

**HARTSTONE POINTE WATER-SEWER DISTRICT  
REGULAR MEETING  
District Office  
772 E Chesapeake Drive, Shelton, WA 98584  
May 16, 2019 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, 2019 Regular Meeting (2-3)

**REPORTS:**

7. Commissioner Reports
8. Financial/Administrative Report:
  - Bills to Be Authorized: Voucher 2019-11
  - Billing Report (4-7)
  - Monthly Financial Report (8-10)
9. General Manager's Report (11-12)

**BUSINESS:**

10. Discuss MoU and Implications
11. Review and Approve Annual Report to WA State Auditor's Office (13-25)

**HARTSTENE POINTE WATER-SEWER DISTRICT  
REGULAR MEETING of the BOARD OF COMMISSIONERS  
May 2, 2019  
District Office, 772 E Chesapeake Drive, Shelton, WA 98584**

**MINUTES**

**PRESENT:** President R. Scarola, Commissioner D. McNabb, General Manager (GM) D. Carnahan, District Clerk (Clerk) J. Sartori. Secretary A. Hospador was attending the American Water Works Association conference in Vancouver, WA and was unable to attend the meeting of the board of commissioners.

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

**SUBSCRIBER REMARKS:** No subscribers present.

**CORRESPONDENCE:** No correspondence.

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

**MINUTES:** The minutes of the April 18, 2019 regular meeting were presented. Commissioner Scarola noted an edit to make. *Commissioner McNabb moved to approve the minutes as edited. Commissioner Scarola seconded. Hearing 2 aye votes and 0 nay votes, the minutes were approved as edited.*

**REPORTS:**

**Commissioner Reports:**

- Commissioner McNabb presented an article, "Funding Sources for Small and Rural Wastewater Systems."
- Commissioner McNabb presented an article, "Water & Waste Disposal Loan & Grant Program."
- Commissioner Scarola presented an article, "Puget Sound Epicenter of Sea Level Rise Exposure in Washington State."

**Financial/Administrative Report:**

- Bills to Be Authorized:
  - Voucher 2019-10, in the amount of \$12,790.34, was presented. *Commissioner McNabb moved to approve voucher 2019-10 in the amount of \$12,790.34. Commissioner Scarola seconded. Hearing 2 aye votes and 0 nay votes, the voucher was approved.*

**General Manager's Report**

- David Carnahan presented his general manager's report on present state of the district.

**BUSINESS:**

**PEBB for Commissioners:** The GM communicated that commissioners have access to PEBB benefits.

**Review of Memorandum of Understanding:** The commissioners discussed the MoU response sent by Hartstene Pointe Maintenance Association.

**Approve Travel/Lunch Expenses for the GM to Attend WASWD Managers Meeting on 6/5/19:** *Commissioner McNabb moved to approve expenses for travel and lunch for the GM to attend meeting on 6/5/19. Commissioner Scarola seconded. Hearing 2 aye votes and 0 nay votes, the expenses are approved.*

**Discuss Revenue Needs and Possible Options for Generating Additional Revenue:** The GM discussed possible options for generating additional revenue in the future.

**Discuss Options for Expediting Water Meter Installation:** The GM discussed currently known options for meter installations. He is waiting on further responses from suppliers.

**Set Special Budget Meeting in May:** *Commissioner McNabb move to schedule a special budget planning meeting on 6/13/19 at 1:00 pm. Commissioner Scarola seconded. Hearing 2 aye votes and 0 nay votes, the special meeting is scheduled on 6/13/19 at 1:00 pm at the district office.*

**Approve David/Joe’s travel, hotel and registration expenses for the October IACC Conference:** Commissioners decided to wait until exact registration costs are known.

*Commissioner McNabb moved to adjourn the meeting. Commissioner Scarola seconded. Hearing 2 aye votes and 0 nay votes, the meeting adjourned at 2:55 pm.*

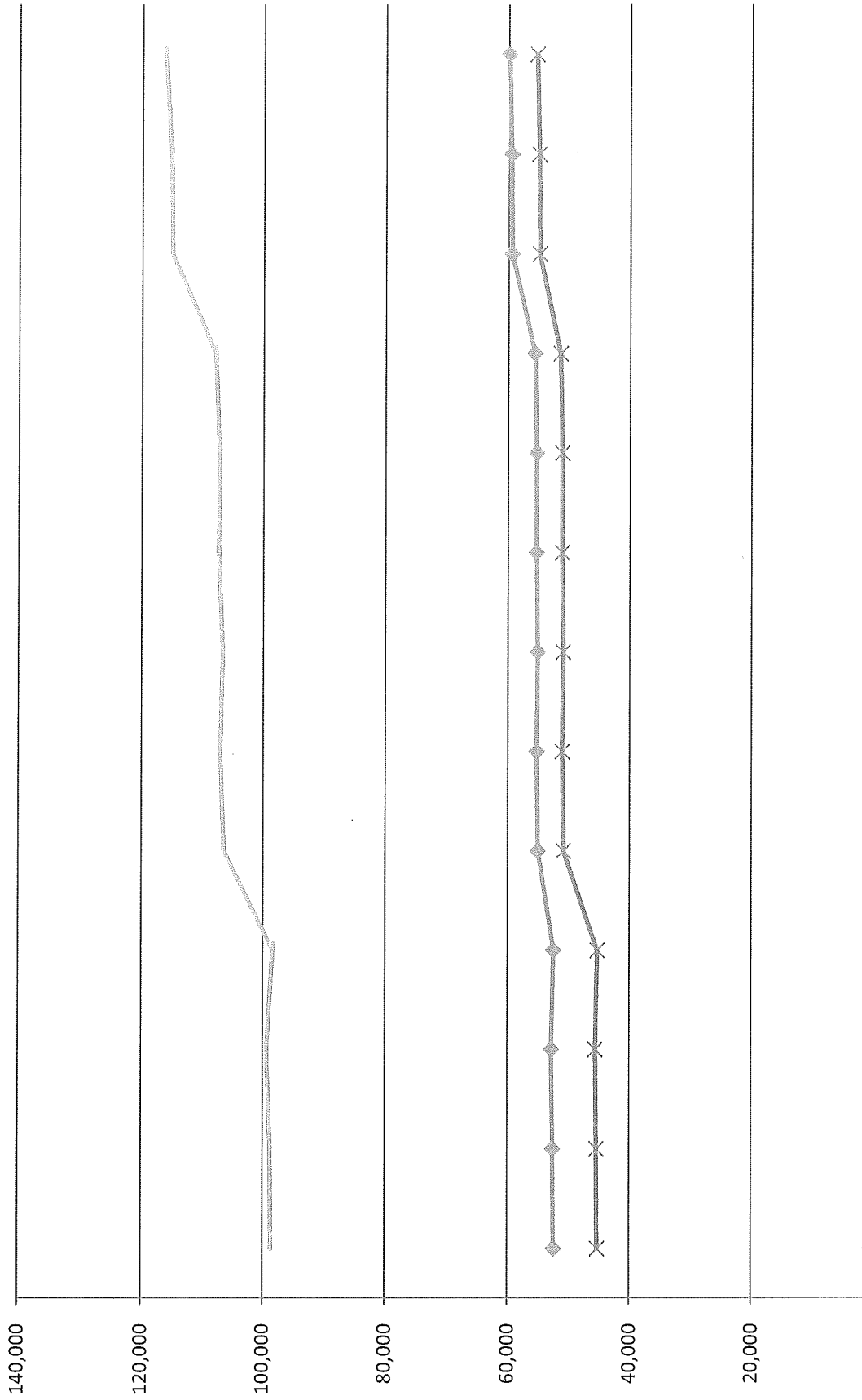
Respectfully Submitted By:

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

\_\_\_\_\_  
*Name and Title*

Approved at the Regular Meeting of the Board on: \_\_\_\_\_

# Regular Utility Billing



	May/June 2017	Jul/Aug 2017	Sep/Oct 2017	Nov/Dec 2017	Jan/Feb 2018	Mar/Apr 2018	May/June 2018	Jul/Aug 2018	Sep/Oct 2018	Nov/Dec 2018	Jan/Feb 2019	Mar/Apr 2019	May/June 2019
Water Service	52,481	52,636	52,857	52,498	55,099	55,335	55,175	55,390	55,372	55,695	59,457	59,573	59,981
Sewer Service	45,299	45,431	45,623	45,311	50,897	51,119	50,973	51,175	51,156	51,460	54,936	55,043	55,418
Late/Misc. Fees	905	729	956	604	513	677	542	837	759	782	677	649	823
Total Charges	98,686	98,796	99,436	98,413	106,509	107,132	106,689	107,402	107,287	107,936	115,070	115,265	116,221

# MONTHLY UTILITY TOTALS

Harstene Point WSD  
MCAG #:

Bill Type: Billing  
05/01/2019 To: 05/01/2019

Time: 11:51:59 Date: 05/02/2019  
Page: 1

Name	Water		Sewer		Garbage		Electric		Total
	Total	Average	Total	Average	Total	Average	Total	Average	
Billed:	455		455		0		0		459
Units:	455		455		0		0		37
Usage:	3,554								4
Basic	59,981.17 ✓	131.83	55,417.57 ✓	121.80	0.00		0.00		1
Usage:	0.00		0.00		0.00		0.00		
Surcharge:	0.00		0.00		0.00		0.00		
Other:	160.00	0.35	0.00		0.00		0.00		
Tax:	0.00		0.00		0.00		0.00		
Late Fees:	433.47	0.95	229.28	0.50	0.00		0.00		
Interest:	0.00		0.00		0.00		0.00		
	60,574.64	133.13	55,646.85	122.30	0.00		0.00		1,877.88
Number of Invoices: 116,221.49 ✓ Past Due Invoices: -8,127.33 60 Days: 108,094.16 90+ Days: 6,881.16 Utility Deposits: 0.00 Billed: 116,221.49 ✓ Credits: -8,127.33 Current: 108,094.16 30 Days: 6,881.16 60 Days: 118.23 90+ Days: 1,877.88 Total Due: 116,971.43									

This report was reviewed by: *[Signature]* Date: 5-2-19  
 Supervisor review: *[Signature]* Date: 5/2/19

**WATER USE BY CLASS**

05/01/2019 To: 05/01/2019

	Cust	Units	Usage	Base	Usage Chgs	Surcharge	Other	Tax	Late Fees	Interest	Total
1	437	437	3,551	58,922.46			140.00		427.80		59,490.26
6	18	18	3	1,058.71			20.00		5.67		1,084.38
	455	455	3,554	59,981.17			160.00		433.47		60,574.64
	455	455	3,554	59,981.17			160.00		433.47		60,574.64

6

**SEWER USE BY CLASS**

05/01/2019 To: 05/01/2019

	Cust	Units	Usage	Basic	Usage Chgs	Surcharge	Other	Tax	Late Fees	Interest	Total
2 Residential Sewer	437	437		54,474.63					224.23		54,698.86
7 Prepaid Sewer Connection	18	18		942.94					5.05		947.99
	455	455		55,417.57					229.28		55,646.85
	455	455		55,417.57					229.28		55,646.85

# Hartstene Pointe Water Sewer District Monthly Financial Report - Fund Activity

April 2019

	Beginning Balances	Payments & Transfers Out	Deposits & Transfers In	Ending Balances	Fund Balance Change
<b>Reserve Funds</b>					
030 - Ecology Reserve	39,553.40	-	80.34	39,633.74	80.34
050 - DWSRF Loan Reserve	41,666.62	-	7,074.19	48,740.81	7,074.19
060 - Bond Fund	0.00	-	-	0.00	-
070 - USDA Revenue Bond Reserve	26,223.14	-	380.76	26,603.90	380.76
<b>Total Reserve Funds</b>	<u>107,443.16</u>	<u>-</u>	<u>7,535.29</u>	<u>114,978.45</u>	<u>7,535.29</u>
<b>Unreserved Funds</b>					
EFT Account - Columbia Bank	32,724.94	(39,653.14)	40,729.11	33,800.91	1,075.97
Petty Cash Account	1,578.20	(1,114.17)	1,407.81	1,871.84	293.64
Xpress Deposit Account	3,581.96	(40,030.25)	50,899.72	14,451.43	10,869.47
010 - Operating Fund	50,000.00	-	-	50,000.00	-
<i>Operating Investment Fund</i>	75,221.07	(57,292.08)	62,785.71	80,714.70	5,493.63
010 - Operating Fund - Other	125,221.07	(57,292.08)	62,785.71	130,714.70	5,493.63
<b>Total 010 - Operating Fund</b>	<u>0.00</u>	<u>-</u>	<u>-</u>	<u>0.00</u>	<u>-</u>
065 - Capital Project Account	163,106.17	(138,089.64)	155,822.35	180,838.88	17,732.71
<b>Total Unreserved Funds</b>					
<b>Committed Funds</b>					
020 - Water/Sewer Committed Fund	30,540.00	-	-	30,540.00	-
Asset Replacement Fund					
Capital Improvement Fund	69,540.00	-	-	69,540.00	-
<i>I&amp;I Repair</i>	44,375.35	(986.84)	-	43,388.51	(986.84)
<i>Reservoir Repair</i>	113,915.35	(986.84)	-	112,928.51	(986.84)
Total Capital Improvement Fund	122,647.09	-	554.55	123,201.64	554.55
Risk Management Fund	267,102.44	(986.84)	554.55	266,670.15	(432.29)
<b>Total 020 - Water/Sewer Committed Fund</b>	<u>267,102.44</u>	<u>(986.84)</u>	<u>554.55</u>	<u>266,670.15</u>	<u>(432.29)</u>
<b>Total Committed Funds</b>	<u>267,102.44</u>	<u>(986.84)</u>	<u>554.55</u>	<u>266,670.15</u>	<u>(432.29)</u>
<b>Total Funds</b>	<u>537,651.77</u>	<u>(139,076.48)</u>	<u>163,912.19</u>	<u>562,487.48</u>	<u>24,835.71</u>

I hereby certify that the above statement is true.



District Clerk

Date

Audit Commissioner

Date



# Hartstene Pointe Water Sewer District Profit & Loss

April 2019  
Apr 19

Ordinary Income/Expense

Income

Non-Operating Revenue	868.91
Operating Revenue	<u>72,103.54</u>
Total Income	<u>72,972.45</u>

Expense

534 · Water Expenditures	15,985.64
535 · WW Treatment Expenditures	13,641.18
538 · Combined W/S Expenditures	<u>18,859.44</u>
Total Expense	<u>48,486.26</u>

Net Ordinary Income 24,486.19

Net Income 24,486.19

Hartstene Pointe Water Sewer District  
**Profit & Loss Budget vs. Actual**  
 January through April 2019

	<u>Jan - Apr 19</u> <u>(33.3% of Yr)</u>	<u>Total 2019</u> <u>Budget</u>	<u>\$ Over (Under)</u> <u>Budget</u>	<u>% of Total</u> <u>Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Non-Operating Revenue	7,968.09	10,466.00	-2,497.91	76.13%
Operating Revenue	<u>234,568.40</u>	<u>689,863.00</u>	<u>-455,294.60</u>	<u>34.0%</u>
<b>Total Income</b>	<u>242,536.49</u>	<u>700,329.00</u>	<u>-457,792.51</u>	<u>34.63%</u>
<b>Expense</b>				
534 · Water Expenditures	90,515.11	396,054.00	-305,538.89	22.85%
535 · WW Treatment Expenditures	46,025.12	259,429.00	-213,403.88	17.74%
538 · Combined W/S Expenditures	<u>70,508.90</u>	<u>199,699.00</u>	<u>-129,190.10</u>	<u>35.31%</u>
<b>Total Expense</b>	<u>207,049.13</u>	<u>855,182.00</u>	<u>-648,132.87</u>	<u>24.21%</u>
<b>Net Ordinary Income</b>	<u>35,487.36</u>	<u>-154,853.00</u>		
<b>Net Income</b>	<u><u>35,487.36</u></u>	<u><u>-154,853.00</u></u>		

10

**HARTSTENE POINTE WATER-SEWER DISTRICT**  
**General Manager's Report**  
**May 16, 2019**

**Human Resources**

Our spring cleanup and beautification projects are underway and going extremely well. We've been spending a great deal of time on the wastewater treatment plant over the past few weeks and excited about the results.

The District office will be closed from May 21<sup>st</sup> through May 25<sup>th</sup> while both Joe and I are away. The office will also be closed on Memorial Day.

**Asset Management**

Ongoing

**Water Distribution**

Our total water usage has been steadily climbing over the past two weeks. This is mainly the result of several small water leaks and one very large leak that was identified during the meter read. Mont and Jeff repaired one of those leaks on Monday and will be working on the others throughout.

I'm waiting on one quote for radio read meters from both Badger and Sensus. As soon as I have those I can begin to put together my recommendation on the direction I think we should go on new water meters.

**Well 2**

I have nothing new to report at this time as we do not yet have well 4 approved by DOH.

**Well 3**

I have nothing new to report at this time as we do not yet have well 4 approved by DOH.

**Well 4**

The Pilot Study report has been sent to DOH. Regina said that it would be few weeks before she would be able to review it and give her notes.

### Emergency Preparedness

It looks like the District's existing easements will be sufficient to cover the placement of generators at the lift station sites.

In addition, I am attempting to track down a reasonably priced portable generator. I've solicited some help from WASWD who sent my inquiry on to the larger districts. However, I have not heard from any other Districts up to this point, but will keep on it.

### Waste Water Management

Right now we're averaging between 30 and 50,000 gal/day coming into the plant.

Jeff's plan is to drain basin 2 so that we can clean and inspect it as well as make necessary repairs to the decant float.

We were unable to repair the sewer lateral at 172 e Nantucket due to the emergence of several water leaks that have taken precedent. It looks like we will not be able to get to this until the week of the 28<sup>th</sup>.

Loren from Evergreen Rural Water came out on Wednesday the 8<sup>th</sup> to do some training with us on Lateral replacement. He plans to work with us on the first few lateral replacements and will be available for future assistance if needed.

### Customer Service

I have nothing major to report at this time.

### General District Business

I will be attending a Managers meeting hosted by the Washington Association of Sewer and Water Districts on June 5<sup>th</sup> at 9:30AM to engage in a discussion about two main topics:

- Issues for the 2020 Legislative session
- Future of Infrastructure Funding

Both of these topics are extremely relevant to the HPWSD especially as we are continuing to navigate new regulations and develop a robust Asset Management plan.

The 6<sup>th</sup> and 7<sup>th</sup> Grade classes from Mason County Christian are going to come out on Thursday the 16<sup>th</sup> to take a tour of our facilities and learn about how water and wastewater treatment plants work.

*Submitted by David Carnahan, General Manager*

ANNUAL REPORT CERTIFICATION

HARTSTENE POINTE WATER-SEWER DISTRICT

(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 12/31/2018

GOVERNMENT INFORMATION:

Official Mailing Address 772 E CHESAPEAKE DR

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 Joseph Sartori, District Clerk

Contact Phone Number (360) 427-2413

Contact E-mail Address clerk@hpwatersewer.com

I certify this 15<sup>th</sup> day of May, 2019, 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

Schedule 01

For the year ended December 31, 2018

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3081000	Reserved Cash and Investments - Beginning	\$79,987
2965	401	Operations	3088000	Unreserved Cash and Investments - Beginning	\$399,379
2965	401	Operations	3434000	Water Sales and Services	\$332,197
2965	401	Operations	3435000	Sewer/Reclaimed Water Sales and Services	\$302,388
2965	401	Operations	3590000	Non-Court Fines and Penalties	\$4,530
2965	401	Operations	3611000	Investment Earnings	\$9,099
2965	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$4,500
2965	401	Operations	3691000	Sale of Surplus	\$210
2965	401	Operations	3699100	Miscellaneous Other	\$0
2965	401	Operations	5340010	Water Utilities	\$19,860
2965	401	Operations	5340020	Water Utilities	\$5,618
2965	401	Operations	5340030	Water Utilities	\$11,227
2965	401	Operations	5340040	Water Utilities	\$44,579
2965	401	Operations	5340050	Water Utilities	\$20,058
2965	401	Operations	5350010	Sewer/Reclaimed Water Utilities	\$19,825
2965	401	Operations	5350020	Sewer/Reclaimed Water Utilities	\$3,436
2965	401	Operations	5350030	Sewer/Reclaimed Water Utilities	\$4,364
2965	401	Operations	5350040	Sewer/Reclaimed Water Utilities	\$86,750
2965	401	Operations	5350050	Sewer/Reclaimed Water Utilities	\$7,556
2965	401	Operations	5380010	Combined Utilities	\$48,175
2965	401	Operations	5380020	Combined Utilities	\$13,832
2965	401	Operations	5380030	Combined Utilities	\$8,615
2965	401	Operations	5380040	Combined Utilities	\$115,057
2965	401	Operations	5380050	Combined Utilities	\$5,720

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	5081000	Reserved Cash and Investments - Ending	\$84,873
2965	401	Operations	5088000	Unreserved Cash and Investments - Ending	\$440,789
2965	401	Operations	3899000	Other Custodial Activities	\$1,625
2965	401	Operations	3918000	Intergovernmental Loans	\$169,805
2965	401	Operations	58990	Other Custodial Activities	\$197
2965	401	Operations	59134	Debt Repayment - Water Utilities	\$91,979
2965	401	Operations	59135	Debt Repayment - Sewer/Reclaimed Water Utilities	\$32,929
2965	401	Operations	59234	Interest and Other Debt Service Cost - Water Utilities	\$30,700
2965	401	Operations	59235	Interest and Other Debt Service Cost - Sewer/Reclaimed Water Utilities	\$5,182
2965	401	Operations	59434	Capital Expenditures/Expenses - Water Utilities	\$181,666
2965	401	Operations	59435	Capital Expenditures/Expenses - Sewer/Reclaimed Water Utilities	\$20,730

**Hartstene Pointe Water-Sewer District  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
263.83	WA St. Water Pollution Control Revolving Fund	12/21/2027	352,599	-	32,929	319,670
	<b>Total General Obligation Debt/Liabilities:</b>		<b>352,599</b>	<b>-</b>	<b>32,929</b>	<b>319,670</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	Drinking Water State Revolving Fund Loan	10/1/2036	1,077,940	169,805	65,671	1,182,074
252.11	USDA Revenue Bond, 2012	9/5/2032	480,132	-	26,308	453,824
259.12	Compensated Absences, Cash Out Value		-	2,512	-	2,512
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>1,558,072</b>	<b>172,317</b>	<b>91,979</b>	<b>1,638,410</b>
	<b>Total Liabilities:</b>		<b>1,910,671</b>	<b>172,317</b>	<b>124,908</b>	<b>1,958,080</b>



**Hartstene Pointe Water-Sewer District  
Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 2018**

**Beginning Cash and Investments**

30810	Reserved	79,987
30880	Unreserved	399,379
388 / 588	Prior Period Adjustments, Net	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	634,585
350	Fines and Penalties	4,530
360	Miscellaneous Revenues	13,808
Total Revenues:		652,923

**Expenditures**

530	Utilities	414,672
Total Expenditures:		414,672
Excess (Deficiency) Revenues over Expenditures:		238,251

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	169,805
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	1,625
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		171,430

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	202,397
591-593, 599	Debt Service	160,791
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	197
Total Other Decreases in Fund Resources:		363,385

**Increase (Decrease) in Cash and Investments:** 46,296

**Ending Cash and Investments**

5081000	Reserved	84,873
5088000	Unreserved	440,789
Total Ending Cash and Investments		525,663

*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, 2018**

**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 not presented using the classifications defined 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.

**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. Temporary employees are not eligible for PTO, but will accrue sick leave as described below.

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. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved 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 reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \$84,873.37.

**Note 2 – Deposits and Investments**

A. District Fund Policy:

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

- 690-005-010 – General Operating Fund: The General Operating Fund accounts for all financial resources and transactions, except those required to be accounted for in another fund. The minimum fund balance shall be targeted at 25% of the annual operating and maintenance budget. Projected variances from the 25% minimum target shall be disclosed during the annual budget process or during the current year if unanticipated circumstances occur that negatively impact current year revenue and/or expenditure projections. Fund balance targets may be modified during the annual budget process to reflect extraordinary circumstances (e.g., projected future extraordinary expenditure demands, projected revenue uncertainty, etc.). At least 10% of the annual operating and maintenance budget is to be invested in the State Investment Pool for 2019 and 20% for future fiscal years.
- 690-005-020 – Water/Sewer Committed Fund: The Water/Sewer Committed Fund accounts for monies held for specified purposes but not designated for debt service. Use of monies held within this fund is subject to a vote of the District Commission. The Water/Sewer Committed Fund is divided into three sub-funds:
  - Risk Management Fund: For operating shortfalls due to unforeseen cost increases, unanticipated revenue losses, or unforeseen emergency expenditures. The minimum balance for this sub-fund shall be targeted at \$200,000 by 2025. The sub-fund must maintain no less than 12.5% of annual operating revenue in order to meet requirements set forth in the District's DWSRF Loan contract.
  - Capital Improvement Fund: For the 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.
  - Asset Replacement Fund: For the replacement of short-lived equipment. This fund receives a \$9,000 annual contribution from the General Operating Fund, per the District's USDA Bond Covenants.
- 690-005-030 – Ecology Loan Reserve: Used to hold in reserve an amount equal to one full year of debt service payments (\$38,111.40) for the District's Department of Ecology Loan. The balance of this fund is invested in the State Investment Pool.
- 690-005-050 – DWSRF Loan Reserve: The District shall make regular transfers from the General Operating Fund into this fund such that by September 30th of each year the fund balance equals the annual DWSRF loan debt service payment. The balance of this fund is to be invested in the State Investment Pool until withdrawn for disbursement for the annual debt service payment. All interest earned on funds held within this fund shall accrue and be applied toward reducing the amount of the Drinking Water State Revolving Fund loan. For the life of the loan, monthly transfers shall be made to the DWSRF Loan Reserve so that the annual payment amount is accrued by October of each year, in accordance with the loan contract.
- 690-005-060 – Hartstene Pointe Bond Fund: Used to make semi-annual debt service payments of \$19,665. District must transfer the payment amount from the General Operating Fund into the Bond Fund at least 5 days prior to payment due dates (March 5 and September 5). The payment is electronically transferred from this fund to the USDA on the payment due date.
- 690-005-065 – Hartstene Pointe Capital Project Fund: In previous years, this was used to accept construction loan funds and pay contractors for financed capital projects. By the beginning of FY 2019, this remainder of this fund was transferred to the General Operating Fund.
- 690-005-070 – Water Revenue Bond, 2012 Debt Service Reserve: Used to hold one full year of USDA Bond debt service payments (\$39,330). Per bond covenants, monthly transfers of \$327.75 should be made from the General Operating Fund into this fund so that the balance is reached no later than September 2022. The balance of this fund is to be invested in the State Investment Pool.

For the purposes of annual financial reporting, all funds are rolled into one general fund, designated as

fund 401.

B. District Investments:

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

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

Investments are reported at fair value. Investments by type at December 31, 2018 are as follows:

Type of Investment	District's own Investments	Investments held by District as an agent for other local governments, individuals, or private organizations	Total
WA State Investment Pool	\$417,068	\$0	\$417,068

**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, 2018.

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
2019	\$ 126,132	\$ 34,711	\$ 160,843
2020	127,385	32,473	159,858
2021	128,667	30,206	158,873
2022	129,978	27,910	157,888

2023	131,319	25,585	156,903
2024-2028	639,539	92,089	731,628
2029-2033	475,532	38,759	514,291
2034-2036	<u>197,012</u>	<u>5,910</u>	<u>202,923</u>
<b>Totals</b>	<b><u>\$ 1,955,564</u></b>	<b><u>\$ 287,644</u></b>	<b><u>\$ 2,243,208</u></b>

Schedule 9 also discloses the value of accrued compensated absences as of December 31, 2018, 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, 2018 is \$2,512.

**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, 2018. The district contributed \$13,701 to the plan for the year ended December 31, 2018.

**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 \$4,693 to the plan for the year ended December 31, 2018.

**Note 6 – Risk Management**

The Hartstene Pointe Water-Sewer District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 68 members. The Pool’s fiscal year is November 1<sup>st</sup> through October 31<sup>st</sup>.

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: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Identity Fraud Reimbursement Program; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most coverages are on an “occurrence” basis.

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

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP UP	EXCESS LIMITS
<b>Property Loss:</b>			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (75,000,000 shared by all members, 25,000,000 dedicated to Alderwood, 5,000,000 dedicated to Sammamish Plateau, and 5,000,000 dedicated to Cascade Water Alliance)
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
<b>Liability:</b>			
Commercial General Liability	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$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
<b>Other:</b>			
Cyber Liability	\$100,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member			

deductible per occurrence, in Flood Zones A&V.

B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.

C. Member deductible for Cyber liability is \$100,000 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, 2019, written notice must be in possession of the Pool by April 30, 2019). 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 Arcadia Claims Services and Adjusters Northwest.

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

##### District Move to Employing Staff

The board of commissioners voted to transition the district from contract-based management to an employee-based model. In August 2018, the board of commissioners hired a General Manager. The general manager subsequently hired a Water Distribution Manager, a Wastewater Treatment Plant Operator and a District Clerk. This made the following impacts:

1. **534.10, 535.10 and 538.10** expense codes were created mid-year for employee salaries
2. **534.40, 535.40 and 538.40** expense codes were each under-budget by between 35% and 45%, mostly due to contract operators no longer being utilized for day-to-day operations.
3. Employee benefit plans were established and adds new expenses not previously expected:
  - a. Health Reimbursement Arrangement Plan
  - b. Labor & Industries
  - c. Public Employees Benefit Board Medical and Life Insurance
  - d. Deferred Compensation Plan
  - e. Employment Security Department Unemployment Insurance

##### Ongoing Capital Construction Projects

The District has two ongoing capital construction projects:



1. Well 4 Equipping:

In 2016, the District drilled and tested a new well to replace the existing Well 1 which is approaching the end of its useful life. In 2018 the well will be equipped and put online, pending approval from Department of Health.

The Well 4 Equipping project, estimated to have a total cost of \$114,000, is scheduled to be completed in 2018.