Office of the Washington State Auditor
Pat McCarthy

March 5, 2020

Board of Commissioners
Midway Sewer District
Kent, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Midway Sewer District for the fiscal years ended December 31, 2018, and 2017. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy

Pat McCarthy
State Auditor
Olympia, WA

MIDWAY SEWER DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2018 AND 2017

MIDWAY SEWER DISTRICT
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Midway Sewer District
Kent, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Midway Sewer District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A member of
Nexia
International

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
May 21, 2019

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Midway Sewer District
Kent, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Midway Sewer District (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Midway Sewer District as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Implementation of Governmental Accounting Standards Board (GASB) Statement No. 75

Effective January 1, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result of the implementation of this standard, as of January 1, 2018 the District, reported a restatement for the cumulative effect of a change in accounting principle (see Note 1). Our opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Midway Sewer District's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Commissioners
Midway Sewer District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, on our consideration of Midway Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midway Sewer District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
May 21, 2019

INTRODUCTION

Midway Sewer District was organized in 1946 to provide sewer services to customers residing within the District boundaries. Our mission is to provide quality customer service and protect public health with cost effective, reliable, environmentally responsible wastewater collection and treatment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our audit of the District's financial position as of December 31, 2018 and 2017 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a statement of net position, statement of revenues, expenses, and changes in fund net position, statement of cash flows, and notes to the financial statements.

The statement of net position presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. It provides information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (deferred outflows), obligations to District creditors (liabilities) and the acquisition of resources that are applicable to a future reporting period (deferred inflows). It provides a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents the results of the District's business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate our profitability and credit worthiness.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing, and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

The notes to the financial statements provide useful information regarding the District's significant accounting policies, explain significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31

	2018	2017	2016
Capital Assets	$ 54,175,149	$ 55,064,831	$ 55,853,935
Other Assets	37,085,948	32,057,029	29,087,549
Total Assets	91,261,097	87,121,860	84,941,484
Deferred Outflows of Resources	227,226	234,007	374,712
Long-Term Liabilities	3,927,589	3,773,742	4,521,354
Other Liabilities	921,582	750,279	1,244,254
Total Liabilities	4,849,171	4,524,021	5,765,608
Deferred Inflows of Resources	434,020	278,358	36,988
Net Investment in Capital Assets	52,627,526	53,380,016	53,465,699
Restricted for Impaired Investments	14,249	19,544	21,142
Unrestricted Amounts	33,563,357	29,153,928	26,026,759
Total Net Position	$ 86,205,132	$ 82,553,488	$ 79,513,600

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED DECEMBER 31

	2018	2017	2016
Sewer Service Charges	$ 9,115,191	$ 8,717,140	$ 8,475,129
Other Operating Revenue	331,169	336,394	163,502
Total Operating Revenues	9,446,360	9,053,534	8,638,631
Operating Costs	3,013,989	2,778,361	2,653,978
General and Administrative Expenses	2,891,653	2,478,490	2,370,603
Depreciation and Amortization	2,317,366	2,280,212	2,260,104
Total Operating Expenses	8,223,008	7,537,063	7,284,685
Operating Income	1,223,352	1,516,471	1,353,946
Nonoperating Revenues (Expenses):			
Interest	605,477	244,918	190,266
Net Gain on Disposal of Assets	951	-	1,340
Other	126,437	92,711	83,785
Interest	(7,386)	(2,584)	(6,687)
Total Nonoperating Revenues (Expenses)	725,479	335,045	268,704
Income Before Capital Contributions	1,948,831	1,851,516	1,622,650
Capital Contributions	2,352,316	1,188,372	2,594,803
Increase in Net Position	4,301,147	3,039,888	4,217,453
Net Position - January 1, as Originally Reported	82,553,488	79,513,600	75,296,147
Restatement - Change in Accounting Principle	(649,503)	-	-
Net Position - January 1, as Restated	81,903,985	79,513,600	75,296,147
Net Position - December 31	$ 86,205,132	$ 82,553,488	$ 79,513,600

Effective January 1, 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 establishes new accounting and financial reporting requirements for OPEB plans, establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense.

The cumulative impact of implementation of GASB 75 resulted in a $649,503 reduction of net position as of January 1, 2018 as a result of recognizing the additional OPEB liability required under GASB 75. It was not practicable to measure the net OPEB liability as of January 1, 2017 and restate the 2017 financial statements as the alternative measurement tool prepared by the Washington State Actuary did not have the ability to produce those amounts.

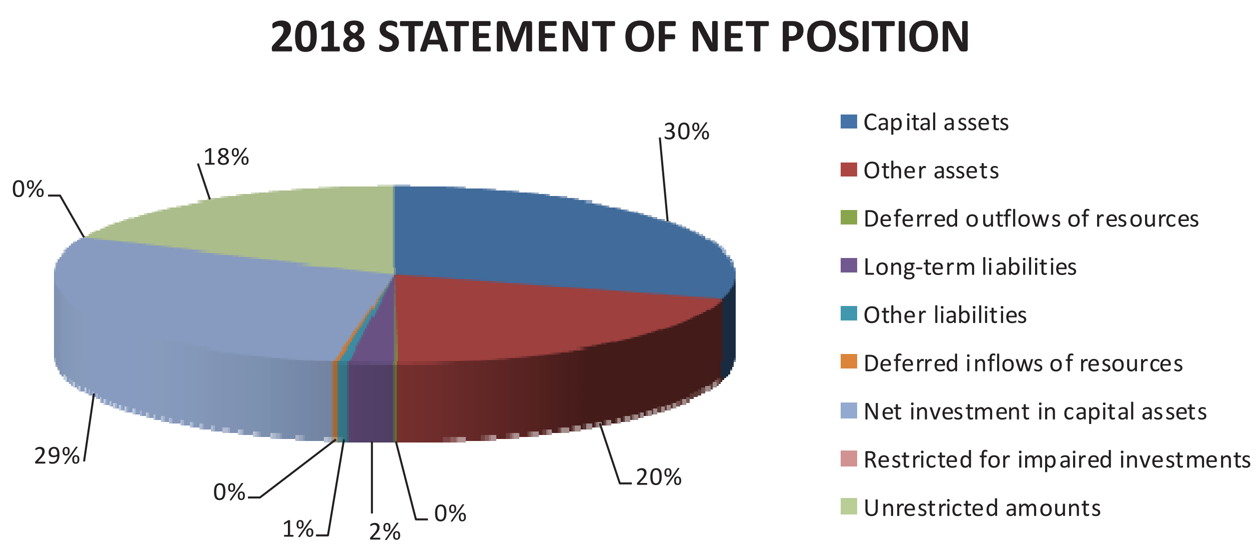
OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Effective January 1, 2018, the District early implemented Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the end of the Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. This statement is applied on a prospective basis and did not affect prior year results.

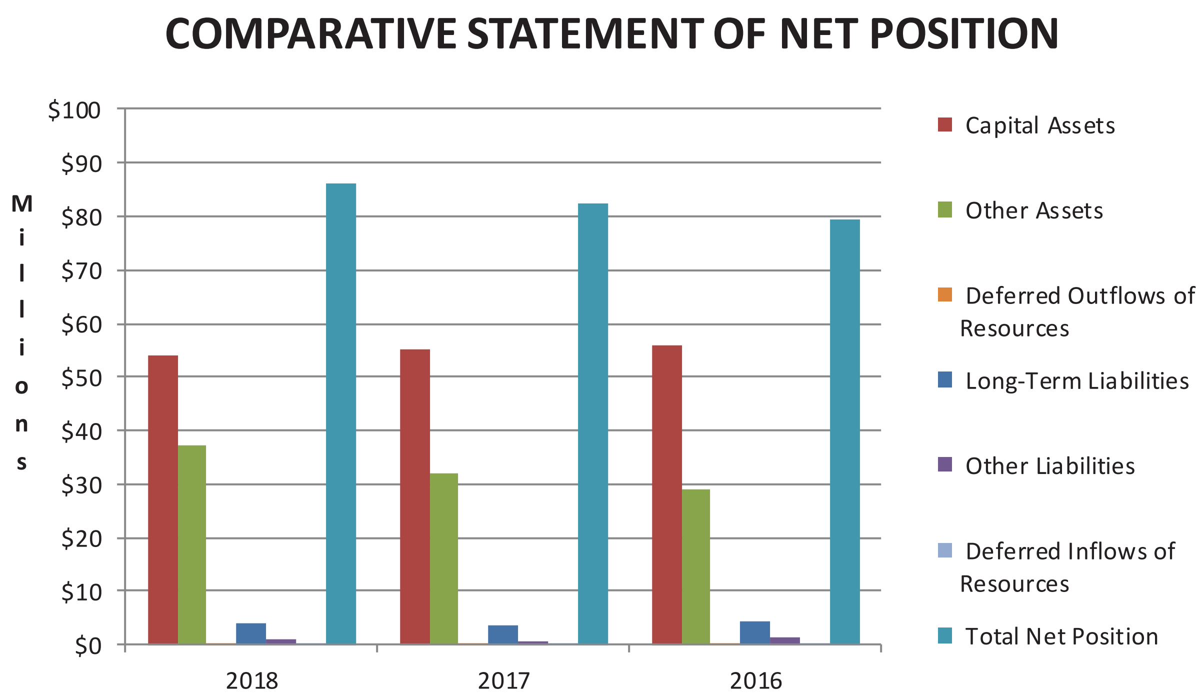
FINANCIAL POSITION

The District's overall financial position continues to be strong. The District is financed primarily by equity. Substantial liquid assets are available to fund liabilities and construction. Capital assets decreased in 2018 and 2017 due to depreciation in excess of construction activity, capital asset purchases, and donated system.

The following charts indicate the components of financial position.

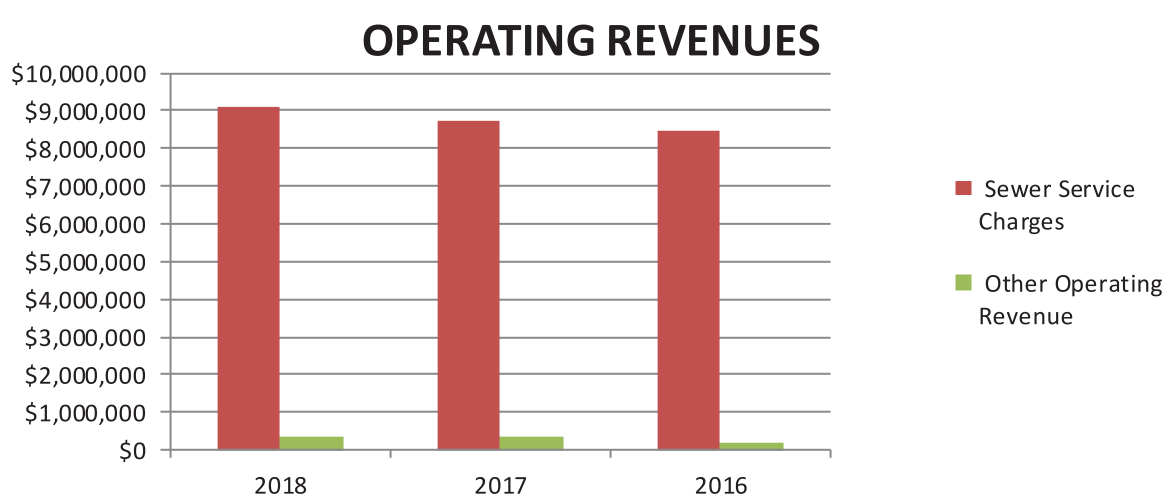


FINANCIAL POSITION (CONTINUED)



RESULTS OF OPERATIONS

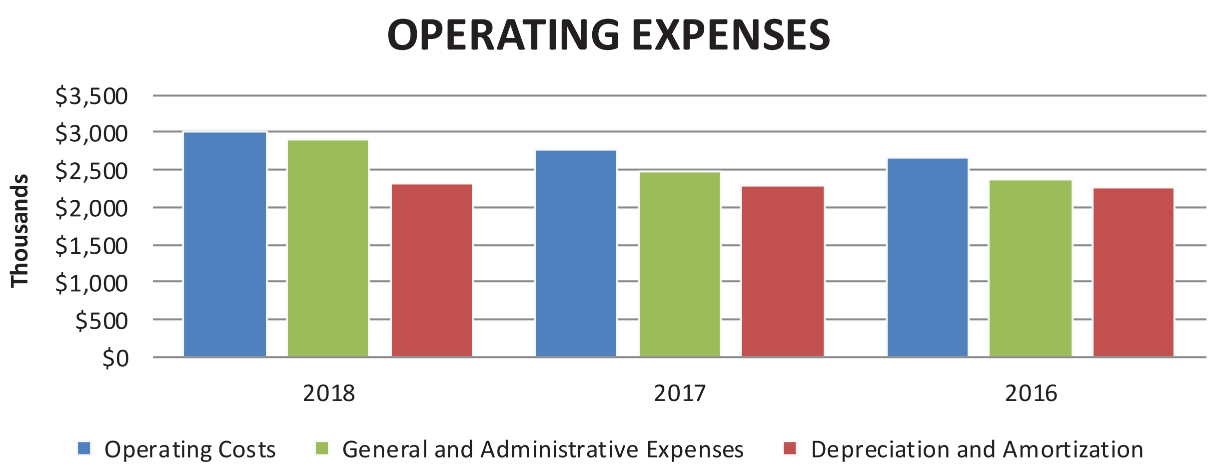
Operating revenues are received primarily from sewer service charges. The following chart indicates operating revenue over the last three years.



RESULTS OF OPERATIONS (CONTINUED)

The increase in operating revenue in 2018 was primarily due to a rate increase effective January 1, 2018. The increase in operating revenue in 2017 was primarily due to the collection of franchise fees for the entire year.

The following chart indicates operating expenses over the last three years.

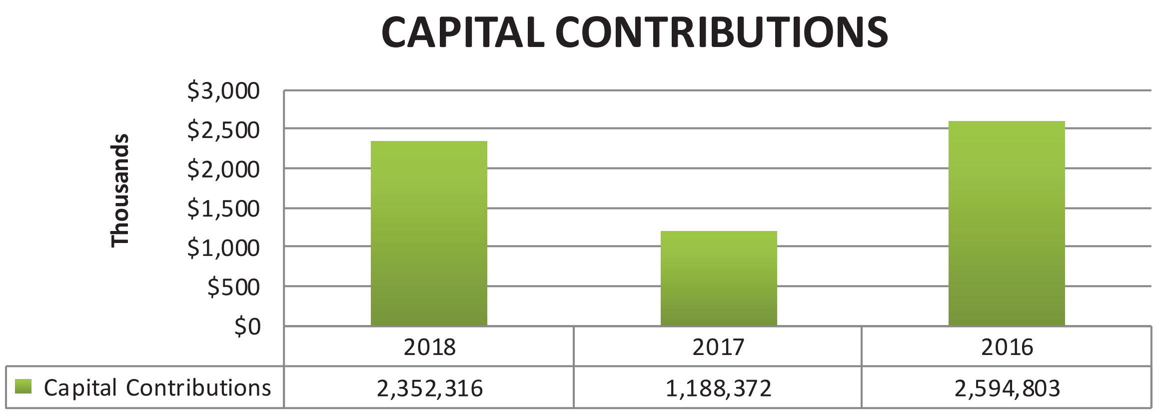


The District's operating costs increased in 2018 primarily due to increases in personnel costs and increased maintenance of sewer lines. The District's operating costs increased in 2017 primarily due to increases in personnel costs. General and administrative expenses increased in 2018 primarily due to increases in personnel costs, legal fees related to potential new franchise fees and abandonment of preliminary surveys that will not occur in the future. General and administrative expenses increased in 2017 primarily due to payment of the franchise fees for the entire year.

The District has operated at a profit in each of the past three years. The District's philosophy is to provide for all depreciation through rates based on the principle that current users should pay all costs associated with the sewer system as it is being used. Operating income is augmented by earnings on investments, other nonoperating revenues and capital contributions, less nonoperating expenses.

RESULTS OF OPERATIONS (CONTINUED)

The District collects capital contributions from new customers. These contributions consist of connection charges, grants, ULID assessments, and donated systems. The following chart indicates capital contributions over the past three years.



The contributions are indicative of the growth of the District and include donated systems totaling $37,895, $221,113, and $1,044,197 for the years ended December 31, 2018, 2017, and 2016, respectively.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital assets decreased in 2018 and 2017 due to depreciation in excess of construction activity, capital asset purchases, and donated system.

Significant capital asset additions during the years included the following:

2018			2017		
Des Moines WWTF O&M Manual	$	87,062	Comprehensive General Sewer Plan Update	$	196,014
SR 509 Sewer Relocation		35,321	SCADA Project		66,787
North and South Anaerobic Digester Rehabilitation		742,901	WWTP RPBA Installation		79,949
Midway Clarifier Design		244,623	Brightwood Park W&S Replacement		62,517
Donated Systems		37,895	Trickling Filter and Grit Chamber Rehabilitation		581,175
			Donated Systems		221,113

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Long-term liabilities increased in 2018 primarily due to the increase in the other postemployment benefits liability as a result of the implementation of GASB Statement No. 75. Long-term liabilities decreased in 2017 primarily due to changes in the net pension liability. Long-term debt balances decreased in 2018 and 2017 due to principal payments made by the District.

See Notes 4, 5, and 6 in the financial statements for detail activity in capital assets and long-term liabilities.

As of December 31, 2018, the District had $10,407,149 of cash and cash equivalents set aside in construction accounts of which $1,521,725 is committed under existing contracts. The District had $24,525,097 of additional cash and cash equivalents in operating funds. The District also has cash and cash equivalents in the amount of $14,249 that have been segregated by the King County Investment Pool into an impaired pool. See Note 2 in the financial statements for additional information regarding the Pool.

MIDWAY SEWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	$ 34,932,246	$ 30,116,146
Accounts Receivable - Users	554,477	523,694
Interest Receivable	66,718	39,947
Unbilled Utility Service Receivable	888,012	861,530
Prepaid Expenses	191,800	147,711
Contracts Receivable - Current Portion	78,554	50,378
Total	36,711,807	31,739,406
Restricted:		
Cash and Cash Equivalents	14,249	19,544
Total Current Assets	36,726,056	31,758,950
NONCURRENT ASSETS		
Unrestricted:		
Contracts Receivable, Less Current Portion	359,892	247,111
Preliminary Surveys and Investigations	-	50,968
Total	359,892	298,079
Capital Assets Not Being Depreciated:		
Land, Land Rights, and Other	1,006,922	1,006,922
Construction in Progress	1,361,074	552,232
Capital Assets Being Depreciated:		
Plant in Service	106,897,745	106,651,280
Less: Accumulated Depreciation	55,090,592	53,145,603
Net Capital Assets	54,175,149	55,064,831
Total Noncurrent Assets	54,535,041	55,362,910
Total Assets	91,261,097	87,121,860
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	214,557	234,007
Deferred Outflows Related to Other Postemployment Benefits	12,669	-
Total Deferred Outflows of Resources	227,226	234,007
Total Assets and Deferred Outflows of Resources	$ 91,488,323	$ 87,355,867

See accompanying Notes to Financial Statements.

MIDWAY SEWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	$ 574,288	$ 386,283
Compensated Absences	181,000	144,000
Retainage Payable	29,965	2,331
Accrued Interest	3,325	4,061
Long-Term Debt - Current Maturities	133,004	213,604
Total	921,582	750,279
Noncurrent Liabilities:		
Long-Term Debt Payable from Unrestricted Assets, Net of Current Maturities	1,197,037	1,330,041
Compensated Absences	180,222	203,032
Net Pension Liability	1,039,777	1,397,987
Other Postemployment Benefits Liability	1,510,553	842,682
Total Noncurrent Liabilities	3,927,589	3,773,742
Total Liabilities	4,849,171	4,524,021
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	434,020	278,358
Total Liabilities and Deferred Inflows of Resources	5,283,191	4,802,379
NET POSITION		
Net Investment in Capital Assets	52,627,526	53,380,016
Restricted for Impaired Investments	14,249	19,544
Unrestricted	33,563,357	29,153,928
Total Net Position	86,205,132	82,553,488
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 91,488,323	$ 87,355,867

See accompanying Notes to Financial Statements.

MIDWAY SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Service Charges:		
Commercial	$ 5,469,781	$ 5,200,560
Residential	2,325,006	2,191,436
Public Authorities	1,126,655	1,145,346
Retirement Homes	104,866	86,673
Schools	88,883	93,125
Total Service Charges	9,115,191	8,717,140
Late Charges	37,430	47,073
Permit Fees	42,189	69,201
Rental of Flush Truck	-	4,550
Franchise Fee	251,550	215,570
Total Operating Revenues	9,446,360	9,053,534
OPERATING EXPENSES		
Sewage Treatment	2,062,821	2,028,622
Sewage Pumping	410,593	340,812
Sewage System	540,575	408,927
General and Administrative	2,891,653	2,478,490
Depreciation and Amortization	2,317,366	2,280,212
Total Operating Expenses	8,223,008	7,537,063
OPERATING INCOME	1,223,352	1,516,471
NONOPERATING REVENUES (EXPENSES)		
Investment Income, Net of Service Fees and Amount Capitalized	590,731	235,728
Interest on Contracts	14,746	9,190
Miscellaneous	126,437	92,711
Net Gain on Disposal of Assets	951	-
Interest on Long-Term Debt, Net of Amount Capitalized	(7,386)	(2,584)
Total Nonoperating Revenues (Expenses)	725,479	335,045
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,948,831	1,851,516
Capital Contributions	2,352,316	1,188,372
CHANGE IN NET POSITION	4,301,147	3,039,888
Net Position - January 1, as Originally Reported	82,553,488	79,513,600
Restatement - Change in Accounting Principle	(649,503)	-
Net Position, January 1, as Restated	81,903,985	79,513,600
NET POSITION - DECEMBER 31	$ 86,205,132	$ 82,553,488

See accompanying Notes to Financial Statements.

MIDWAY SEWER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 9,515,532	$ 9,164,020
Cash Paid to Vendors	(2,766,093)	(2,549,631)
Cash Paid to and for Employees and Commissioners	(3,156,652)	(2,876,607)
Net Cash Provided by Operating Activities	3,592,787	3,737,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	2,055,071	590,714
Collections on Contracts Receivable	118,393	111,539
Interest Received on Contracts	17,422	2,027
Proceeds from Sale of Assets	951	-
Interest Paid on Long-Term Debt	(8,122)	(9,592)
Expenditures for Plant in Service and Construction	(1,313,377)	(1,795,262)
Payment on Long-Term Debt	(213,604)	(213,604)
Net Cash Provided (Used) by Capital and Related Financing Activities	656,734	(1,314,178)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	561,284	225,287
Net Cash Provided by Investing Activities	561,284	225,287
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,810,805	2,648,891
Cash and Cash Equivalents - January 1	30,135,690	27,486,799
CASH AND CASH EQUIVALENTS - DECEMBER 31	$ 34,946,495	$ 30,135,690
Cash and Cash Equivalents Balance is Comprised of the Following at December 31:		
Cash and Cash Equivalents - Unrestricted	$ 34,932,246	$ 30,116,146
Cash and Cash Equivalents - Restricted	14,249	19,544
Total	$ 34,946,495	$ 30,135,690

See accompanying Notes to Financial Statements.

MIDWAY SEWER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 1,223,352	$ 1,516,471
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,317,366	2,280,212
Preliminary Surveys and Investigations Expensed	50,968	-
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(57,265)	17,775
Prepaid Expenses	(44,089)	(14,031)
Deferred Outflows Related to Pensions	19,450	140,705
Deferred Outflows Related to Other Postemployment Benefits	(12,669)	-
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	139,227	(11,423)
Other Accrued Expenses	14,190	36,530
Net Pension Liability	(358,210)	(655,879)
Other Postemployment Benefits Liability	18,368	93,341
Deferred Inflows Related to Pensions	155,662	241,370
Other Income	126,437	92,711
Total Cash Provided by Operating Activities	$ 3,592,787	$ 3,737,782
SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	$ 37,895	$ 221,113
Contract Assessments	$ 259,350	$ 376,545

See accompanying Notes to Financial Statements.

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business, Nature of Operations, and Reporting Entity

Midway Sewer District (the District), a municipal corporation organized under the laws of the state of Washington, was created for the purpose of constructing, maintaining, and operating a sewer system within its boundaries, primarily in the cities of SeaTac and Des Moines, Washington. The District is governed by an elected five-member board and has no component units.

Basis of Presentation and Accounting

These financial statements are prepared utilizing the economic resources measurement focus and full accrual basis of accounting. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Change in Accounting Principle

Effective January 1, 2018, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 establishes new accounting and financial reporting requirements for OPEB plans, establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense.

The cumulative impact of implementation of GASB 75 resulted in a $649,503 reduction of net position as of January 1, 2018 as a result of recognizing the additional OPEB liability required under GASB 75. It was not practicable to measure the net OPEB liability as of January 1, 2017 and restate the 2017 financial statements as the alternative measurement tool prepared by the Washington State Actuary did not have the ability to produce those amounts.

Cash and Cash Equivalents

The District considers investments in the King County Investment Pool to be cash equivalents. These investments are stated at the fair value of the Pool's underlying assets.

Accounts Receivable

The District utilizes the allowance method of accounting for doubtful accounts. However, all accounts receivable are considered fully collectible since nonpayment of an account can result in a lien assessment filed against the property. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost and include the capitalized portion of District employees' wages and related overhead costs. For sewer systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at acquisition value, which is determined by the contributing party's cost. Expenditures for capital assets exceeding $500, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives
Sewer Systems	5 to 50 Years
Treatment Plant	5 to 50 Years
Office Building	5 to 50 Years
Equipment and Other	5 to 50 Years

Interest Capitalization

Effective January 1, 2018, the District early implemented Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the end of the Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. This statement is applied on a prospective basis and did not affect prior year results.

Prior to implementation, interest costs incurred for the construction of capital assets were subject to capitalization. Total interest cost incurred for the year ended December 31, 2017 was $8,857. Interest capitalized to Construction in Progress for the year ended December 31, 2017 was $6,273.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to the OPEB plan subsequent to the June 30 measurement date, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. OPEB and pension plan contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability and net pension liability, respectively, in the following year. Deferred outflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the District's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave benefit amounts as earned. District employees accumulate vacation and sick leave hours, subject to certain restrictions, for subsequent use or payment upon termination, retirement, or death.

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted – This component of net position consists of assets restricted by external creditors (such as through debt covenants), grantors, contributors or others reduced by related liabilities and deferred inflows of resources.

Unrestricted Net Position – This component of net position consists of all net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net resources are available based on management’s discretion.

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues result from providing services in connection with the District’s sewer system. Operating expenses include the costs associated with providing the District’s services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses.

Capital Contributions

Utility Local Improvement District assessments and contributions in aid of construction from property owners are recorded as capital contribution revenue.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The District's bank balances as of December 31, 2018 and 2017 were $26,000 and $20,800, respectively.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

In accordance with state law, the District's governing body has entered into a formal interlocal agreement with the District's ex officio treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). Investments in the Pool are stated at the fair value of the Pool's underlying assets. The stated value per share is $1. The King County Executive Finance Committee provides oversight of the Pool.

As of December 31, the District had the following investments:

Investment Type	Fair Value	Average Effective Duration
2018		
King County Investment Pool:		
Main Pool	$ 34,905,946	0.94 Years
Impaired Pool	14,249	
2017		
King County Investment Pool:		
Main Pool	$ 30,095,046	1.02 Years
Impaired Pool	19,544	

Impaired Investments

As of December 31, 2018 and 2017, all impaired commercial paper investments had completed enforcement events. The King County Impaired Investment Pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in two commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal was $20,109 and $28,997 at December 31, 2018 and 2017, respectively. The District's unrealized loss for these investments is $5,860 and $9,453 at December 31, 2018 and 2017, respectively.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk

As of December 31, 2018 and 2017, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A" by one NRSRO), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by one NRSRO), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3 RESTRICTED ASSETS

In accordance with certain agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses. Restricted assets are as follows:

	Cash and Cash Equivalents
December 31, 2018	
Current Restricted Assets:	
Impaired Investment Pool	$ 14,249
December 31, 2017	
Current Restricted Assets:	
Impaired Investment Pool	$ 19,544

NOTE 4 CAPITAL ASSETS

Major classes of capital assets and capital asset activity were as follows at December 31:

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
2018				
Capital Assets Not Being Depreciated:				
Land, Land Rights, and Other	$ 1,006,922	$ -	$ -	$ 1,006,922
Construction in Progress	552,232	1,288,103	(479,261)	1,361,074
Total	1,559,154	1,288,103	(479,261)	2,367,996
Capital Assets Being Depreciated:				
Sewer Systems	64,633,488	37,895	-	64,671,383
Treatment Plant	35,595,050	-	-	35,595,050
Office Building	2,319,549	-	-	2,319,549
Equipment and Other	4,103,193	580,947	(372,377)	4,311,763
Total	106,651,280	618,842	(372,377)	106,897,745
Accumulated Depreciation:				
Sewer Systems	(30,612,707)	(1,211,997)	-	(31,824,704)
Treatment Plant	(18,331,510)	(825,442)	-	(19,156,952)
Office Building	(1,145,738)	(46,044)	-	(1,191,782)
Equipment and Other	(3,055,648)	(233,883)	372,377	(2,917,154)
Total	(53,145,603)	(2,317,366)	372,377	(55,090,592)
Net Capital Assets	$ 55,064,831	$ (410,421)	$ (479,261)	$ 54,175,149

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
2017				
Capital Assets Not Being Depreciated:				
Land, Land Rights, and Other	$ 1,006,922	$ -	$ -	$ 1,006,922
Construction in Progress	877,289	1,141,091	(1,466,148)	552,232
Total	1,884,211	1,141,091	(1,466,148)	1,559,154
Capital Assets Being Depreciated:				
Sewer Systems	63,613,390	1,020,098	-	64,633,488
Treatment Plant	34,957,460	637,590	-	35,595,050
Office Building	2,319,549		-	2,319,549
Equipment and Other	3,944,716	158,477	-	4,103,193
Total	104,835,115	1,816,165	-	106,651,280
Accumulated Depreciation:				
Sewer Systems	(29,392,681)	(1,220,026)	-	(30,612,707)
Treatment Plant	(17,520,248)	(811,262)	-	(18,331,510)
Office Building	(1,099,650)	(46,088)	-	(1,145,738)
Equipment and Other	(2,852,812)	(202,836)	-	(3,055,648)
Total	(50,865,391)	(2,280,212)	-	(53,145,603)
Net Capital Assets	$ 55,853,935	$ 677,044	$ (1,466,148)	$ 55,064,831

NOTE 5 LONG-TERM DEBT PAYABLE FROM UNRESTRICTED ASSETS

Long-term debt payable from unrestricted assets outstanding at December 31 consisted of the following Public Works Trust Fund Loans, secured by the revenue of the sewer system, issued for utility construction:

Description	2018	2017
1998 $1,520,232 loan: Payable $80,600 annually through the year 2018, plus interest at 1.0 annual percentage rate.	$ -	$ 80,600
2008 $2,583,198 loan: Payable $133,004 annually through the year 2028, plus interest at .50 annual percentage rate.	1,330,041	1,463,045
Subtotal	1,330,041	1,543,645
Less: Current Maturities	133,004	213,604
Total	$ 1,197,037	$ 1,330,041

Long-term debt service requirements to maturity, payable by the District from unrestricted assets, are as follows:

Year	Principal	Interest	Total
2019	$ 133,004	$ 6,650	$ 139,654
2020	133,004	5,985	138,989
2021	133,004	5,320	138,324
2022	133,004	4,655	137,659
2023	133,004	3,990	136,994
2024-2028	665,021	9,976	674,997
Total	$ 1,330,041	$ 36,576	$ 1,366,617

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows at December 31:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
2018					
Long-Term Debt Payable from Unrestricted Assets:					
1998 Public Works Trust Fund Loan	$ 80,600	$ -	$ 80,600	$ -	$ -
2008 Public Works Trust Fund Loan	1,463,045	-	133,004	1,330,041	133,004
Total	$ 1,543,645	$ -	$ 213,604	$ 1,330,041	$ 133,004
Compensated Absences	$ 347,032	$ 194,801	$ 180,611	$ 361,222	$ 181,000
Net Pension Liability	$ 1,397,987	$ -	$ 358,210	$ 1,039,777	
Other Postemployment Benefits Liability	$ 842,682	$ 769,611	$ 101,740	$ 1,510,553	

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
2017					
Long-Term Debt Payable from Unrestricted Assets:					
1998 Public Works Trust Fund Loan	$ 161,200	$ -	$ 80,600	$ 80,600	$ 80,600
2008 Public Works Trust Fund Loan	1,596,049	-	133,004	1,463,045	133,004
Total	$ 1,757,249	$ -	$ 213,604	$ 1,543,645	$ 213,604
Compensated Absences	$ 310,502	$ 180,167	$ 143,637	$ 347,032	$ 144,000
Net Pension Liability	$ 2,053,866	$ -	$ 655,879	$ 1,397,987	
Net Other Postemployment Benefits Obligation	$ 749,341	$ 93,341	$ -	$ 842,682	

NOTE 7 PENSION PLAN

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31, 2018 and 2017:

	2018	2017
Pension Liabilities	$ 1,039,777	$ 1,397,987
Deferred Outflows of Resources	214,557	234,007
Deferred Inflows of Resources	434,020	278,358
Pension Expense	89,264	(41,806)

State Sponsored Pension Plans

Substantially all of the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov

Public Employees Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 - provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

PERS Plan 1 (Continued) - Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions - The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

PERS Plan 1 Actual Contribution Rates	Employer	Employee
2018		
January through August		
PERS Plan 1	7.49 %	6.00 %
PERS Plan 1 UAAL	5.03	
Administrative Fee	0.18	
Total	12.70 %	6.00 %
September through December		
PERS Plan 1	7.52 %	6.00 %
PERS Plan 1 UAAL	5.13	
Administrative Fee	0.18	
Total	12.83 %	6.00 %
2017		
January through June		
PERS Plan 1	6.23 %	6.00 %
PERS Plan 1 UAAL	4.77	
Administrative Fee	0.18	
Total	11.18 %	6.00 %
July through December		
PERS Plan 1	7.49 %	6.00 %
PERS Plan 1 UAAL	5.03	
Administrative Fee	0.18	
Total	12.70 %	6.00 %

The District's actual contributions to the plan were $109,685 and $97,226 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

PERS Plan 2/3 - provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65, or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 - defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions - The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarially accrued liability (UAAL) and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) were as follows:

PERS Plan 2/3 Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3
2018			
January through August			
PERS Plan 2/3	7.49 %	7.38 %	Varies
PERS Plan 1 UAAL	5.03		
Administrative Fee	0.18		
Total	12.70 %	7.38 %	Varies
September through December			
PERS Plan 2/3	7.52 %	7.41 %	Varies
PERS Plan 1 UAAL	5.13		
Administrative Fee	0.18		
Total	12.83 %	7.41 %	Varies
2017			
January through June			
PERS Plan 2/3	6.23 %	6.12 %	Varies
PERS Plan 1 UAAL	4.77		
Administrative Fee	0.18		
Total	11.18 %	6.12 %	Varies
July through December			
PERS Plan 2/3	7.49 %	7.38 %	Varies
PERS Plan 1 UAAL	5.03		
Administrative Fee	0.18		
Total	12.70 %	7.38 %	Varies

The District's actual contributions to the plan were $162,677 and $134,772 for the years ended December 31, 2018 and 2017, respectively.

Actuarial Assumptions

The 2018, TPL for each of the DRS plans was determined using the actuarial valuation completed in 2018, with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

The 2017, TPL for each of the DRS plans was determined using the actuarial valuation completed in 2017, with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study.*

NOTE 7 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional 2018 assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. Additional 2017 assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018 and June 30, 2017. 2018 Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, and 2017 Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions between the 2018 and 2017 valuations.

- Lowered the valuation interest rate from 7.70% to 7.50% for all plans.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all plans.
- Lowered assumed inflation from 3.00% to 2.75% for all plans.
- Lowered assumed investment rate of return from 7.50% to 7.40% for all plans.

There were changes in methods and assumptions between the 2017 and 2016 valuations.

- How terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised.

NOTE 7 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

NOTE 7 PENSION PLAN (CONTINUED)

Estimated Rates of Return by Asset Class (Continued)

As of June 30, 2018 and 2017:

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
2018		
Fixed Income	20 %	1.70 %
Tangible Assets	7	4.90
Real Estate	18	5.80
Global Equity	32	6.30
Private Equity	23	9.30
Total	100 %	
2017		
Fixed Income	20 %	1.70 %
Tangible Assets	5	4.90
Real Estate	15	5.80
Global Equity	37	6.30
Private Equity	23	9.30
Total	100 %	

Sensitivity of NPL

The table below presents the District's proportionate share of the net pension liability calculated using the applicable discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than applicable discount rate.

2018	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 858,516	$ 698,584	$ 560,050
PERS 2/3	1,560,624	341,193	(658,605)

2017	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 877,004	$ 719,923	$ 583,857
PERS 2/3	1,826,774	678,064	(263,134)

NOTE 7 PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018 and 2017, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2018 and 2017):

	2018	2017
PERS 1	698,584	719,923
PERS 2/3	341,193	678,064
Total	$ 1,039,777	$ 1,397,987

The District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.015172%	0.015642%	0.000470%
PERS 2/3	0.019515%	0.019983%	0.000468%

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.018783%	0.015172%	-0.003611%
PERS 2/3	0.020758%	0.019515%	-0.001243%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

The 2018 and 2017 collective net pension liability (asset) was measured as of June 30, 2018 and 2017, respectively, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017 and 2016, respectively, with update procedures used to roll forward the total pension liability to the measurement date.

NOTE 7 PENSION PLAN (CONTINUED)

Pension Expense

For the years ended December 31, 2018 and 2017, the District recognized pension expense as follows:

	2018	2017
PERS 1	$ 84,112	$ (145,278)
PERS 2/3	5,152	103,472
Total	$ 89,264	$ (41,806)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2018		
PERS 1:		
Differences Between Expected and Actual Experience	$ -	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	27,761
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	55,871	-
Total PERS 1	$ 55,871	$ 27,761
PERS 2/3:		
Differences Between Expected and Actual Experience	$ 41,821	$ 59,736
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	209,372
Changes of Assumptions	3,992	97,101
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	30,328	40,050
Contributions Subsequent to the Measurement Date	82,545	-
Total PERS 2/3	$ 158,686	$ 406,259
Total All Plans	$ 214,557	$ 434,020

NOTE 7 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017		
PERS 1:		
Differences Between Expected and Actual Experience	$ -	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	26,866
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	50,742	-
Total PERS 1	$ 50,742	$ 26,866
PERS 2/3:		
Differences Between Expected and Actual Experience	$ 68,703	$ 22,301
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	180,755
Changes of Assumptions	7,202	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	33,300	48,436
Contributions Subsequent to the Measurement Date	74,060	-
Total PERS 2/3	$ 183,265	$ 251,492
Total All Plans	$ 234,007	$ 278,358

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PERS 1	PERS 2/3
2019	$ 1,215	$ (25,535)
2020	(6,069)	(72,453)
2021	(18,211)	(132,690)
2022	(4,696)	(51,991)
2023	-	(22,100)
Thereafter	-	(25,349)
Total	$ (27,761)	$ (330,118)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31:

	2018
OPEB Liabilities	$ 1,510,553
Deferred Outflows of Resources	12,669
OPEB Expense	41,516

The District provides its retirees employer subsidies for postemployment medical insurance benefits (OPEB) through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

Plan Description - The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents. District employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Benefits Provided - The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of $150 or 50% of the monthly premiums. As of January 1, 2019, the subsidy will be increased to $168 per month. The retirees and spouses currently pay the premium minus $150 when the premium is over $300 per month and pay half the premium when the premium is lower than $300.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At December 31, the following employees were covered by the benefit terms:

	2018
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	9
Inactive Employees Entitled to but not yet Receiving Benefit Payments	-
Active Employees	26

Funding Policy

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

Contributions

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018, and was determined using the alternative measurement method as of that date. All significant assumptions utilized in the alternative measurement were provided by the Washington State Actuary.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

The alternative measurement was based on the following methods and assumptions:

Methodology:	
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Assumptions:	
Discount Rate - Based on Bond Buyer General Obligation 20-Bond Municipal Index:	
Beginning of Measurement Year	3.58%
End of Measurement Year	3.87%
Projected Salary Changes	3.75% Plus Service-Based Increases
Healthcare Trend Rates	Initial rate is approximately 7%, trends down to approximately 5% in 2080

Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see Office of the State Actuary's 2017 PEBB OPEB Actuarial Valuation Report.

Mortality Rates:	
Base Mortality Table	Healthy RP-2000
Age Setback	1 year
Mortality Improvements	100% Scall BB
Projection Period	Generational
Inflation Rate	3.00%
Post-Retirement Participation Percentage	65.00%
Percentage with Spouse Coverage	45.00%

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	2018
Balance - January 1	$ 1,492,185
Service Cost	64,779
Interest	55,329
Changes in Experience and Data Assumptions	(78,592)
Changes in Benefit Terms	-
Benefit Payments	(23,148)
Other	-
Total	$ 1,510,553

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the total OPEB liability of the District calculated using a discount rate and healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current discount rate and health care cost trend rates:

2018	1% Decrease	Current Rate	1% Increase
Discount Rate	$ 1,798,147	$ 1,510,553	$ 1,281,470
Healthcare Cost Trend Rate	1,265,469	1,510,553	1,822,989

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District recognized OPEB expense for the years ended December 31 as follows:

	2018
Service Cost	$ 64,779
Interest Cost	55,329
Changes in Experience and Data Assumptions	(78,592)
Total	$ 41,516

At December 31, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2018		
Contributions Subsequent to the Measurement Date	$ 12,669	$ -

Deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Obligation as of December 31, 2017 and 2017 OPEB Expense

Actuarial Methods and Assumptions

The District used the alternative measurement method permitted under GASB Statement No. 45. Data (e.g., age range, years of service, active age average, etc.) is compiled into the Office of State Actuary GASB No. 45 reporting tool for all active and inactive members to determine the Actuarial Accrued Liability (AAL) and normal cost.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

All demographic assumptions, healthcare assumptions, and methods used match those disclosed in the 2017 OPEB Actuarial Valuation Report published by the Office of the State Actuary. Specifically, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 3.75% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. The healthcare cost inflation trends, which vary by medical plan and age, start at approximately 7% in 2017 and gradually to 5% in 2102 and beyond. The inflation rate assumption sued in the calculation is 3%. The date used for this valuation was identified by department number from the date disclosed in the 2017 OPEB Actuarial Valuation Report. Please see http://leg.wa.gov/osa/Pages/default.aspx for more detail.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Obligation as of December 31, 2017 and 2017 OPEB Expense (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 25 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB.

Determination of Annual Required Contribution	2017
Normal Cost at Year End	$ 44,933
Amortization of Unfunded Actuarial Accrued Liability	69,563
Annual Required Contribution	$ 114,496

Determination of Annual OPEB Cost	2017
Annual Required Contribution	$ 114,496
Net OPEB Obligation Interest	29,974
Net OPEB Obligation Amortization	(43,334)
Annual OPEB Cost	$ 101,136

Determination of Net OPEB Obligation	2017
Starting Net OPEB Obligation	$ 749,341
Annual OPEB Cost	101,136
Contributions	(7,795)
Net OPEB Obligation	$ 842,682

The District's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 are as follows:

Year Ended	Annual OPEB Cost	Contributions as a Percentage of OPEB Cost	Net OPEB Obligation
2017	$ 101,136	0.00%	$ 842,682
2016	99,484	7.84%	749,341
2015	96,474	6.87%	665,042

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the plan was 0% funded. As of December 31, 2017, the accrued liability for benefits was $1,202,892, and the actuarial value of assets was $-0-, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $1,202,892.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Obligation as of December 31, 2017 and 2017 OPEB Expense (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 9 DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are invested with the Washington State Department of Retirement Systems. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District made no contributions to the plan in 2017 or 2016.

NOTE 10 RISK MANAGEMENT

Midway Sewer District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance, or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the state of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- $1,000,000 self-insured retention on liability loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.
- $250,000 self-insured retention on property loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first $4,000 of the claim.

NOTE 10 RISK MANAGEMENT (CONTINUED)

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber, and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

In the past three years (2018, 2017, and 2016), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

NOTE 11 COMMITMENTS

The District entered into an agreement with the City of Kent in 1991 that required the District to pay for one-half of street improvements for approximately 400 feet of the roadway located in front of the District’s office building in 10 years if no Local Improvement District (LID) had been formed and the City was to undertake the improvement project. No LID has been formed. The District has requested that the City extend the agreement. As of December 31, 2018, the City has not responded to the District’s request for an extension or notified the District that the improvement project will occur and no estimate has been made of the District’s share of the costs of constructing the improvements should the City proceed with the project.

As of December 31, 2018, the District is committed under construction contracts totaling $2,179,868 of which $658,143 has been expended.

MIDWAY SEWER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	2018
Total OPEB Liability - Beginning	$ 1,492,185
Service Cost	64,779
Interest	55,329
Changes in Experience and Data Assumptions	(78,592)
Changes in Benefit Terms	-
Benefit Payments	(23,148)
Other Changes	-
Total OPEB Liability - Ending	1,510,553
Covered Payroll	2,103,250
Total OPEB Liability as a % of Covered Payroll	71.82%

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

* Until a full 10-year trend is compiled, only information for those years available is presented.

MIDWAY SEWER DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

PERS 1

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.015642%	$ 698,584	$ 2,091,394	33.40%	63.22%
2017	0.015172%	719,923	1,917,156	37.55%	61.24%
2016	0.018783%	1,008,728	2,097,071	48.10%	57.03%
2015	0.020023%	1,047,404	2,000,052	52.37%	59.10%
2014	0.018411%	927,457	1,827,065	50.76%	61.19%
2013	0.019159%	1,119,537	1,731,369	64.66%	

Notes to Schedule:

*Information is presented only for those years for which information is available.

PERS 2/3

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.019983%	$ 341,193	$ 2,091,394	16.31%	95.77%
2017	0.019515%	678,064	1,917,156	35.37%	90.97%
2016	0.020758%	1,045,138	1,970,850	53.03%	85.82%
2015	0.019802%	707,544	1,761,094	40.18%	89.20%
2014	0.018853%	381,096	1,639,106	23.25%	93.29%
2013	0.019028%	812,503	1,553,005	52.32%	

Notes to Schedule:

*Information is presented only for those years for which information is available.

MIDWAY SEWER DISTRICT
SCHEDULES OF EMPLOYER CONTRIBUTIONS
DECEMBER 31 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

PERS 1

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2018	$ 109,685	$ (109,685)	$ -	$ 2,169,725	5.06%
2017	97,226	(97,226)	-	1,996,393	4.87%
2016	103,130	(103,130)	-	2,055,732	5.02%
2015	145,876	(145,876)	-	2,040,075	7.15%
2014	84,954	(84,954)	-	1,866,818	4.55%
2013	66,269	(66,269)	-	1,744,421	3.80%

Notes to Schedule:

PERS 1 contributions in 2015 include $46,279 for excess compensation.

* Information is presented only for those years for which information is available.

PERS 2/3

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2018	$ 162,677	$ (162,677)	$ -	$ 2,169,725	7.50%
2017	134,772	(134,772)	-	1,996,393	6.75%
2016	122,549	(122,549)	-	1,971,180	6.22%
2015	105,230	(105,230)	-	1,847,266	5.70%
2014	84,011	(84,011)	-	1,678,022	5.01%
2013	77,593	(77,593)	-	1,561,769	4.97%

Notes to Schedule:

* Information is presented only for those years for which information is available.

MIDWAY SEWER DISTRICT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	2018	2017
SEWAGE TREATMENT		
Supervision	$ 23,686	$ 24,144
Labor	884,589	828,119
Utilities	314,853	344,247
Supplies and General Expense	701,155	626,745
Chemicals	70,579	63,951
Maintenance and Repairs	45,437	117,788
Auto and Truck	22,522	23,628
Total	$ 2,062,821	$ 2,028,622
SEWAGE PUMPING		
Supervision	$ 239	$ 480
Labor	258,463	245,349
Utilities	135,349	83,628
Supplies and General Expense	12,472	11,668
Maintenance and Repairs	4,070	(313)
Total	$ 410,593	$ 340,812
SEWAGE SYSTEM		
Supervision	$ 239	$ 480
Labor	346,401	316,778
Maintenance of Lines	138,396	17,435
Supplies and General Expense	55,539	74,234
Total	$ 540,575	$ 408,927

MIDWAY SEWER DISTRICT
SCHEDULES OF OPERATING EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	2018	2017
GENERAL AND ADMINISTRATIVE		
Office Salaries	$ 257,422	$ 250,138
Manager and Engineering Salaries	437,726	414,843
Salaries and Overhead Applied to Construction	(92,125)	(96,138)
Net General and Administrative Payroll	603,023	568,843
Payroll Taxes	205,062	161,406
Employee Benefits	647,322	566,490
Account Collection	82,839	46,080
Accounting	79,415	70,019
Commissioners' Fees	24,418	19,836
Dues and Subscriptions	16,875	16,419
Engineering	55,918	8,488
Excise Taxes	194,152	172,077
Insurance	190,016	177,282
Legal	104,948	56,817
Maintenance of Office and Equipment	28,304	33,968
Miscellaneous	205,222	206,856
Office Supplies and Expense	162,056	112,139
State Audit Fees	7,505	8,102
Travel, Conventions, and Seminars	15,889	20,875
Utilities	24,380	21,905
Franchise and Utility Taxes	244,309	210,888
Total	$ 2,891,653	$ 2,478,490

MIDWAY SEWER DISTRICT
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Due July 1
Due in 2019	
Interest:	
2008 Public Works Trust Fund Loan	$ 6,650
Principal:	
2008 Public Works Trust Fund Loan	133,004
Total Debt Requirements	$ 139,654
Due in 2020	
Interest:	
2008 Public Works Trust Fund Loan	$ 5,985
Principal:	
2008 Public Works Trust Fund Loan	133,004
Total Debt Requirements	$ 138,989

MIDWAY SEWER DISTRICT
SCHEDULES OF LIENS ON FILE
DECEMBER 31, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	2018	2017
Number on File	289	295
Amount of Service Charge Applicable to Liens on File	$ 110,809	$ 95,829

MIDWAY SEWER DISTRICT
SCHEDULES OF USERS
DECEMBER 31, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	2018		2017	
	Number of Users	Residential Equivalent	Number of Users	Residential Equivalent
Commercial	1,027	16,882	1,012	16,668
Residential	7,129	7,176	7,067	7,024
Public Authorities	5	3,477	5	3,671
Retirement Homes	6	324	7	278
Schools	19	274	18	298
Total	8,186	28,133	8,109	27,939

MIDWAY SEWER DISTRICT
SCHEDULE OF CHANGES TO CONSTRUCTION WORK IN PROGRESS
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

Project Description	Balance 12/31/2017	Additions (Refunds/ Transfers)	Written-Off or Closed to Plant in Service	Balance
WWTP RPBA Installation	$ 82,426	$ -	$ (82,426)	$ -
Comprehensive General Sewer Plan Update	253,657	21,236	(274,893)	-
Des Moines WWTF O&M Manual	82,147	87,062	-	169,209
South Sylvia Pines I&I Reduction	38,637	-	-	38,637
Influent Flow Meter	-	10,295	(10,295)	-
Dewatering Compressor	-	11,264	(11,264)	-
Truck Rack	-	2,145	(2,145)	-
Scum GDR Pumps	20,267	883	(21,150)	-
Scum Room Sump	7,995	1,020	(9,015)	-
P Sump 2	9,149	656	(9,805)	-
P Sump 4	8,763	880	(9,643)	-
SR 509 Sewer Relocation	8,886	35,321	-	44,207
N & S Anaerobic Digester Rehab	40,305	742,901	-	783,206
YSI Probe and Meter	-	10,722	(10,722)	-
Verb Autodialer	-	5,442	(5,442)	-
Salt Water State Park Force Main	-	26,928	-	26,928
Midway Clarifier Design	-	244,622	-	244,622
Office Security Improvements	-	16,421	(16,421)	-
Operations Bldg. Roof Replacement	-	11,260	-	11,260
Treatment Plant Gates	-	11,313	-	11,313
Normandy Park Sewer Rehab	-	11,138	-	11,138
Sound Transit FWLE Review	-	355	-	355
BP Auger	-	7,193	(7,193)	-
RAS Pump 2	-	8,847	(8,847)	-
UV Drain Pump 2	-	11,413	-	11,413
16th Ave Pump Station Phase 1 Preliminary Design Project	-	8,786	-	8,786
Total	$ 552,232	$ 1,288,103	$ (479,261)	$ 1,361,074