

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584
May 16, 2024 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 2, 2024 Regular Meeting (2-3)

REPORTS:

7. Water Board Bible: Review Chapter Three (3)
8. Commissioner Reports
9. Financial/Administrative Report:
 - Bills to Be Authorized:
 - Voucher 2024-18
 - Bills to Be Reviewed:
 - Voucher 2024-17
10. General Manager's Report

BUSINESS:

11. Approve Annual Financial Report to SAO (4-17)
12. General Manager Evaluation

OLD BUSINESS

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING of the BOARD OF COMMISSIONERS
May 2, 2024
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584**

MINUTES

PRESENT: President E. J. Anderson, Secretary S. Swart (via telephone), Audit Commissioner Carl Anderson, General Manager (GM) J. Palmer, Project & Accounts Manager (PM) J. Sartori, Matt. M with Century West Engineering (via telephone)

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

SUBSCRIBER REMARKS: None present

CORRESPONDENCE:

- Commissioner E.J. Anderson spoke to two residents who conveyed that good information was presented at the April 27 special meeting
- Commissioner Swart shared that one resident contacted her with concerns about alarm panel placement for grinder pumps
- GM shared an email regarding the special meeting

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

MINUTES:

The minutes of the April 19, 2024 special meeting were presented. *Commissioner Swart moved to approve the minutes. Commissioner E.J. Anderson seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved.*

The minutes of the April 25, 2024 special meeting were presented. *Commissioner C. Anderson moved to approve the minutes. Commissioner E.J. Anderson seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved.*

The minutes of the April 27, 2024 special meeting were presented. *Commissioner E.J. Anderson moved to approve the minutes. Commissioner Swart seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved.*

REPORTS:

Water Board Bible: Commissioners reviewed and discussed Chapter Two (2) of the *Water Board Bible*

Commissioner Reports:

- Commissioner Swart inquired of the title to the District's trailer; the GM will follow up
- Commissioner E.J. Anderson shared information he learned about sludge pumps and influent
- Commissioner C. Anderson updated the commissioners on the status of road repairs as viewed by HPMA's Road Improvement ad-hoc committee

Financial/Administrative Report:

- Bills to Be Authorized:
 - Voucher 2024-19 in the amount of \$28,667.29 was presented. *Commissioner C. Anderson moved to approve voucher 2024-19 in the amount of \$28,667.29. Commissioner Swart seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
- Bills to Be Reviewed:
 - PM presented Voucher 2024-17 for review

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

BUSINESS:

Authorize Expenses for Estimate from Beko’s Trees, LLC: GM requested to table so that he can look into getting lower estimates.

Discuss Placement of Alarm Panels for Grinder Pumps: Commissioners and Matt M. discussed considerations relating to placement of alarm panels.

Discuss General Manager Evaluation Procedure: Commissioners discussed the process and timeline for the annual evaluation of the General Manager

Commissioner C. Anderson moved to adjourn the meeting. Commissioner E. J. Anderson seconded. Hearing 3 aye votes and 0 nay votes, the meeting adjourned at 3:18 pm.

Respectfully Submitted By:

Signature

Stacy Swart, Secretary, Commissioner #3
Name and Title

Approved at the Regular Meeting of the Board on: 5-16-2024

Hartstene Pointe Water-Sewer District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		401 Operations
Beginning Cash and Investments		
308	Beginning Cash and Investments	754,024
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	15,113
340	Charges for Goods and Services	1,012,492
350	Fines and Penalties	6,308
360	Miscellaneous Revenues	52,046
Total Revenues:		1,085,959
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	819,808
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		819,808
Excess (Deficiency) Revenues over Expenditures:		266,151
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	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	108,709
591-593, 599	Debt Service	168,903
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		277,612
Increase (Decrease) in Cash and Investments:		(11,461)
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	109,543
50841	Committed	-
50851	Assigned	633,019
50891	Unassigned	-
Total Ending Cash and Investments		742,562

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, 2023

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 \$ 109,543, 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 \$633,019.

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). 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 \$ 742,562.

B. District Investments in Mason County Investment Pool:

The District invests its cash as detailed in the above funds policy. The District is a voluntary participant in the Mason County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at the amortized cost, which is the same as the value of the pool per share. 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 \$109,543, which are amounts restricted by bond and loan covenants.

Note 3 – Long Term Debt

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, 2023.

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
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	100,239	13,627	113,866
2029-2033	475,523	38,759	541,282
2034-2036	<u>197,013</u>	<u>5,910</u>	<u>202,923</u>
Totals	<u>\$1,312,076</u>	<u>\$136,757</u>	<u>\$1,475,833</u>

Schedule 09 also discloses the value of accrued compensated absences as of December 31, 2023, 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, 2023 is \$15,391.

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, 2023. The District contributed \$ 56,687 to the plan for the year ended December 31, 2023. The total OPEB liability consisted of \$42,999 for the year ended December 31, 2023.

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 \$ 23,334 to the plan for the year ended December 31, 2023.

Note 6 – Risk Management

NOTES TO THE FINANCIAL STATEMENT FOR PARTICIPATING POOL MEMBERS 2023

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	\$20,000,000
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	\$10,000,000
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, 2023, written notice must be in possession of the Pool by April 30, 2023). 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 2023 are outlined below:

1. Upgrade Water SCADA:

The Board of Commissioners budgeted \$60,000 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. Slide Gate Actuator Replacements:

The Board of Commissioners budgeted \$30,000 toward the purchase and installation of two new Influent Slide Gate Actuators to replace existing actuators at the Wastewater Treatment Plant. The existing actuators were installed over forty (40) years ago and showed signs of failing. The new actuators were installed at a total cost of \$37,756. The overage costs were incurred due to complications with existing electrical and data wiring.

3. WWT Pumps—Rehabilitation & Maintenance:

\$35,038 was expensed in 2023 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 \$80,000 was budgeted in 2024 to cover 2023 costs and future pump rehabilitation/replacement.

4. Wastewater Infrastructure Replacement Project:

In order to rehabilitate the aging wastewater infrastructure and solve the problem of *Inflow & Infiltration* (I&I) that causes annual violations to the District's *National Pollutant Discharge Elimination System* (NPDES) Permit, the Board of Commissioners voted to update the District's *Sewer Plan*, which was over ten years old. After procuring the new *Sewer Plan*, the Board subsequently voted to seek funding to rehabilitate the wastewater infrastructure as presented by the new plan. The District's project was approved by the WA State Dept. of Ecology. Ecology awarded a \$1.3 million load for the engineering phase of the project. As of the end of 2023, \$1,333 was expensed toward the engineering costs.

5. In-house Laboratory Equipment Purchase:

The Board voted to allocate funds for the purchase of laboratory testing equipment. The District sent regulatory Drinking Water and Wastewater samples to an accredited laboratory for results across both matrixes for reporting compliance to corresponding oversight agencies. The General Manager and operators conveyed to the board that since FY 2020, laboratory results were becoming increasingly inaccurate and/or not provided before reporting was due. The purchase of a new IDEXX "Sealer" Machine (a District capital asset) will allow more in-house laboratory testing, which will provide operators with accurate and timely results. Over time, laboratory testing costs will decrease. \$7,766 was expensed toward equipment and supply purchases.

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. \$30,000 was budgeted for such projects between 2022-2023. 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.

8. Portable Generators for Water & Wastewater Equipment:

In order to be prepared for extended power outages, the District allocated \$20,000 in the 2022 budget for the procurement of a portable generator to operate the District’s lift stations to prevent sewage overflows and to operate 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.

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 2023 totaled \$12,000. As of December 31, 2023, the future lease payments are as follows:

Year Ended December 31	Total
2024	12,000
<u>2025</u>	<u>2,000</u>
<u>Total</u>	<u>\$ 14,000</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	\$ 959,028	\$ 1,097,420	\$ 138,392

Hartstene Pointe Water-Sewer District

Schedule 01

For the year ended December 31, 2023

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3083100	Restricted Cash and Investments - Beginning	\$103,765
2965	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$650,259
2965	401	Operations	3340310	State Grant from Department of Ecology	\$15,113
2965	401	Operations	3434000	Water Sales and Services	\$533,306
2965	401	Operations	3435000	Sewer/Reclaimed Water Sales and Services	\$479,186
2965	401	Operations	3590000	Non-Court Fines and Penalties	\$6,308
2965	401	Operations	3611000	Investment Earnings	\$30,099
2965	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$21,900
2965	401	Operations	3699100	Miscellaneous Other Operating	\$47
2965	401	Operations	5340010	Water Utilities	\$160,598
2965	401	Operations	5340020	Water Utilities	\$48,893
2965	401	Operations	5340030	Water Utilities	\$15,627
2965	401	Operations	5340040	Water Utilities	\$109,421
2965	401	Operations	5350010	Sewer/Reclaimed Water Utilities	\$143,695
2965	401	Operations	5350020	Sewer/Reclaimed Water Utilities	\$45,796
2965	401	Operations	5350030	Sewer/Reclaimed Water Utilities	\$8,981
2965	401	Operations	5350040	Sewer/Reclaimed Water Utilities	\$286,797
2965	401	Operations	5083100	Restricted Cash and Investments - Ending	\$109,543
2965	401	Operations	5085100	Assigned Cash and Investments - Ending	\$633,019
2965	401	Operations	5913470	Debt Repayment - Water Utilities	\$101,829

MCA	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	5913570	Debt Repayment - Sewer/Reclaimed Water Utilities	\$41,492
2965	401	Operations	5923480	Interest and Other Debt Service Cost - Water Utilities	\$22,963
2965	401	Operations	5923580	Interest and Other Debt Service Cost - Sewer/Reclaimed Water Utilities	\$2,619
2965	401	Operations	5943460	Capital Expenditures/Expenses - Water Utilities	\$13,408
2965	401	Operations	5943560	Capital Expenditures/Expenses - Sewer/Reclaimed Water Utilities	\$95,301

Hartstene Pointe Water-Sewer District
Schedule of Liabilities
For the Year Ended December 31, 2023

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	182,904	-	35,492	147,412
	Total General Obligation Debt/Liabilities:		182,904	-	35,492	147,412
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Drinking Water State Revolving Fund	10/1/2036	919,391	-	65,671	853,720
252.11	USDA Revenue Bond, 2012	9/5/2032	341,100	-	30,158	310,942
263.57	Office Lease	2/28/2025	26,000	-	12,000	14,000
259.12	Compensated Absences, Cash Out Value		14,928	15,391	14,928	15,391
264.40	OPEB Liabilities		91,541	12,692	61,234	42,999
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,392,960	28,083	183,991	1,237,052
	Total Liabilities:		1,575,864	28,083	219,483	1,384,464

Hartstene Pointe Water-Sewer District
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2023

State Agency Name	Program Title	Identification Number	Total
State Grant from Department of Ecology	Puget Sound Nutrient Reduction Grant	WQPSNR-2021- HPWSD-00028	13,357
	Sub-Total:		13,357
	Total State Grants Expended:		13,357