

**HARTSTONE POINTE WATER-SEWER DISTRICT
REGULAR MEETING
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584
May 19, 2022 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 5, 2022 Regular Meeting (2-3)

REPORTS:

7. Commissioner Reports
8. Financial/Administrative Report:
 - Bills to Be Authorized:
 - Voucher 2022-20
 - Bills to Be Reviewed:
 - Voucher 2022-19
9. General Manager's Report

BUSINESS:

10. Schedule Special Meeting
11. Approve 2021 Fiscal Year Annual Report to the State Auditor's Office

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING of the BOARD OF COMMISSIONERS
May 5, 2022
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584
TELECONFERENCE AVAILABLE
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, Steve N. Engineer

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

SUBSCRIBER REMARKS: No subscribers present

CORRESPONDENCE: None.

PRESENT AGENDA: *Commissioner Swart moved to adopt the agenda. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the agenda was adopted as presented.*

MINUTES: The minutes of the April 21, 2022 regular meeting were presented. *Commissioner Anderson moved to approve the minutes. Commissioner Swart seconded.* Commissioner Swart requested an amendment to *Commissioner Reports*. **Hearing 3 aye votes and 0 nay votes, the minutes were approved as amended.**

BUSINESS:

Review & Discuss Preliminary Engineering Report with Century West Engineering: Steve N., engineer, reviewed and discussed the Preliminary Engineering Report with commissioners and administrative staff. Funding sources and replacement options to the sewer system were presented and discussed.

REPORTS:

Commissioner Reports:

- Commissioner Swart attended RCAC's emergency planning and recovery efforts webinar
- Commissioner Swart distributed succession planning handouts
- Commissioner Swart shared a *TPO* article
- Commissioner Swart shared a Mason County PUD No. 3 newsletter article that could be a topic for a future newsletter
- Commissioner Swart asked about a *Water Online* article regarding reclaimed water

Financial/Administrative Report:

- Bills to Be Authorized:
 - Voucher 2022-20, in the amount of \$ 9,960.46, was presented. *Commissioner Anderson moved to approve voucher 2022-20 in the amount of \$ 9,960.46. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
- Bills to Be Reviewed:
 - PM presented Voucher 2022-19 for review

- Monthly Billing Report: PM presented the monthly billing report for May 2022

General Manager's Report: GM presented his report on the current state of the District

Commissioner Hospador moved to adjourn the meeting. Commissioner Swart seconded. Hearing 3 aye votes and 0 nay votes, the meeting adjourned at 3:20 pm.

Respectfully Submitted By:

Signature

Stacy Swart, Secretary, Commissioner #3
Name and Title

Approved at the Regular Meeting of the Board on: 5-19-2022

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, 2021

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, 2021**

Beginning Cash and Investments

308	Beginning Cash and Investments	537,823
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	866,751
350	Fines and Penalties	2,751
360	Miscellaneous Revenues	59,291
Total Revenues:		928,793

Expenditures

530	Utilities	554,026
Total Expenditures:		554,026
Excess (Deficiency) Revenues over Expenditures:		374,767

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	18,423
Total Other Increases in Fund Resources:		18,423

Other Decreases in Fund Resources

594-595	Capital Expenditures	117,582
591-593, 599	Debt Service	158,873
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	1,939
Total Other Decreases in Fund Resources:		278,394

Increase (Decrease) in Cash and Investments: 114,796

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	98,688
50841	Committed	-
50851	Assigned	553,931
50891	Unassigned	-
Total Ending Cash and Investments		652,619

The accompanying notes are an integral part of this statement.

Hartstene Pointe Water-Sewer District
Notes to the Financial Statements
For the year ended December 31, 2021

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	\$ 948,397	\$ 830,481	\$ (117,916)

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 & Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the District intends to use the most restricted first

Restricted portion of Ending Cash and Investments consist of \$ 98,688, which are amounts restricted from bond and loan covenants.

I. Assigned Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as assigned when it 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 \$ 327,392.

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 20% of the annual operating and maintenance budget is to be invested in the State Investment Pool.
- 690-005-020 – Water/Sewer Committed Fund: The Water/Sewer Committed Fund accounts for monies held for specified purposes but not designated for debt service. Use of monies held within this fund is subject to a vote of the District Commission. The Water/Sewer Committed Fund is divided into three sub-funds:
 - Risk Management Fund: For operating shortfalls due to unforeseen cost increases, unanticipated revenue losses, or unforeseen emergency expenditures. The minimum balance for this sub-fund shall be targeted at \$200,000 by 2025. The sub-fund must maintain no less than 12.5% of annual operating revenue in order to meet requirements set forth in the District's DWSRF Loan contract.
 - Capital Improvement Fund: For the accrual of monies to fund capital projects laid out in the District's six year Capital Improvement Plan.

- Reservoir Fund: For future repairs to reservoir. The target balance for this sub-fund shall be \$150,000 by 2027.
 - Inflow & Infiltration: For future repairs to the District’s water and sewer mains/laterals. The District Commissioners purpose to allocate \$20,000 from each year’s budget to contribute to this reserve. “Metered Water Charges” will contribute to this fund and transfers will be swept into this fund from 010 Operating Fund monthly.
 - 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.
- 690-005-070 – 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 fund, designated as fund 401.

Reservations of Ending Cash and Investments consist of \$ 652,619.

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 amortized cost. The restrictions of ending cash and investment consist of \$98,688, which are amounts restricted by bond and loan covenants.

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, 2021.

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:

Year(s)	Principal	Interest	Total
2022	\$ 129,978	\$ 27,910	\$ 157,888
2023	131,319	25,585	156,903
2024	132,690	23,228	155,918
2025	134,092	20,841	154,933
2026	135,526	18,422	153,948
2027-2031	543,799	58,718	602,517
2032-2036	<u>365,969</u>	<u>15,546</u>	<u>381,516</u>
Totals	<u>\$ 1,573,373</u>	<u>\$ 190,251</u>	<u>\$ 1,763,624</u>

Schedule 09 also discloses the value of accrued compensated absences as of December 31, 2021, 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, 2021 is \$ 9,208.

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, 2021. The District contributed \$ 36,741 to the plan for the year ended December 31, 2021.

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 \$ 38,211 to the plan for the year ended December 31, 2021.

Note 6 – Risk Management

NOTES TO THE FINANCIAL STATEMENT FOR PARTICIPATING POOL MEMBERS 2021

NOTE: Risk Management

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 72 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; 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
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$25,000,000

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
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$500,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$10,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$10,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000

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, 2022, written notice must be in possession of the Pool by April 30, 2022). 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 and federal requirements. As such, the District assessed no late fees on past-due customer account balances and posted no shut-off notices for the majority of 2021. The governor lifted this moratorium, effective September 1st, the District resumed assessing late fees. Due to a severe lack in labor hours, the District was unable to resume posting shut-off notices. The District office remains 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. To date, neither of these resolutions is repealed, but will be repealed by the board of commissioners following the repeal of the governor's proclamation 20-05, which declared the state of emergency.

In order to continue internal auditing by the designated “audit” commissioner, an Interim Audit Control Policy was adopted by the commissioners in 2020, which modified the District's internal auditing process controls. Closure of the office delayed the auditing process; the audit commissioner reviewed reconciliations, vouchers, the petty cash account, and fund replenishment forms remotely. In 2021, most of the District's regular audit controls resumed, reinforcing accountability.

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 2021 and the state of emergency caused delays on these projects. Capital projects with expenditures in fiscal year 2021 are outlined below:

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

The Board of Commissioners budgeted \$10,000 to test pump the District's “Well #3” in order to determine if this asset would be valuable enough to engineer connecting it to the current infrastructure. This project was a public works project, completed in September. The test pump results were encouraging and total project cost was \$3,320—this is \$6,680 under budget.

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

The Board of Commissioners budgeted \$15,000 toward the purchase of new radio-read water

meters to continue replacing the aging and failing water meters that were installed in the District's infrastructure in 2013 (these meters were purchased used). The board voted to reallocate funds from the District's *Asset Replacement* fund to expedite this project, as the old meters and reading equipment are failing at a faster rate than anticipated. \$54,820 was expensed new meters continued to be installed and in use. The board voted to allocate \$18,800 in 2022 to complete the project.

3. Update Sewer System Plan:

\$80,000 was budgeted to update the District's *Sewer System Plan*. The District's current sewer system plan is over ten (10) years old. Because of this, the District is ineligible for grant and appropriation opportunities. To address the recognized need to replace much of the underground infrastructure and other capital assets that are part of the District's sewerage, an engineering firm was contracted to design an up-to-date sewer system plan. The District solicited offers for the contract via the Request for Qualifications (RFQ) process and Century West Engineering was selected at an open public meeting. The total 2021 expense was \$9,086 and the project is continuing through 2022. It is probable that the project at completion will not approach \$80,000.

4. Upgrade Wastewater SCADA System:

The Board allocated \$15,000 in the 2021 budget to upgrade the SCADA system on the Wastewater infrastructure side. The purpose for the upgrade was to control the wastewater infrastructure with software that is more robust and easier to access. The project costs ran higher than anticipated, totaling \$19,228.

5. Convert Patrol House to ADA:

In 2020 the District's office location was relocated to 119 E Liberty Road. The location is closer to the community's hub and is considerably larger than the previous location, which improves operations and has adequate storage for records. The Commissioners recognized the need to make improvements to be ADA compliant. \$10,000 was budgeted for such projects. However, due to significant labor shortages and covid-related struggles, work on these projects was deferred. Moreover, open public meetings have been—and continue to be—available via telecommunications. The Board allocated \$20,000 in fiscal year 2022 toward ADA-related projects.

6. Infrastructure Replacement:

The Board purposed to allocate funds every year toward infrastructure replacement. As mentioned above, the District's underground infrastructure is aged and needs to be replaced for both water and wastewater systems. \$45,000 was budgeted toward this. No work was devoted toward infrastructure replacement. With the General Manager's unexpected separation of employment, the now General Manager needed to learn his job and labor shortages demanded operators to focus on daily operations. Additionally, administrative staff is working with the state legislature to procure grant and appropriation funds in hopes to fund entire infrastructure replacement.

7. Lease/Rent/Purchase Mini Excavator:

Much of the field work performed by operators requires heavy operating equipment to dig to buried pipes for connections or repairs. In the past, such equipment was frequently rented at a cost that prompted staff and commissioners to consider purchase of an excavator. Additionally, the plan was to tackle infrastructure replacement. \$30,000 was budgeted for this purchase. \$29,920 was expensed toward the purchase of this and a trailer for transporting it. The purchase has already proven to be a valuable asset.

8. Lease/Rent/Purchase New Work Truck:
\$15,000 was allocated toward purchasing a truck. The District's current truck is not capable of hauling the excavator and trailer. Staff changes and daily operations hindered the search for an appropriate purchase. The hope is that a capable truck can be procured in 2022.

9. Lease/Rent/Purchase Trailer:
In order to transport the District's excavator for field work, the Board budgeted \$5,000 for this purchase. With the purchase of the excavator, a trailer was included in the excavator capital expense. As such, no funds were expensed from this line item.

Hartstene Pointe Water-Sewer District

Schedule 01

For the year ended December 31, 2021

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3083100	Restricted Cash and Investments - Beginning	\$94,729
2965	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$325,383
2965	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$117,711
2965	401	Operations	3434000	Water Sales and Services	\$454,062
2965	401	Operations	3435000	Sewer/Reclaimed Water Sales and Services	\$412,689
2965	401	Operations	3590000	Non-Court Fines and Penalties	\$2,751
2965	401	Operations	3611000	Investment Earnings	\$506
2965	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$58,400
2965	401	Operations	3698000	Cash Adjustments	\$1
2965	401	Operations	3699100	Miscellaneous Other	\$384
2965	401	Operations	5340010	Water Utilities	\$125,933
2965	401	Operations	5340020	Water Utilities	\$44,483
2965	401	Operations	5340030	Water Utilities	\$15,713
2965	401	Operations	5340040	Water Utilities	\$101,453
2965	401	Operations	5350010	Sewer/Reclaimed Water Utilities	\$110,902
2965	401	Operations	5350020	Sewer/Reclaimed Water Utilities	\$31,090
2965	401	Operations	5350030	Sewer/Reclaimed Water Utilities	\$9,195
2965	401	Operations	5350040	Sewer/Reclaimed Water Utilities	\$115,257
2965	401	Operations	5083100	Restricted Cash and Investments - Ending	\$98,688
2965	401	Operations	5085100	Assigned Cash and Investments - Ending	\$327,392
2965	401	Operations	5085100	Assigned Cash and Investments - Ending	\$226,539

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3899000	Holding and Clearing Account Transactions	\$2,019
2965	401	Operations	3952000	Compensation for Loss/Impairment of Capital Assets (Cash Basis Only)	\$16,404
2965	401	Operations	5899000	Holding and Clearing Account Transactions	\$1,939
2965	401	Operations	5913470	Debt Repayment - Water Utilities	\$94,226
2965	401	Operations	5913570	Debt Repayment - Sewer/Reclaimed Water Utilities	\$34,444
2965	401	Operations	5923480	Interest and Other Debt Service Cost - Water Utilities	\$26,536
2965	401	Operations	5923580	Interest and Other Debt Service Cost - Sewer/Reclaimed Water Utilities	\$3,667
2965	401	Operations	5943460	Capital Expenditures/Expenses - Water Utilities	\$73,704
2965	401	Operations	5943560	Capital Expenditures/Expenses - Sewer/Reclaimed Water Utilities	\$43,878

**Hartstene Pointe Water-Sewer District
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.83	WA St. Water Pollution Control Revolving Fund	12/21/2027	252,312	-	34,444	217,868
	Total General Obligation Debt/Liabilities:		252,312	-	34,444	217,868
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Drinking Water State Revolving Fund Loan	10/1/2022	1,050,733	-	65,671	985,062
252.11	USDA Revenue Bond, 2012	9/5/2032	399,004	-	28,555	370,449
259.12	Compensated Absences, Cash Out Value		8,477	9,208	8,477	9,208
264.40	OPEB Liabilities		-	9,044	-	9,044
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,458,214	18,252	102,703	1,373,763
	Total Liabilities:		1,710,526	18,252	137,147	1,591,631

Hartstene Pointe Water Sewer District

Profit & Loss

January through December 2021

	Jan - Dec 21
Ordinary Income/Expense	
Income	
Non-Operating Revenue	
361.11 · Interest earned	
010	69.96
020	315.36
030	45.68
050	38.07
070	37.13
Total 361.11 · Interest earned	506.20
367.40 · Contributions - Nongov't - DW	27,920.00
367.50 · Contributions - Nongov't - WW	30,480.00
369.80 · Cash Adjustments Over/Short	1.02
395.20 · Compens Loss of Capital Assets	16,403.97
Total Non-Operating Revenue	75,311.19
Operating Revenue	
343.40 · Water Sales and Services	
343.42 · Metered Water Charges	5,630.70
343.40 · Water Sales and Services - Other	448,431.77
Total 343.40 · Water Sales and Services	454,062.47
343.50 · Sewer Sales and Services	412,689.19
359.90 · Penalties and Fees	2,751.04
369.91 · Miscellaneous Revenues	384.09
Total Operating Revenue	869,886.79
Total Income	945,197.98
Expense	
534 · Water Expenditures	
534.10 · Salaries - Water	
Apprentice/Trainee	45,264.70
Total 534.10 · Salaries - Water	45,264.70
534.20 · Personnel Benefits, Payroll Tax	
FICA/Medicare - Water	2,063.16
Insurance	14,695.60
L&I expense - Water	1,871.87
Retirement Contribution	3,621.18
SUTA - Water	196.44
Total 534.20 · Personnel Benefits, Payroll Tax	22,448.25
534.30 · Supplies - Water	
31 1010 · Supplies - Water	
35 1010 · Tools/Equip - Water	2,381.48
31 1010 · Supplies - Water - Other	6,254.23
Total 31 1010 · Supplies - Water	8,635.71
31 1011 · Chemicals - Water	4,198.73
Total 534.30 · Supplies - Water	12,834.44
534.40 · Services - Water	
Intergov	
53 1010 - Excise Tax - Water	22,551.64
53 1020 - Permit Fees - Water	776.00
Other Intergov - Water	306.00
Total Intergov	23,633.64
Other Services	
Software Subscriptions	1,601.50
Total Other Services	1,601.50
Professional Services - Water	
41 1050 · Lab Testing - Water	1,875.80
Total Professional Services - Water	1,875.80
Water Repair and Maint.	
48 1020 · SCADA - Water	387.50
48 1030 · Repair & Maintenance - Water	

Hartstene Pointe Water Sewer District
Profit & Loss
 January through December 2021

	Jan - Dec 21
Other	7,039.19
Water Leak Repair	3,679.19
48 1030 · Repair & Maintenance - Water - Other	1,000.37
Total 48 1030 · Repair & Maintenance - Water	11,718.75
Total Water Repair and Maint.	12,106.25
47 1010 · Electric - Water	10,685.50
Total 534.40 · Services - Water	49,902.69
594.34 · Capital Expenditures - Water	
New Radio Read Water Meters	54,819.63
Test Pump Well #3	3,320.10
Total 594.34 · Capital Expenditures - Water	58,139.73
59X.34 · Debt Service - Water	
5913470 · Debt Service Principal - Water	
DWSRF Loan Principal	65,670.81
78 1010 · USDA Loan Principal	28,554.74
Total 5913470 · Debt Service Principal - Water	94,225.55
5923480 · Debt Service Interest - Water	
DWSRF Loan Interest	15,760.99
83 1010 · USDA Loan - Interest	10,775.26
Total 5923480 · Debt Service Interest - Water	26,536.25
Total 59X.34 · Debt Service - Water	120,761.80
Total 534 · Water Expenditures	309,351.61
535 · WW Treatment Expenditures	
535.10 · Salaries/Wages-WWT	
Wastewater Treatment Plant Oper	30,233.75
Total 535.10 · Salaries/Wages-WWT	30,233.75
535.20 · Personnel Benefits - WW	
Employment Security	297.60
FICA Expense	586.16
HRA VEBA - WW	151.15
Insurance - WW	4,432.65
L&I - WW	1,168.47
Retirement - WW	2,418.70
Total 535.20 · Personnel Benefits - WW	9,054.73
535.30 · Supplies - WW Treatment	
31 3010 · Supplies - WW Treatment	
Sewer	517.24
31 3010 · Supplies - WW Treatment - Other	1,463.19
Total 31 3010 · Supplies - WW Treatment	1,980.43
31 3011 · Chemicals - WW Treatment	3,076.69
35 3010 · Tools/Equip - WW Treatment	1,258.68
Total 535.30 · Supplies - WW Treatment	6,315.80
535.40 · Services - WW Treatment	
Intergov	
B&O/Excise Tax	
B&O Tax - Wastewater Treatment	5,979.53
Excise Tax - Sewer	379.13
Total B&O/Excise Tax	6,358.66
Permit Fees - WW Treatment	2,624.96
Total Intergov	8,983.62
Professional Services - WWT	
41 3050 · Lab Testing - WW Treatment	7,963.95
Total Professional Services - WWT	7,963.95
WW Treatment Maint. and Repair	
48 3010 · Biosolids Disposal	5,944.70
48 3020 · SCADA - WW Treatment	387.50

Hartstene Pointe Water Sewer District
Profit & Loss
 January through December 2021

	Jan - Dec 21
48 3030 · Repair & Maint. - WW Treatment	
Other	21,709.17
Sewer Collection	3,315.17
Total 48 3030 · Repair & Maint. - WW Treatment	25,024.34
Total WW Treatment Maint. and Repair	31,356.54
47 3010 · Electric - WW Treatment	15,403.38
Total 535.40 · Services - WW Treatment	63,707.49
594.35 · Capital Expenditures - WWT	
Sewer System Plan Update	9,086.10
WW SCADA/Telemetry Upgrade	19,228.37
Total 594.35 · Capital Expenditures - WWT	28,314.47
59X.35 · Debt Service - WW Treatment	
5913570 · Debt Service Principal - WWT	
78 3010 · Ecology Loan Principal	34,443.96
Total 5913570 · Debt Service Principal - WWT	34,443.96
5923580 · Debt Service Interest - WWT	
83 3010 · Ecology Loan - Interest	3,667.44
Total 5923580 · Debt Service Interest - WWT	3,667.44
Total 59X.35 · Debt Service - WW Treatment	38,111.40
Total 535 · WW Treatment Expenditures	175,737.64
538 · Combined W/S Expenditures	
538.10 · Salaries & Wages	
Elected Officials	
10 0010 · Commissioner 1	4,224.00
10 0020 · Commissioner 2	3,520.00
10 0030 · Commissioner 3	4,416.00
Total Elected Officials	12,160.00
Employees	
Clerk	61,739.23
General Manager	87,436.50
Total Employees	149,175.73
Total 538.10 · Salaries & Wages	161,335.73
538.20 · Personnel Benefits, Payroll Tax	
HRA VEBA - Admin	6,842.23
L&I Expense	3,974.61
Retirement Expense - Admin	11,934.06
SUTA Expense	642.03
20 0010 · FICA/Medicare	3,063.70
20 0020 · Insurance	17,613.42
Total 538.20 · Personnel Benefits, Payroll Tax	44,070.05
538.30 · Supplies - Combined W/S	
Tools/Equip/Supplies	3,888.58
31 4010 · Office Supplies	1,869.73
Total 538.30 · Supplies - Combined W/S	5,758.31
538.40 · Services - Combined W/S	
Intergov	
B&O Tax - Fees/Penalties	30.34
Other	73.40
State Audit	4,116.84
Total Intergov	4,220.58
Other Services - Combined W/S	
Attorney Fees - Combined W/S	4,190.25
Information Technology	4,468.15
Lockbox	1,075.76
Online Payment System	
Monthly Fees	900.00
Transaction Fees	1,861.27
	1,861.27

Hartstene Pointe Water Sewer District
Profit & Loss
 January through December 2021

	Jan - Dec 21
Total Online Payment System	2,761.27
Payroll Services	1,937.40
Rent	
Office Rental	6,000.00
Storage Unit Rental	0.00
Total Rent	6,000.00
361.19 · Investment Service Fees	3,930.73
42 0010 · Postage	2,744.35
42 0020 · Telephones	8,401.45
44 0010 · Legal Notices & Publications	272.00
46 0010 · Liability Insurance	43,455.00
49 0010 · Professional Dues	1,586.71
49 0020 · Printing to Subscribers	2,186.05
Total Other Services - Combined W/S	83,009.12
43 · Travel/Mileage/Training	
Employee Training	10,871.81
43 0040 · Operations Mileage	4,955.92
43 · Travel/Mileage/Training - Other	43.23
Total 43 · Travel/Mileage/Training	15,870.96
Total 538.40 · Services - Combined W/S	103,100.66
594.38 · Capital Expenditures Combined	
Excavator/Trailer Purchase	29,920.00
Fiber Optic Install	1,207.68
Total 594.38 · Capital Expenditures Combined	31,127.68
Total 538 · Combined W/S Expenditures	345,392.43
Total Expense	830,481.68
Net Ordinary Income	114,716.30
Net Income	114,716.30

Hartstene Pointe Water Sewer District

Balance Sheet

As of December 31, 2021

	Dec 31, 21
ASSETS	
Current Assets	
Checking/Savings	
Reserve Funds	
030 · Ecology Reserve	40,553.18
050 · DWSRF Loan Reserve	20,376.84
070 · USDA Revenue Bond Reserve	37,757.53
Total Reserve Funds	98,687.55
Unreserved Funds	
EFT Account - Columbia Bank	33,253.72
Petty Cash Account	1,705.82
Xpress Account	6,241.00
010 · Operating Fund	
Operating Investment Fund	130,000.00
010 · Operating Fund - Other	55,338.39
Total 010 · Operating Fund	185,338.39
020 · Water/Sewer Committed Fund	
Asset Replacement Fund	18,344.37
Capital Improvement Fund	
I&I Repair	75,854.01
Reservoir Repair	83,367.83
Total Capital Improvement Fund	159,221.84
Risk Management Fund	149,826.19
Total 020 · Water/Sewer Committed Fund	327,392.40
Total Unreserved Funds	553,931.33
Total Checking/Savings	652,618.88
Total Current Assets	652,618.88
TOTAL ASSETS	652,618.88
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	-446.62
Total Accounts Payable	-446.62
Other Current Liabilities	
24000 · Payroll Liabilities	
FICA	2,333.11
Retirement (DCP) Payable	0.01
WA Family Sick Leave	132.01
Total 24000 · Payroll Liabilities	2,465.13
Total Other Current Liabilities	2,465.13
Total Current Liabilities	2,018.51
Total Liabilities	2,018.51
Equity	
30000 · Opening Balance Equity	566,435.91
32000 · Unrestricted Net Assets	-30,551.84
Net Income	114,716.30
Total Equity	650,600.37
TOTAL LIABILITIES & EQUITY	652,618.88

Hartstene Pointe Water Sewer District

Balance Sheet

As of December 31, 2020

	Dec 31, 20
ASSETS	
Current Assets	
Checking/Savings	
Reserve Funds	
030 · Ecology Reserve	40,510.80
050 · DWSRF Loan Reserve	20,431.27
070 · USDA Revenue Bond Reserve	33,787.40
Total Reserve Funds	94,729.47
Unreserved Funds	
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
Total 010 · Operating Fund	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
Total Capital Improvement Fund	137,332.20
Risk Management Fund	139,510.83
Total 020 · Water/Sewer Committed Fund	325,383.03
Total Unreserved Funds	443,094.02
Total Checking/Savings	537,823.49
Total Current Assets	537,823.49
TOTAL ASSETS	537,823.49
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	-446.62
Total Accounts Payable	-446.62
Other Current Liabilities	
24000 · Payroll Liabilities	
Employee Insurance	-211.73
FICA	2,432.46
Retirement (DCP) Payable	0.01
WA Family Sick Leave	165.30
Total 24000 · Payroll Liabilities	2,386.04
Total Other Current Liabilities	2,386.04
Total Current Liabilities	1,939.42
Total Liabilities	1,939.42
Equity	
30000 · Opening Balance Equity	566,435.91
32000 · Unrestricted Net Assets	-15,908.28
Net Income	-14,643.56
Total Equity	535,884.07
TOTAL LIABILITIES & EQUITY	537,823.49