint. - WW Treatment	
Other	31,444.75
Sewer Collection	8,954.33
Total 48 3030 · Repair & Maint. - WW Treatment	40,399.08
Total WW Treatment Maint. and Repair	70,247.55
47 3010 · Electric - WW Treatment	14,628.34
Total 535.40 · Services - WW Treatment	99,156.70
59X.35 · Debt Service - WW Treatment	
5913570 · Debt Service Principal - WWT	
78 3010 · Ecology Loan Principal	33,931.48
Total 5913570 · Debt Service Principal - WWT	33,931.48
5923580 · Debt Service Interest - WWT	
83 3010 · Ecology Loan - Interest	4,179.92
Total 5923580 · Debt Service Interest - WWT	4,179.92
Total 59X.35 · Debt Service - WW Treatment	38,111.40
Total 535 · WW Treatment Expenditures	243,715.08
538 · Combined W/S Expenditures	
538.10 · Salaries & Wages	
Elected Officials	
10 0010 · Commissioner 1	3,776.00
10 0020 · Commissioner 2	3,719.00
10 0030 · Commissioner 3	3,655.00
Total Elected Officials	11,150.00
Employees	
Clerk	61,989.50
General Manager	69,187.50
Total Employees	131,177.00
Total 538.10 · Salaries & Wages	142,327.00
538.20 · Personnel Benefits, Payroll Tax	
HRA VEBA - Admin	5,353.69
L&I Expense	4,224.61
Retirement Expense - Admin	10,640.30
SUTA Expense	1,437.57
20 0010 · FICA/Medicare	2,727.01
20 0020 · Insurance	18,874.60
538.20 · Personnel Benefits, Payroll Tax - Other	-0.07
Total 538.20 · Personnel Benefits, Payroll Tax	43,257.71
538.30 · Supplies - Combined W/S	
Tools/Equip/Supplies	9,899.59
31 4010 · Office Supplies	4,814.21
Total 538.30 · Supplies - Combined W/S	14,713.80
538.40 · Services - Combined W/S	
Intergov	
B&O Tax - Fees/Penalties	47.96
County Election Costs	285.93
Other	72.40
State Audit	844.98
Total Intergov	1,251.27
Other Services - Combined W/S	
Accounting Consultant Fees	551.25
Attorney Fees - Combined W/S	3,183.75
Information Technology	4,640.17
Lockbox	1,032.44
Online Payment System	
Monthly Fees	750.00
Transaction Fees	1,537.02
Total Online Payment System	2,287.02

Hartstene Pointe Water Sewer District  
**Profit & Loss**  
January through December 2020

	<u>Jan - Dec 20</u>
Payroll Services	2,143.75
Rent	
Office Rental	5,000.00
Storage Unit Rental	840.00
<b>Total Rent</b>	<u>5,840.00</u>
361.19 · Investment Service Fees	3,124.66
42 0010 · Postage	2,742.05
42 0020 · Telephones	8,059.93
46 0010 · Liability Insurance	31,796.00
49 0010 · Professional Dues	1,712.83
49 0020 · Printing to Subscribers	1,352.08
Other Services - Combined W/S - Other	419.97
<b>Total Other Services - Combined W/S</b>	<u>68,885.90</u>
43 · Travel/Mileage/Training	
Employee Training	5,139.61
43 0020 · General Manager Travel	145.13
43 0040 · Operations Mileage	4,944.28
<b>Total 43 · Travel/Mileage/Training</b>	<u>10,229.02</u>
<b>Total 538.40 · Services - Combined W/S</b>	<u>80,366.19</u>
594.38 · Capital Expenditures Combined	
Fiber Optic Install	100.00
<b>Total 594.38 · Capital Expenditures Combined</b>	<u>100.00</u>
<b>Total 538 · Combined W/S Expenditures</b>	<u>280,764.70</u>
<b>Total Expense</b>	<u>791,248.46</u>
<b>Net Ordinary Income</b>	<u>-14,643.56</u>
<b>Net Income</b>	<u><u>-14,643.56</u></u>

## Hartstene Pointe Water Sewer District

# Balance Sheet

As of December 31, 2020

	Dec 31, 20
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
<b>Reserve Funds</b>	
030 · Ecology Reserve	40,510.80
050 · DWSRF Loan Reserve	20,431.27
070 · USDA Revenue Bond Reserve	33,787.40
<b>Total Reserve Funds</b>	94,729.47
<b>Unreserved Funds</b>	
EFT Account - Columbia Bank	31,331.91
Petty Cash Account	1,667.54
Xpress Account	4,310.39
010 · Operating Fund	
Operating Investment Fund	34,000.00
010 · Operating Fund - Other	46,401.15
<b>Total 010 · Operating Fund</b>	80,401.15
020 · Water/Sewer Committed Fund	
Asset Replacement Fund	48,540.00
Capital Improvement Fund	
I&I Repair	80,617.25
Reservoir Repair	56,714.95
<b>Total Capital Improvement Fund</b>	137,332.20
Risk Management Fund	139,510.83
<b>Total 020 · Water/Sewer Committed Fund</b>	325,383.03
<b>Total Unreserved Funds</b>	443,094.02
<b>Total Checking/Savings</b>	537,823.49
<b>Total Current Assets</b>	537,823.49
<b>TOTAL ASSETS</b>	<b>537,823.49</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
20000 · Accounts Payable	-446.62
<b>Total Accounts Payable</b>	-446.62
<b>Other Current Liabilities</b>	
24000 · Payroll Liabilities	
Employee Insurance	-211.73
FICA	2,432.46
Retirement (DCP) Payable	0.01
WA Family Sick Leave	165.30
<b>Total 24000 · Payroll Liabilities</b>	2,386.04
<b>Total Other Current Liabilities</b>	2,386.04
<b>Total Current Liabilities</b>	1,939.42
<b>Total Liabilities</b>	1,939.42
<b>Equity</b>	
30000 · Opening Balance Equity	566,435.91
32000 · Unrestricted Net Assets	-15,908.28
Net Income	-14,643.56
<b>Total Equity</b>	535,884.07
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>537,823.49</b>

## Hartstene Pointe Water Sewer District

# Balance Sheet

### As of December 31, 2019

	Dec 31, 19
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
<b>Reserve Funds</b>	
030 · Ecology Reserve	40,214.85
050 · DWSRF Loan Reserve	22,009.35
070 · USDA Revenue Bond Reserve	29,630.28
<b>Total Reserve Funds</b>	91,854.48
<b>Unreserved Funds</b>	
EFT Account - Columbia Bank	32,173.76
Petty Cash Account	1,940.50
Xpress Account	13,823.37
010 · Operating Fund	
Operating Investment Fund	50,000.00
010 · Operating Fund - Other	39,024.66
<b>Total 010 · Operating Fund</b>	89,024.66
020 · Water/Sewer Committed Fund	
Asset Replacement Fund	39,540.00
Capital Improvement Fund	
I&I Repair	89,540.00
Reservoir Repair	56,714.95
<b>Total Capital Improvement Fund</b>	146,254.95
Risk Management Fund	137,141.64
<b>Total 020 · Water/Sewer Committed Fund</b>	322,936.59
<b>Total Unreserved Funds</b>	459,898.88
<b>Total Checking/Savings</b>	551,753.36
<b>Total Current Assets</b>	551,753.36
<b>TOTAL ASSETS</b>	<b>551,753.36</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
20000 · Accounts Payable	-238.91
<b>Total Accounts Payable</b>	-238.91
<b>Other Current Liabilities</b>	
24000 · Payroll Liabilities	
Employee Insurance	-384.39
FICA	1,693.67
WA Family Sick Leave	155.36
<b>Total 24000 · Payroll Liabilities</b>	1,464.64
<b>Total Other Current Liabilities</b>	1,464.64
<b>Total Current Liabilities</b>	1,225.73
<b>Total Liabilities</b>	1,225.73
<b>Equity</b>	
30000 · Opening Balance Equity	566,435.91
32000 · Unrestricted Net Assets	-40,998.37
Net Income	25,090.09
<b>Total Equity</b>	550,527.63
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>551,753.36</b>