

**HARTSTONE POINTE WATER-SEWER DISTRICT
REGULAR MEETING
District Office
772 E Chesapeake Drive, Shelton, WA 98584
April 5, 2018 1:00 P.M.**

AGENDA

1. Call to Order
2. Roll Call
3. Subscriber Remarks
4. Correspondence
 - FROM: Department of Ecology RE: January 2018 Discharge Monitoring Report (pgs. 2-3)
5. Present Agenda
6. Minutes:
 - March 15, 2018 Regular Meeting (pgs. 4-6)
 - March 22, 2018 Special Meeting (pg. 7)

REPORTS:

7. Commissioner Reports
8. Emergency Preparedness Report
9. Financial/Administrative Report:
 - Bills to Be Authorized: Voucher 2018-07
 - New Utility Bill Format (pgs 8-9)
 - Annual Report to State Auditor's Office (pgs. 10-20)
10. Manager's Report

BUSINESS:

11. Well 1 Treatment Building Roof Replacement – Review Quotes
12. Well 2 Rehabilitation – Review Quotes
13. Well 4 Project
 - Equipping – Review Quotes
 - Mechanical – Review Quotes
 - Electrical – Review Quotes



STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

PO Box 47775 • Olympia, Washington 98504-7775 • (360) 407-6300
711 for Washington Relay Service • Persons with a speech disability can call 877-833-6341

March 14, 2018

Mr. Marty Grabill
Wastewater Treatment Plant Manager
Hartstene Pointe Water-Sewer District
772 Chesapeake Drive
Shelton, WA 98584

Re: National Pollutant Discharge Elimination System (NPDES) Permit No. WA0038377, Hartstene Pointe Wastewater Treatment Plant

Dear Mr. Grabill:

Your January 2018 Discharge Monitoring Report (DMR) indicates that your discharge did not comply with your permit requirements.

<u>Monitoring Parameter</u>	<u>Sample Measurement</u>	<u>Permit Requirement</u>
BOD Percent Removal	76.36%	85%
TSS Percent Removal	73.52%	85%

Failures to meet permit limits are violations of your NPDES permit. You should be aware that violations are subject to enforcement action including administrative orders to correct the problem and/or civil penalties, in accordance with Chapter 173-220-230 of the Washington Administrative Code (WAC).

If your violations are chronic, you should contact us and tell us what steps you are taking to bring your facility back into compliance. Noncompliance reporting is a condition of your permit.

Your January 2018 also DMR indicates your influent exceeded the following design criteria:

<u>Monitoring Parameter</u>	<u>Sample Measurement</u>	<u>Design Criteria</u>
Flow (AVG)	207,705 gpd	186,000 gpd
Flow (MAX)	387,764 gpd	342,000 gpd

Exceeding the above design criteria is a violation of your NPDES permit. You should be aware that violations are subject to enforcement action including administrative orders to correct the problem and/or civil penalties, in accordance with Chapter 173-220-230 of the Washington Administrative Code (WAC).

If you have any questions regarding this matter (or if our information is incorrect), please contact your facility manager, David Dougherty, at 360-407-6278 or david.dougherty@ecy.wa.gov, or you can call me at 360-407-6368, or e-mail me at greg.zentner@ecy.wa.gov.


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Mr. Marty Grabill
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If you need technical assistance, please contact your facility manager or call our technical assistance specialist Carl Jones at 360-407-6431 or by e-mail at carl.jones@ecy.wa.gov.

Sincerely,


Gregory S. Zentner, P.E., Supervisor
Municipal Operations Unit
Water Quality Program
Southwest Regional Office

GZ:CC(hartstene pt)

cc: Mont Jeffreys, Hartstene Pointe Water-Sewer District
Dave Dougherty, Ecology
Permit Compliance File

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**HARTSTENE POINTE WATER-SEWER DISTRICT
REGULAR MEETING of the BOARD OF COMMISSIONERS
March 15, 2018
District Office, 772 E Chesapeake Drive, Shelton, WA 98584**

MINUTES

PRESENT: President R. Scarola, Secretary A. Hospador, Commissioner D. McNabb, General Manager (GM) M. Jeffreys, Accounting and Administrative Services Manager (AAS) M. Carnahan.

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

SUBSCRIBER REMARKS: No subscribers present.

CORRESPONDENCE:

- FROM: WA Association of Sewer & Water Districts (WASWD) RE: Crown West Realty vs. Dept. of Ecology potential Amicus Brief. *Commissioner Hospador moved to reply to WASWD's correspondence indicating the District is in general support of protecting its municipal water rights, however the District needs more information before committing to playing an active role in further legal action. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.*
- FROM: Pacific Northwest Subsection – American Water Works Association RE: Conference in Tacoma April 25 – 27
- FROM: Hartstene Pointe Maintenance Association (HPMA) RE: Tree Cutting Permit Application. District has been granted conditional approval.

PRESENT AGENDA: The agenda for the March 15, 2018 regular meeting was presented. *Commissioner McNabb moved to adopt the agenda as presented. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.*

MINUTES:

- March 1, 2018 Regular Meeting minutes were presented. *Commissioner McNabb moved to approve the minutes as presented. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved as presented.*
- March 8, 2018 Special Meeting minutes were presented. *Commissioner McNabb moved to approve the minutes as presented. Commissioner Hospador seconded. Hearing 3 aye votes and 0 nay votes, the minutes were approved as presented.*

REPORTS:

Commissioner Reports:

- Commissioner McNabb: Presented the article, “Why is your sewer bill more than your water bill?”

Emergency Preparedness Report: HPMA Emergency Preparedness Committee has compiled a large amount of equipment and supplies for emergency use. The Committee’s tentative plan is to

purchase two trailers: one for storage of the supplies and another to serve as an incident command and communication center.

Financial/Administrative Report:

- Bills to Be Authorized: Voucher 2018-06, in the amount of \$4,947.96, was presented. *Commissioner Hospador moved to approve the voucher. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the voucher was approved.*
- February Financial Report: Presented. *Commissioner Hospador moved to approve the February Financial Report. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the Financial Report was approved.*
- January/February Utility Billing Report: Presented. *Commissioner Hospador moved to approve the January/February Utility Billing Report. President Scarola seconded. Hearing 3 aye votes and 0 nay votes, the Utility Billing Report was approved.*

Manager's Report: A written report was presented (attached).

BUSINESS:

Well 1 Treatment Building Roof Replacement – Award Contract: GM reported he sent out a request for quotes to roofers on the Small Works Roster. It appears many of the emailed requests went to spam folders. Additionally, there was additional necessary information not included in the original request. The District received one bid from Madsen Roofing for, \$10,647, over twice the amount budgeted. The GM recommended the District reject the one bid received and re-issue the request for quotes. *Commissioner Hospador moved to reject the one bid received and re-issue the request for quotes for roofing the Well 1 Treatment Building. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.*

RH2 Engineering Proposal – Well 4 Services During Construction: Presented. GM pointed out RH2 Engineering included in the proposal \$3,456 for additional design and permitting assistance for work not requested or authorized by the District without additional consideration. Also, RH2 has not yet provided deliverables included under the previous contract which is again included in this proposal without additional consideration. The GM is also of the opinion the project does not require multiple site visits by the Engineer or extensive submittal review, both of which are included in the proposal. The GM recommended the Board reject RH2's proposal and authorize further negotiation with RH2 for services during construction. *Commissioner Hospador moved to reject RH2 Engineering's proposal for Groundwater Replacement Well 4 Additional Design and Permitting, Services During Construction, and Pilot Study Assistance and to authorize the GM to negotiate with RH2 for services during construction to meet the needs of the District and the project. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, the motion passed.*

Plans for Special Meeting With Consultants: President Scarola has spoken with Jim Kunz, Executive Director of WASWD, about meeting with the Board, along with Reg Hearn, General Manager of Grays Harbor Water District. President Scarola called a special meeting on March 22, 2018 at 1:00 pm at 588 E Pointes Drive West to meet with Jim Kunz and Reg Hearn and to discuss the District's organizational structure, future staffing, and succession planning.

Commissioner Hospador moved to adjourn. Commissioner McNabb seconded. Hearing 3 aye votes and 0 nay votes, meeting was adjourned at 3:05 pm.

Respectfully Submitted By:

Signature

Name and Title

Approved at the Regular Meeting of the Board on: _____

**HARTSTENE POINTE WATER-SEWER DISTRICT
SPECIAL MEETING of the BOARD OF COMMISSIONERS
March 22, 2018
588 E Pointes Drive West, Shelton, WA 98584**

MINUTES

PRESENT: President R. Scarola, Secretary A. Hospador, Commissioner D. McNabb. Also present: Washington Association of Sewer and Water Districts (WASWD) Executive Director Jim Kuntz, and Grays Harbor County Water District #2 General Manager Reg Hearn.

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

SUBSCRIBER REMARKS: No subscribers present

AGENDA: Presented by President Scarola: "Discussion on succession planning for the Hartstene Pointe Water-Sewer District." *Commissioner McNabb moved to approve agenda, Commissioner Scarola seconded, Agenda approved unanimously.*

BUSINESS:

Discussion on succession planning for the Hartstene Pointe Water-Sewer District: The Board of Commissioners, Mr. Kunz, and Mr. Hearn discussed the following: overview of the District's operations; current staffing structure and issues; cost of moving from contractor based staffing to employee based staffing; advantages and disadvantages of staffing choices re: insurance, liability, etc.; job descriptions, part-time or full-time, salary requirements; training required for transition depending on experience; existing resources for who is available and who to contact; advertising and timeline; and the current budget overview.

No action was taken.

Mr. Kunz and Mr. Hearn were thanked for taking the time to come to the District and assist in the discussion.

Commissioner McNabb moved to adjourn; Commissioner Hospador Seconded; adjournment approved unanimously. President Scarola adjourned the meeting at 3:15 pm.

Respectfully Submitted By:

Signature

Name and Title

Approved at the Regular Meeting of the Board on: _____

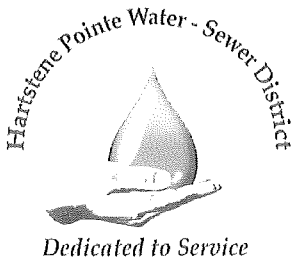
MEMORANDUM

TO: BOARD OF COMMISSIONERS
FROM: MICEAL CARNAHAN, ACCOUNTING AND ADMINISTRATIVE SERVICES MANAGER
SUBJECT: NEW UTILITY BILL FORMAT
DATE: APRIL 2, 2018
CC: MONT JEFFREYS, GENERAL MANAGER

I have been working with our billing software vendor, BIAS Software, as well as our new lockbox service provider, Xpress Bill Pay, on formatting our utility bill coupons to work with Xpress's check scanners. In addition to adding an OCR scanline to our bill coupons, Xpress requested the District move the coupon to the bottom of the bill.

Included in the meeting packet is the proposed new utility bill format. BIAS only has one bill format with the coupon at the bottom to choose from, but I think it is easier to read and understand than our previous bill. I have also added more information to the new bill and tried to make certain information more prominent and clear.

⑧



Pay/Manage your account online at hpwatersewer.com (360) 427-2413
 Pay by phone 24/7
 Questions?
 Billing office hours:
 M: 9am to 2pm
 Tu/Th: 9am to 12pm

Correspondence:
 772 E Chesapeake Drive
 Shelton, WA 98584
info@hpwatersewer.com

Customer Self Service:
 Go paperless, pay your bill,
 sign up for AutoPay, and more
 at hpwatersewer.com.

BILLING PERIOD	
05/01/2018 - 06/30/2018	
DUE DATE	ACCOUNT NUMBER
06/20/2018	749
BILL DATE	AMOUNT DUE:
05/01/2018	443.33
ACCOUNT HOLDER	
[REDACTED]	
SERVICE LOCATION	
0328 - 564 E POINTES DR WEST	

SERVICE	READING DATE	METER READINGS		FACTOR	USAGE	CHARGES
		PREVIOUS	PRESENT			
Water		881	0	1.0000		Previous Balance: 0.00 Adjustments: 0.00 Payments: 0.00 Balance Forward: 0.00 Water 219.97 Sewer 203.36 Other 20.00 Current Charges: 443.33 Balance: 443.33
Includes Proration for 3/15/18 - 4/30/18, \$20 New Account Fee. WATER CONSUMPTION HISTORY <div style="border: 1px solid black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; top: 0; left: 0; right: 0; border-bottom: 1px solid black; height: 20px;"></div> <div style="position: absolute; bottom: 0; left: 0; right: 0; border-top: 1px solid black; height: 20px;"></div> </div> 0 0 May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May						Water usage is measured in increments of 100 cubic feet (748 gallons). Read our newsletter and visit hpwatersewer.com for water saving tips.
		30:	0.00	60:	0.00	90+: 0.00

Welcome to your newly designed bill! Let us know what you think: info@hpwatersewer.com

PLEASE NOTE: Our payment remittance address has changed. Please mail your payments to:
Hartstene Pointe Water-Sewer District
Payment Processing Center
881 W. State Rd, Suite 140 Box 131
Pleasant Grove, UT 84062

A 10% late fee will be assessed if payment is not received by 6/30/18.



Return this bottom portion with your check made payable to HPWSD.
 Please write your account number on your check.

Mail your payment at least 5 business days before the due date to ensure it is received on time, or pay your bill online at hpwatersewer.com or by phone, (360) 427-2413.

DUE DATE	AMOUNT DUE
06/20/2018	443.33
SERVICE LOCATION	
0328 - 564 E POINTES DR WEST	
ACCOUNT NO.	AMOUNT ENCLOSED
749	



Hartstene Pointe Water-Sewer District
 Payment Processing Center
 881 W. State Rd, Suite 140 Box 131
 Pleasant Grove, UT 84062

00000074980000443333



MEMORANDUM

TO: BOARD OF COMMISSIONERS
FROM: MICEAL CARNAHAN, ACCOUNTING AND ADMINISTRATIVE SERVICES MANAGER
SUBJECT: 2017 ANNUAL REPORT TO THE STATE AUDITOR'S OFFICE
DATE: APRIL 2, 2018
CC: MONT JEFFREYS, GENERAL MANAGER

Since February, I have been working on the District's annual report to the State Auditor's Office. It has been completed and has been reviewed by Audit Commissioner McNabb utilizing MRSC's internal review checklist.

I have included the report's main schedules and notes in the meeting packet for review.

The first schedule, Fund Resources and Uses Arising from Cash Transactions, shows the District's 2017 beginning reserved and unreserved balances for all District funds, all revenues and expenditures, and the ending reserved and unreserved fund balances.

The second schedule, Schedule of Liabilities, shows all of the District's long-term liabilities and their activity for the year.

The Notes to the Financial Statements provide more detailed information related to the District's financial activities for the year.

The final schedule, Schedule of Expenditures of Federal Awards, and shows what federal funds the District spent in 2017. The accompanying notes provide information about the source and use of those funds.

The 2017 Annual Report must be reviewed and approved by the Board of Commissioners before submission to the State Auditor's Office.

**Hartstene Pointe Water-Sewer District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017**

Beginning Cash and Investments

30810	Reserved	123,046
30880	Unreserved	465,469
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	588,096
350	Fines and Penalties	8,219
360	Miscellaneous Revenues	12,450
Total Revenues:		608,765

Expenditures

530	Utilities	370,994
Total Expenditures:		370,994
Excess (Deficiency) Revenues over Expenditures:		237,771

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	776,507
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	14,158
Total Other Increases in Fund Resources:		790,665

Other Decreases in Fund Resources

594-595	Capital Expenditures	983,184
591-593, 599	Debt Service	154,401
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		1,137,585

Increase (Decrease) in Cash and Investments: **(109,149)**

Ending Cash and Investments

5081000	Reserved	79,987
5088000	Unreserved	399,379
Total Ending Cash and Investments		479,366

The accompanying notes are an integral part of this statement.

**Hartstene Pointe Water-Sewer District
Schedule of Liabilities
For the Year Ended December 31, 2017**

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	385,038	-	32,439	352,599
	Total General Obligation Debt/Liabilities:		385,038	-	32,439	352,599
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Drinking Water State Revolving Fund Loan	10/1/2036	358,167	776,507	56,734	1,077,940
252.11	USDA Revenue Bond, 2012	9/5/1932	505,731	-	25,599	480,132
	Total Revenue and Other (non G.O.) Debt/Liabilities:		863,898	776,507	82,333	1,558,072
	Total Liabilities:		1,248,936	776,507	114,772	1,910,671

Hartstene Pointe Water-Sewer District
Notes to the Financial Statements
For the year ended December 31, 2017

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. Long-Term Debt

See Note 3, *Debt Service Requirements*.

G. 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 \$79,987.

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. 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.
 - 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.

- 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: Used to accept construction loan funds and pay contractors for financed capital projects.
- 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, 2017 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	\$432,299	\$0	\$432,299

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, 2017.

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. Loan authorization amount: \$1,304,479
 - e. Loan draw totals to date: \$1,289,508

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

Year(s)	Principal	Interest	Total
2018	\$124,906	\$34,375	\$159,281
2019	126,132	37,711	160,843
2020	127,385	32,473	159,858
2021	128,667	30,206	158,873
2022	129,978	27,910	157,888
2023-2027	670,619	104,046	774,665
2028-2032	510,103	48,447	558,550
2033-2036	<u>262,683</u>	<u>9,851</u>	<u>272,534</u>
Totals	<u>\$2,080,473</u>	<u>\$322,020</u>	<u>\$2,402,493</u>

Note 4 – 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 62 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: 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; and bonds of various types. All 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	\$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	\$100,000,000 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	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	\$200,000	\$10,000,000
Employment Practices	\$1,000 - \$25,000	\$200,000	\$10,000,000
Other:			
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, 2018, written notice must be in possession of the Pool by April 30, 2018). 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 5 – Other Disclosures

Ongoing Capital Construction Projects

The District has two ongoing capital construction projects:

1. **Water Treatment Plant Improvement Project:**

The project replaces the two existing deficient filtration systems, expands both water treatment buildings to house the chemical storage tanks and chemical injection equipment, replaces the existing water telemetry system, integrates with the booster pump, reservoir level sensor, well level transducers, chemical analyzers, chemical feed control, and adds a SCADA system for remote control and monitoring of the water system.

The estimated total project cost is \$1.3 million. Construction on the project is complete. The District is awaiting final project approval from Department of Health before closing out the project. The project is funded through the District's Drinking Water State Revolving Fund Loan.

2. **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.

**Hartstene Pointe Water-Sewer District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	Expenditures			Note
					From Direct Awards	Total	Passed through to Subrecipients	
Drinking Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM12-952-126	198,687	-	198,687	-	1, 2, 3, 4
Total Drinking Water State Revolving Fund Cluster:				198,687	-	198,687	-	
Total Federal Awards Expended:				198,687	-	198,687	-	

Hartstene Pointe Water-Sewer District

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the cash basis accounting system.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the state funding portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Federal Loans

The District was approved by the Environmental Protection Agency and the Public Works Board (PWB) to receive a loan totaling \$1,110,135 to improve its drinking water system. In 2016 the PWB approved an increase in the loan amount of \$194,334, bringing to total loan amount to \$1,304,479. The amount listed for this loan includes the proceeds used during the year.

Both the current and prior year loans are also reported on the District's Schedule of Liabilities.

Note 4 – Indirect Cost Rate

The District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The amount expended in 2016 includes \$0 claimed as an indirect cost recovery. Only direct project costs were charged as program costs.