

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584
May 15, 2025 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 1, 2025 Regular Meeting (2-3)
7. Minutes of the May 7, 2025 Special Meeting (4)
8. Minutes of the May 8, 2025 Special Meeting (5)

REPORTS:

9. Commissioner Reports
10. Financial/Administrative Report:
 - Bills to Be Authorized:
 - Voucher 2025-20
 - Bills to Be Reviewed:
 - Voucher 2025-19
 - Annual Financial Report to SAO (6-21)
11. General Manager's Report (22)

ITEMS REQUIRING BOARD ACTION:

12. Adopt Resolution 2025-03:
Establishing the Place & Times of Meetings of the Board of Commissioners (23)
13. Discuss OnSolve Status
14. Discuss & Approve Funds for Well #2 Acid Treatment
15. Discuss Water Board Bible Chapters 5 (pp. 30 & 36), 8 (pp. 53, 54 Reg. #3 & 4) & 9 (p. 65, Q. 1-8)

ANY OTHER BUSINESS (for new or overlooked items not included in the agenda)

**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING of the BOARD OF COMMISSIONERS
May 1, 2025
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584**

MINUTES

PRESENT: President S. Swart, Secretary C. Anderson, Audit Commissioner S. Birgh, General Manager (GM) J. Palmer, Project & Accounts Manager (PM) J. Sartori

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

SUBSCRIBER REMARKS: One subscriber was present who provided positive feedback regarding the latest newsletter

CORRESPONDENCE:

- Commissioner Swart received correspondence from a rate payer regarding the sewer project, grinder pumps and requested to be subscribed to the District's email list

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

MINUTES:

The minutes of the April 16, 2025 special meeting were presented. *Commissioner Anderson moved to approve the minutes. Commissioner Birgh seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved as amended with corrections.*

REPORTS:

Commissioner Reports:

- Commissioner Anderson suggested changing regular meeting start time to 9:00 am; following a discussion, commissioners directed PM to draft a resolution for the next meeting to change the regular meeting start time to 9:00 am
- Commissioner Swart requested correspondence to be posted educating rate payers about plumbing traps
- Commissioner Swart noted that the filing period for the November ballot is open 5/5/25-5/9/25

Financial/Administrative Report:

- Bills to Be Authorized:
 - Voucher 2025-18 in the amount of \$21,660.19 was presented. *Commissioner Birgh moved to approve voucher 2025-18 in the amount of \$21,660.19. Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
- Bills to Be Reviewed:
 - PM presented Voucher 2025-17 for review
- Monthly Financial Report: PM presented the Monthly Financial Report for March 2025

General Manager's Report:

- GM presented his report on the current state of the District

- GM noted that the less-than-optimal force main location on Nantucket Road was discussed along with a funding review meeting with WA Dept. of Ecology on 4/24/25
- GM noted that valve servicing at wells and booster pumps was completed
- GM shared dates that were added to his project list, which he will continue to address

ITEMS REQUIRING BOARD ACTION:

Discuss & Approve Asset Management Plan/Reserve Study Quote: Christian C. from Association Reserves joined the meeting via teleconference to share the services they provide and answer questions from the commissioners. *Commissioner Birgh moved to authorize GM to sign an agreement with Association Reserves at its quoted “loyalty program.” Commissioner Anderson seconded. Hearing 3 aye votes and 0 nay votes, the motion passes.*

Adopt Resolution 2025-02, Approving the Loan Agreement Amendment with WA Dept. Of Ecology: *Commissioner Anderson moved to adopt Resolution 2025-02 as presented. Commissioner Birgh seconded. Hearing 3 aye votes and 0 nay votes, Resolution 2025-02 is adopted.*

Schedule & Plan for a Special Meeting: *Commissioner Anderson moved to schedule a special meeting on 5/7/25 at 1:00 pm at the HPMA clubhouse for the purpose of conducting a meeting regarding the sewer project along the Hartstene Pointe Bluff. Commissioner Birgh seconded. Hearing 3 aye votes and 0 nay votes, the special meeting is scheduled.*

Discuss District Response to Emergency Water Shut Offs Associated with the Wastewater Infrastructure Rehabilitation Project: Commissioners discussed the need for a response plan for emergency service outages. Commissioners directed GM to develop a plan and bring to the next meeting.

Discuss Water Board Bible Chapters 5, 8 (pp. 52-55) & 9 (p. 65): Commissioners tabled due to the length of the meeting.

Commissioner Anderson moved to adjourn the meeting. Commissioner Birgh seconded. Hearing 3 aye votes and 0 nay votes, the meeting adjourned at 5:30 pm.

Meeting Minutes Drafted By: PM

Respectfully Submitted By:

Signature

Carl Anderson, Secretary, Commissioner #1
Name and Title

Approved at the Regular Meeting of the Board on: 5-15-2025

**HARTSTENE POINTE WATER-SEWER DISTRICT
SPECIAL MEETING of the BOARD OF COMMISSIONERS
May 7, 2025
HPMA CLUBHOUSE 202 E POINTES DR E SHELTON WA 98584**

MINUTES

PRESENT: President S. Swart, Secretary C. Anderson, Audit Commissioner S. Birgh, General Manager (GM) J. Palmer, Matt M. from Century West Engineering

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

SUBSCRIBER REMARKS: Around 32 subscribers were present, in-person or via teleconference

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

BUSINESS:

Conducting a Meeting Regarding Sewer Project Along Hartstene Pointe Bluff: Matt M. from Century West Engineering provided updates regarding the sewer project as it pertains to the bluff area of the project. Matt M. and project contractors fielded questions from meeting participants.

Commissioner Anderson moved to adjourn the meeting. Commissioner Birgh seconded. Hearing 3 aye votes and 0 nay votes, the meeting adjourned at 2:10 pm.

Meeting Minutes Drafted By: PM
Respectfully Submitted By:

Signature

Carl Anderson, Secretary, Commissioner #1
Name and Title

Approved at the Regular Meeting of the Board on: 5-15-2025

**HARTSTENE POINTE WATER-SEWER DISTRICT
SPECIAL MEETING of the BOARD OF COMMISSIONERS
May 8, 2025
DISTRICT OFFICE 119 E LIBERTY RD SHELTON WA 98584**

MINUTES

PRESENT: President S. Swart, Audit Commissioner S. Birgh, General Manager (GM) J. Palmer, Project & Accounts Manager (PM) J. Sartori

CALL TO ORDER: The meeting was called to order at 10:05 am

SUBSCRIBER REMARKS: No subscribers present

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

ITEMS REQUIRING BOARD ACTION:

Approve Funds for Nicholson Drilling Quote: GM shared a quote from Nicholson Drilling and explained the purpose and urgency of diagnosing production problems at Well #2. *Commissioner Swart moved to authorize \$4,865.28 per Nicholson Drilling's quote. Commissioner Birgh seconded. Hearing 2 aye votes and 0 nay votes, funds for the expense are authorized.*

Approve Funds for Rognlin's Well #2 Rehabilitation Quote: GM shared a quote from Rognlin's Inc. and explained the purpose and urgency of rehabilitating piping at the Well #2 treatment facility. *Commissioner Birgh moved to authorize \$32,123.10 per Rognlin's Inc. quote. Commissioner Seconded seconded. Hearing 2 aye votes and 0 nay votes, funds for the expense are authorized.*

Commissioner Birgh moved to adjourn the meeting. Commissioner Swart seconded. Hearing 2 aye votes and 0 nay votes, the meeting adjourned at 10:35 am.

Meeting Minutes Drafted By: PM
Respectfully Submitted By:

Signature

Carl Anderson, Secretary, Commissioner #1

Name and Title

Approved at the Regular Meeting of the Board on: 5-15-2025

Hartstene Pointe Water-Sewer District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		<u>401 Operations</u>
Beginning Cash and Investments		
308	Beginning Cash and Investments	742,562
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	8,547
340	Charges for Goods and Services	1,084,172
350	Fines and Penalties	6,086
360	Miscellaneous Revenues	56,553
Total Revenues:		<u>1,155,358</u>
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	737,242
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>737,242</u>
Excess (Deficiency) Revenues over Expenditures:		<u>418,116</u>
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	1,275,253
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	3,980
Total Other Increases in Fund Resources:		<u>1,279,233</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	1,285,222
591-593, 599	Debt Service	167,918
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	4,015
Total Other Decreases in Fund Resources:		<u>1,457,155</u>
Increase (Decrease) in Cash and Investments:		<u>240,194</u>
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	113,588
50841	Committed	-
50851	Assigned	869,174
50891	Unassigned	-
Total Ending Cash and Investments		<u>982,762</u>

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, 2024

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

It is the District's policy to invest all temporary cash surpluses. For further information, 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. Liabilities

See Note 3, *Long-term Liabilities*, and Note 4, *OPEB Plans*.

G. Leases & Subscription Based Information Technology Arrangements (SBITA)

Leases are reported as liabilities if the total payments over the life of the lease is more than \$5,000. See Note 8, *Leases*.

H. Restricted & Committed Portion of Ending Cash and Investments

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

Restricted portion of Ending Cash and Investments consist of \$ 113,588, which are amounts restricted from bond and loan covenants.

I. Assigned Portion of Ending Cash and Investments

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

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

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

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

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

Deposits are reported at amortized cost. Deposits and investments by type at December 31, 2024 are as follows:

Type of deposit or investment	District's own deposits and investments
Bank deposits	\$ 171,622
Mason County Investment Pool	811,140
<u>Total</u>	<u>\$ 982,762</u>

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 \$113,588, which are amounts restricted by bond and loan covenants.

Note 3 – Long-Term Liabilities

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, 2024.

The District currently has three 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
4. Clean Water State Revolving Fund
 - a. Maturity date: 6/30/2045
 - b. Interest rate: 1.2%
 - c. Semi-annual payment: 37,488.44

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

Year(s)	Principal	Interest	Total
2025	\$ 155,637	\$ 36,784	\$ 192,421
2026	195,046	33,879	228,925
2027	197,231	30,709	227,940
2028	161,203	27,640	188,843
2029	162,896	24,962	187,858
2030-2034	759,846	85,065	844,911
2035-2039	470,958	38,224	509,181
2040-2044	314,559	14,279	374,884
2045	<u>37,264</u>	<u>224</u>	<u>37,488</u>
Totals	<u>\$2,454,640</u>	<u>\$291,766</u>	<u>\$2,792,451</u>

Compensated Absences

During the year ended December 31, 2024, the following changes occurred in compensated absences:

	Beginning Balance	Additions	Reductions	Ending Balance
	01/01/2024			12/31/2024
Compensated Absences	\$ 15,391		\$ 2,103	\$ 13,288

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, 2024. The District contributed \$ 58,702 to the plan for the year ended December 31, 2024. The total OPEB liability consisted of \$43,109 for the year ended December 31, 2024.

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 \$ 24,415 to the plan for the year ended December 31, 2024.

Note 6 – 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 77 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	\$200,000,000
Flood	See (A) below	See (A) below	\$20,000,000
Earthquake	See (B) below	See (B) below	\$80,000,000 (\$50,000,000 shared by all members, \$30,000,000 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, 2024, written notice must be in possession of the Pool by April 30, 2024). 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 2024 are outlined below:

1. **Well #2 Rehabilitation**

The Board of Commissioners budgeted \$30,000 to rehabilitate the Well #2 treatment facility. Internal piping deteriorating and water productivity is in decline. This project was delayed and plans for rehabilitation are still ongoing.

2. **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.

3. **Capacity Assessment:**

The Board of Commissioners budgeted \$10,000 for a capacity assessment to be conducted to produce an engineering report. This project was delayed and plans for the assessment are still ongoing.

4. **Reservoir Cleaning:**

The Board of Commissioners budgeted \$8,000 to have routine cleaning and inspection of the District's reservoir. This project was delayed and plans for the cleaning are still ongoing.

5. **WWT Pumps—Rehabilitation & Maintenance:**

\$1,493 was expensed in 2024 toward the diagnosis of jet pumps used at the wastewater treatment plant. Other pumps in this budgeted item include procuring backup pumps in the District's *lift stations* and repairing pumps that transport wastewater through the wastewater treatment plant and to Puget Sound. This project is ongoing and \$80,000 was budgeted in 2024 for current and future pump rehabilitation/replacement.

6. **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 loan for the engineering phase of the project. As of the end of 2024, \$1,276,541 was expensed toward the engineering costs.

7. **Inflow & Infiltration Lateral Replacements:**

The Board of Commissioners set aside \$20,000 toward sewer lateral replacements due to the ongoing problem of Inflow & Infiltration. With the implementation of the infrastructure replacement project detailed in item 6 above, inflow & infiltration will not be an ongoing problem going forward.

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 28, 2025 at midnight.

- B. The rent paid to HPMa in FY 2024 totaled \$12,000. As of December 31, 2024, the future lease payments are as follows:

Year Ended December 31	Total
<u>2025</u>	<u>2,000</u>
<u>Total</u>	<u>\$ 2,000</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	\$ 2,435,975	\$ 2,194,397	\$ 241,578

Hartstene Pointe Water-Sewer District

Schedule 01

For the year ended December 31, 2024

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	3083100	Restricted Cash and Investments - Beginning	\$109,543
2965	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$633,019
2965	401	Operations	3340310	State Award from Department of Ecology	\$8,547
2965	401	Operations	3434000	Water Sales and Services	\$573,361
2965	401	Operations	3435000	Sewer/Reclaimed Water Sales and Services	\$510,811
2965	401	Operations	3590000	Non-Court Fines and Penalties	\$6,086
2965	401	Operations	3611000	Investment Earnings	\$37,202
2965	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$19,000
2965	401	Operations	3699100	Miscellaneous Other Operating	\$351
2965	401	Operations	5340010	Water Utilities	\$128,269
2965	401	Operations	5340020	Water Utilities	\$38,143
2965	401	Operations	5340030	Water Utilities	\$21,163
2965	401	Operations	5340040	Water Utilities	\$120,557
2965	401	Operations	5350010	Sewer/Reclaimed Water Utilities	\$195,018
2965	401	Operations	5350020	Sewer/Reclaimed Water Utilities	\$61,421
2965	401	Operations	5350030	Sewer/Reclaimed Water Utilities	\$15,322
2965	401	Operations	5350040	Sewer/Reclaimed Water Utilities	\$157,349
2965	401	Operations	5083100	Restricted Cash and Investments - Ending	\$113,588
2965	401	Operations	5085100	Assigned Cash and Investments - Ending	\$869,174
2965	401	Operations	3899000	Holding and Clearing Account Transactions	\$3,980
2965	401	Operations	3918000	Intergovernmental Loans	\$1,275,253

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
2965	401	Operations	5899000	Holding and Clearing Account Transactions	\$4,015
2965	401	Operations	5913470	Debt Repayment - Water Utilities	\$102,664
2965	401	Operations	5913570	Debt Repayment - Sewer/Reclaimed Water Utilities	\$42,028
2965	401	Operations	5923480	Interest and Other Debt Service Cost - Water Utilities	\$21,143
2965	401	Operations	5923580	Interest and Other Debt Service Cost - Sewer/Reclaimed Water Utilities	\$2,083
2965	401	Operations	5943460	Capital Expenditures/Expenses - Water Utilities	\$3,463
2965	401	Operations	5943560	Capital Expenditures/Expenses - Sewer/Reclaimed Water Utilities	\$1,281,759

**Hartstene Pointe Water-Sewer District
Schedule of Liabilities
For the Year Ended December 31, 2024**

ID. No.	Debt ID Title	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities							
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	WA St. Water Pollution Control Revolving Fund	12/21/2027	147,412	-	36,028	111,384
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	Clean Water State Revolving Fund	6/30/2045	-	1,275,253	-	1,275,253
Total General Obligation Debt/Liabilities:				147,412	1,275,253	36,028	1,386,637
Revenue and Other (non G.O.) Debt/Liabilities							
263.82	Loans and other obligations to the federal government or other out-of-state governments	Drinking Water State Revolving Fund	10/1/2036	853,720	-	65,671	788,049
252.11	Non-voted Revenue bonds	USDA Revenue Bond, 2012	9/5/2032	310,942	-	30,993	279,949
263.57	Leases, SBITA, and PPPs	Office Lease	2/28/2025	14,000	-	12,000	2,000
259.12	Compensated Absences	Compensated Absences, Cash Out Value		15,391	-	2,103	13,288
264.40	OPEB Liabilities	OPEB Liabilities		42,999	5,003	4,893	43,109
Total Revenue and Other (non G.O.) Debt/Liabilities:				1,237,052	5,003	115,660	1,126,395
Total Liabilities:				1,384,464	1,280,256	151,688	2,513,032

**Hartstene Pointe Water-Sewer District
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2024**

State Agency Name	Program Title	Identification Number	Total
State Award from Department of Ecology	Puget Sound Nutrient Reduction Grant	WQPSNR-2001- HPWSD-00028	8,451
		Sub-Total:	8,451
	Total State Grants Expended:		8,451

Hartstene Pointe Water-Sewer District
Schedule 21 Questions 1-6 (unaudited)
For Fiscal Year Ended: 2024

Property and Liability Insurance	Health and Welfare Insurance	Unemployment Compensation Obligations	Workers Compensation Obligations	Other Risks or Obligations
Belong to a public entity risk pool	All benefits provided by health insurance company or HMO	Pay taxes to the Department of Employment Security ("Taxable")	Pay premiums to the Department of Labor and Industries	

Washington PFML Program	Entity	Government Type
Pay premiums to the State's program for both benefits	Hartstene Pointe Water-Sewer District	Water/Sewer District

GM REPORT FOR BOC MEETING ON 5/15

- Wells from 4/27-5/10: 61K GPD avg, 32K min, 92K max
- WWTP flows: 43K avg, 37K min, 52K max
- Nantucket force main replacement completed on 5/9
- Well 2 was determined to have iron bacteria in it, causing a sludge build-up, causing the well pump to lose efficiency. I am waiting for an estimate for treatment.
- Another water main broke on Nantucket, right by the RV access road, this time a 6". The main is fairly shallow and the AC pipe is fragile. Repairs were made and water back on before 4 PM.
- There have been 2 small water leaks within the last 2 weeks. Both were just before the meter box and were able to be dug by hand, thus avoiding a wait time for locates.
- I've received quite a few positive remarks from various ratepayers regarding the sewer project. For both Rognlin's and Iron Horse, but also for District staff. There's been A LOT going but the staff has been there to keep everything from imploding. So I'm giving them a big round of applause!

**HARTSTENE POINTE WATER SEWER DISTRICT
MASON COUNTY, WASHINGTON**

RESOLUTION 2025-03

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF HARTSTENE
POINTE WATER SEWER DISTRICT, MASON COUNTY, WASHINGTON
ESTABLISHING THE PLACE AND TIMES FOR MEETINGS OF THE BOARD OF
COMMISSIONERS**

WHEREAS, the Open Public Meeting Act, Chapter 42.30 RCW, provides that the Board of Commissioners of the District shall establish the time and place of regular meetings of the Board by resolution; now, therefore

BE IT RESOLVED by the Board of Commissioners of the Hartstene Pointe Water Sewer District, Mason County, Washington, as follows:

Section 1. Beginning June 5, 2025, regular meetings of the Board of Commissioners shall be held on the first and third Thursday of every month, commencing at 9:00 a.m., at the District Main Office, 119 E Liberty Road, Shelton, Washington, 98584. If the regular meeting date falls on a legal holiday, the regular meeting shall be held on the first business day following such regular meeting date, at the same time and place.

Section 2. If by reason of fire, flood, earthquake or other emergency, it shall be unsafe to hold the meeting at the place designated in Section 1 above, the meetings of the Board may be held for the duration of the emergency at such a place as is designated by the President of the Board.

Section 3. Resolution 2021-02, which previously established the time and place of regular meetings of the Board, is hereby repealed.

ADOPTED by the District Board of Commissioners at its scheduled meeting on this 15th day of May, 2025

Hartstene Pointe Water-Sewer District
Mason County, Washington

Stacy Swart, President

Carl Anderson, Secretary

Stefan Birgh, Audit Commissioner