

**HARTSTONE POINTE WATER-SEWER DISTRICT
REGULAR MEETING
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584
May 18, 2023 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 11, 2023 Special Meeting (2-3)

REPORTS:

7. Commissioner Reports
8. Financial/Administrative Report:
 - Bills to Be Authorized:
 - Voucher 2023-21
 - Bills to Be Reviewed:
 - Voucher 2023-20
9. General Manager's Report

BUSINESS:

10. Approve FY 2022 Annual Report to the State Auditor's Office (4-18)

OLD BUSINESS

**HARTSTENE POINTE WATER-SEWER DISTRICT
SPECIAL MEETING of the BOARD OF COMMISSIONERS
May 11, 2023
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584**

MINUTES

PRESENT: Audit Commissioner A. Hospador (acting chair), Secretary S. Swart, General Manager (GM) J. Palmer, Project & Accounts Manager (PM) J. Sartori

CALL TO ORDER: The meeting was called to order at 1:12 pm

SUBSCRIBER REMARKS: No subscribers present

CORRESPONDENCE: No correspondence

PRESENT AGENDA: *Commissioner Swart moved to adopt the agenda. Commissioner Anderson seconded. Hearing 2 aye votes and 0 nay votes, the agenda was adopted as presented.*

MINUTES: The minutes of the April 20, 2023 regular meeting were presented. *Commissioner Swart moved to approve the minutes. Commissioner Swart noted a correction to be made. Commissioner Anderson seconded. Hearing 2 aye votes and 0 nay votes, the minutes were approved as amended.*

REPORTS:

Commissioner Reports:

- Commissioner Swart attended a *Trenchless Technology* webinar about CIPP emissions

Financial/Administrative Report:

- Bills to Be Authorized:
 - Voucher 2023-19 in the amount of \$ 36,370.64 was presented. *Commissioner Anderson moved to approve voucher 2023-19 in the amount of \$ 36,370.64. Commissioner Swart seconded. Hearing 2 aye votes and 0 nay votes, the voucher was approved.*
- Bills to Be Reviewed:
 - Voucher 2023-18 was presented for review
- Monthly Billing Report: PM Presented the Monthly Billing Report for May 2023

President E. J. Anderson joined the meeting via telephone.

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

BUSINESS:

Review Employee Summer Work Schedules: GM outlined the working schedules planned for each employee for the summer months.

Review Robison Plumbing Invoices: GM described invoices for sewer lateral repairs on Pointes Drive West.

Review & Discuss District Sewer Policy: Administrative staff and commissioners reviewed and discussed sewer policies previously approved in the HPWSD's *Sewer System Policy and Regulations*

and Resolution 2010-02 *Establishing Sewer System Regulations*. Commissioners instructed the GM how they would like policies and procedures enforced moving forward and directed administrative staff to draft an updated resolution and policy to add emphasized clarity and definitions.

Commissioner Anderson moved to adjourn the meeting. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the meeting adjourned at 3:00 pm.

Respectfully Submitted By:

Signature

Stacy Swart, Secretary, Commissioner #3
Name and Title

Approved at the Regular Meeting of the Board on: 5-18-2023

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, 2022

GOVERNMENT INFORMATION:

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

Official Website Address www.hpwsd.org

Official E-mail Address info@hpwsd.org

Official Phone Number (360) 427-2413

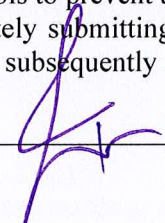
AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

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

Contact Phone Number (360) 427-2413

Contact E-mail Address acct@hpwsd.org

I certify 15th day of May, 2023, 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, 2022**

Beginning Cash and Investments

308	Beginning Cash and Investments	652,619
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	937,829
350	Fines and Penalties	7,892
360	Miscellaneous Revenues	53,544
Total Revenues:		999,265

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	661,747
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		661,747
Excess (Deficiency) Revenues over Expenditures:		337,518

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	3,527
Total Other Increases in Fund Resources:		3,527

Other Decreases in Fund Resources

594-595	Capital Expenditures	68,185
591-593, 599	Debt Service	168,888
597	Transfers-Out	-
585	Special or Extraordinary Items	106
581, 582, 589	Other Uses	2,465
Total Other Decreases in Fund Resources:		239,644

Increase (Decrease) in Cash and Investments: 101,401

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	103,765
50841	Committed	-
50851	Assigned	650,259
50891	Unassigned	-
Total Ending Cash and Investments		754,024

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, 2022

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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

PROPRIETARY FUND TYPES:

Enterprise Funds

The District only has one enterprise fund. The fund is the primary operating fund of the District. These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. It accounts for all the District's financial resources.

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. Cash and Investments

See Note 2, *Deposits and Investments*.

D. 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.

E. 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.

F. Long-Term Debt

See Note 3, *Debt Service Requirements*.

G. 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 \$ 103,765, which are amounts restricted from bond and loan covenants.

H. 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. General funds are now considered assigned also, but the District's "020 Water/Sewer Committed Fund" parses out several funds for specific purposes as directed by the Board of Commissioners.

Assigned portion of ending cash and investments including general funds consist of \$650,259, of which \$ 396,914 was set aside in the District's 020 fund.

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 \$ 754,024.

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 \$103,765, 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, 2022.

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
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	136,993	15,970	152,963
2028-2032	510,092	48,446	558,537
2033-2036	<u>262,683</u>	<u>9,851</u>	<u>272,534</u>
Totals	<u>\$1,443,395</u>	<u>\$162,343</u>	<u>\$1,605,736</u>

Schedule 09 also discloses the value of accrued compensated absences as of December 31, 2022, 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, 2022 is \$ 14,928.

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, 2022. The District contributed \$ 48,625 to the plan for the year ended December 31, 2022.

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 \$ 20,180 to the plan for the year ended December 31, 2022.

Note 6 – Risk Management

NOTES TO THE FINANCIAL STATEMENT FOR PARTICIPATING POOL MEMBERS 2022

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 more than 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; 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	\$20,000,000

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Earthquake	See (B) below	See (B) below	\$100,000,000 ((\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood))
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 – Other Disclosures

A. Ongoing Capital Construction Projects

Capital projects with expenditures in fiscal year 2022 are outlined below:

1. Upgrade Water SCADA:

The Board of Commissioners budgeted \$50,000 to upgrade the Drinking Water System SCADA in order to provide a more secure, robust, usable control over operating the system. This project was delayed and plans for the upgrades are still ongoing.

2. New Radio-Read Water Meter Installation:

The Board of Commissioners budgeted \$18,800 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. \$22,394 was expensed new meters continued to be installed and in use. This project is near completion and no sizable expenses for this project are anticipated.

3. WWT Pumps—Rehabilitation & Maintenance:

\$10,000 was budgeted toward the repair and maintenance of pumps used throughout the District's wastewater infrastructure. These include pumps and backup pumps in the District's *lift stations* and pumps that transport wastewater through the wastewater treatment plant and to Puget Sound. This project is ongoing and no expenses were incurred during 2022.

4. Lift Station Generators:

In order to be prepared for extended power outages, the District allocated \$20,000 for the procurement of generators to operate the District's lift stations to prevent sewage overflows. Upon assessing the real estate requirements, the Board determined it would be more practical and beneficial to purchase a portable generator that could operate each lift station, one at a time, with the additional benefit that this generator could supply power to the District's *Well #2/3* facility. Due to supply chain delays, the portable generator was delivered by the vendor in late 2022 and expensed in January of 2023. No expenses were incurred for this in 2022. Due to rising costs, the expense was higher, paid in January 2023 for \$26,817. This procurement is considered completed.

5. Update Sewer System Plan:

\$80,000 was budgeted in 2021 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 total 2022 expense was \$35,571 and the project is not yet complete. It is likely that the project at completion will not approach \$80,000.

6. Improve District Office Accessibility:

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. \$20,000 was budgeted for such projects in 2022. However, due to significant labor shortages and covid-related struggles, work on these projects

was deferred. Moreover, residents rarely visit the office in-person and emergency repair work in the field was more urgent.

7. 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. \$22,222 was budgeted toward this. No work was devoted toward infrastructure replacement. Labor shortages demanded that operators 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.

Note 8 – Leases

A. The District leases office space from Hartstene Pointe Maintenance Association (HPMA) under a lease agreement that began March 1, 2020 and expires February 29, 2025 at midnight.

B. The rent paid to HPMA in FY 2022 totaled \$11,000. As of December 31, 2022, the future lease payments are as follows:

Year Ended December 31	Total
2023	12,000
2024	12,000
<u>2025</u>	<u>2,000</u>
<u>Total</u>	<u>\$ 26,000</u>

Note 9 – 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	\$ 951,940	\$ 898,926	\$ (53,014)

Hartstene Pointe Water-Sewer District

Schedule 01

For the year ended December 31, 2022

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3083100	Restricted Cash and Investments - Beginning	\$98,688
2965	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$553,931
2965	401	Operations	3434000	Water Sales and Services	\$455,260
2965	401	Operations	3435000	Sewer/Reclaimed Water Sales and Services	\$482,569
2965	401	Operations	3590000	Non-Court Fines and Penalties	\$7,892
2965	401	Operations	3611000	Investment Earnings	\$7,306
2965	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$43,800
2965	401	Operations	3698000	Cash Adjustments	\$2
2965	401	Operations	3699100	Miscellaneous Other Operating	\$2,436
2965	401	Operations	5340010	Water Utilities	\$157,305
2965	401	Operations	5340020	Water Utilities	\$48,863
2965	401	Operations	5340030	Water Utilities	\$16,945
2965	401	Operations	5340040	Water Utilities	\$111,301
2965	401	Operations	5350010	Sewer/Reclaimed Water Utilities	\$107,686
2965	401	Operations	5350020	Sewer/Reclaimed Water Utilities	\$32,873
2965	401	Operations	5350030	Sewer/Reclaimed Water Utilities	\$15,827
2965	401	Operations	5350040	Sewer/Reclaimed Water Utilities	\$170,947
2965	401	Operations	5083100	Restricted Cash and Investments - Ending	\$103,765
2965	401	Operations	5085100	Assigned Cash and Investments - Ending	\$650,259
2965	401	Operations	3899000	Holding and Clearing Account Transactions	\$3,527
2965	401	Operations	5850000	Special or Extraordinary Items	\$106

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	5899000	Holding and Clearing Account Transactions	\$2,465
2965	401	Operations	5913470	Debt Repayment - Water Utilities	\$100,516
2965	401	Operations	5913570	Debt Repayment - Sewer/Reclaimed Water Utilities	\$40,464
2965	401	Operations	5923480	Interest and Other Debt Service Cost - Water Utilities	\$24,761
2965	401	Operations	5923580	Interest and Other Debt Service Cost - Sewer/Reclaimed Water Utilities	\$3,147
2965	401	Operations	5943460	Capital Expenditures/Expenses - Water Utilities	\$27,504
2965	401	Operations	5943560	Capital Expenditures/Expenses - Sewer/Reclaimed Water Utilities	\$40,681

**Hartstene Pointe Water-Sewer District
Schedule of Liabilities
For the Year Ended December 31, 2022**

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	217,868	-	34,964	182,904
	Total General Obligation Debt/Liabilities:		217,868	-	34,964	182,904
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Drinking Water State Revolving Fund Loan	10/1/2036	985,062	-	65,671	919,391
252.11	USDA Revenue Bond, 2012	9/5/2032	370,449	-	29,345	341,104
259.12	Compensated Absences, Cash Out Value		9,208	14,928	9,208	14,928
264.40	OPEB Liabilities		9,044	82,497	-	91,541
263.57	Office Lease	2/28/2025	-	37,000	11,000	26,000
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,373,763	134,425	115,224	1,392,964
	Total Liabilities:		1,591,631	134,425	150,188	1,575,868

**Hartstene Pointe Water-Sewer District
 Schedule of Expenditures of State Financial Assistance
 For the Year Ended December 31, 2022**

<u>State Agency Name</u>	<u>Program Title</u>	<u>Identification Number</u>	<u>Total</u>
State Grant from Department of Ecology	Puget Sound Nutrient Reduction Grant	WQPSNR-2021- HPWSD-00028	3,983
		Sub-Total:	3,983
		Total State Grants Expended:	3,983