



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **Whitworth Water District No. 2**

**For the period January 1, 2020 through December 31, 2020**

*Published June 10, 2021*

Report No. 1028513



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**Office of the Washington State Auditor  
Pat McCarthy**

June 10, 2021

Board of Commissioners  
Whitworth Water District No. 2  
Mead, Washington

**Report on Financial Statements**

Please find attached our report on Whitworth Water District No. 2's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

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*

### **Whitworth Water District No. 2 January 1, 2020 through December 31, 2020**

Board of Commissioners  
Whitworth Water District No. 2  
Mead, 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 Whitworth Water District No. 2, as of and for the year ended December 31, 2020, 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 28, 2021. The prior year comparative information has been derived from the District's 2019 basic financial statements, on which we issued our report dated May 21, 2020.

As discussed in Note 11 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 11.

### **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 a 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.

## 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 results 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. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

May 28, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Whitworth Water District No. 2 January 1, 2020 through December 31, 2020**

Board of Commissioners  
Whitworth Water District No. 2  
Mead, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Whitworth Water District No. 2, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 10.

### **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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial position of Whitworth Water District No. 2, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 11 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 11. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Prior-year Comparative Information***

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2019, from which such partial information was derived. We have previously audited the District's 2019 basic financial statements and we expressed an unmodified opinion in our report dated May 21, 2020. In our opinion, the partial comparative information presented herein as of an for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 be presented to supplement the basic financial statements. Such information, although not a 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 audit 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021 on our consideration of the 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 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 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 the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

May 28, 2021

## **FINANCIAL SECTION**

### **Whitworth Water District No. 2 January 1, 2020 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Revenues, Expenses, and Changes in Fund Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 –  
2020

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Whitworth Water District's (District) financial activities for the year that ended December 31, 2020. The Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements, which consist of: the government wide financial statements; notes to the financial statements; and other supplementary information. These should be used in conjunction with additional information that is included within the financial statements.

### FINANCIAL STATEMENTS

The financial statements are designed to provide a broad overview of the District's finances. The statements provide both short-term and long-term information about the financial position and helps determine whether the District's position has improved or deteriorated during the fiscal year. This report consists of the Statement of Net Position, Statement of Revenue, Expense and Change in Fund Net Position, Notes to the Financial Statements, and Statement of Cash Flow.

**Statement of Net Position:** Presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in net position may indicate whether the financial position of the District is improving or deteriorating. The Statement presents information on how the net position (difference between assets and liabilities) changed during the fiscal year and consist of the following components: invested in capital assets, net of related debt; restricted assets; and unrestricted assets.

**Statement of Revenues, Expenses and Changes in Fund Net Position:** Relates to the revenues, expenses and balances of Whitworth Water District's financial resources. It distinguishes between operating and non-operating revenue and expenses. Capital contributions are also reported separately.

**Statement of Cash Flow:** Designed to show cash flows from four sources: operating activities; non-capital financing activities like contributions; capital and related financing activities; and investing activities.

**Notes to the Financial Statements:** The Notes to the Financial Statements serve to describe the District as a reporting entity and to further clarify its financial activity as reported in the Financial Statements.

Examining the financial statements (as a whole rather than separately from each other) will provide a more comprehensive picture of the business activities.

### PROPRIETARY FUNDS

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District maintains an Enterprise Fund, a type of Proprietary Fund, to account for its water activities. Enterprise Funds report activities that charge fees for supplies or services to the general public. Enterprise Funds are reported as business-type activities on the government-wide financial statements. The Enterprise Fund uses the full accrual basis of accounting, where revenues are recognized in the period earned whether actually received or not, and expenses are recognized and matched with the related revenues of the period, whether actually paid or not.

## FINANCIAL HIGHLIGHTS

The District reported its Net Position as of December 31, 2020 in the amount of \$43.59 million, as compared with \$42.76 million in 2019. Increase in 2020 was partly due to contractor contributions and the balance coming from normal operations.

The Current Assets decreased from \$7.14 million in 2019 to \$6.51 million in 2020, most of which related to a decrease in cash, assessment receivables and an increase in inventory. Restricted Assets, which are used for long term debt repayment and for construction projects, increased from \$2.24 million in 2019 to \$5.80 million in 2020. Increase was due to proceeds from a Water Revenue Bond secured for construction of a new reservoir and future capital improvements.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### Statement of Net Position:

The Statement of Net Position presents the District's assets and liabilities as of December 31, 2020. Detailed information about the District's capital assets is included in Note 2 of the Notes to the Financial Statement.

| Net Position  |               |               |                |
|---|---------------|---------------|----------------|
|   | 2020          | 2019          | Change         |
| <b>Current Assets</b>                                     | \$ 6,509,062  | \$ 7,141,919  | \$ (632,857)   |
| <b>Restricted Assets</b>                                  | 5,804,510     | 2,236,385     | 3,568,125      |
| <b>Non-Current, Including Capital Assets</b>              | 48,760,001    | 45,784,584    | 2,975,417      |
| <b>Total Assets</b>                                       | \$ 61,073,573 | \$ 55,162,888 | \$ 5,910,685   |
|   |               |               |                |
| <b>Deferred Outflows of Resources</b>                     | 156,843       | 136,859       | 19,984         |
| <b>Total Assets &amp; Outflows</b>                        | \$ 61,230,416 | \$ 55,299,747 | \$ 5,930,669   |
|   |               |               |                |
| <b>Current Liabilities</b>                                | \$ 2,254,009  | \$ 1,204,078  | \$ 1,049,931   |
| <b>Non-Current Liabilities</b>                            | 14,771,166    | 10,484,969    | 4,286,197      |
| <b>Total Liabilities</b>                                  | \$ 17,025,174 | \$ 11,689,047 | \$ 5,336,127   |
|   |               |               |                |
| <b>Deferred Inflows of Resources</b>                      | \$ 607,035    | \$ 848,910    | \$ (241,875)   |
| <b>Total Liabilities &amp; Inflows</b>                    | \$ 17,632,209 | \$ 12,537,957 | \$ 5,094,252   |
|   |               |               |                |
| <b>Invested in Capital Assets<br/>Net of Related Debt</b> | \$ 33,438,021 | \$ 35,127,920 | \$ (1,689,899) |
| <b>Restricted for Debt and Construction</b>               | 5,804,510     | 2,236,385     | 3,568,125      |
| <b>Unrestricted</b>                                       | 4,355,676     | 5,397,485     | (1,041,809)    |
| <b>Total Net Position</b>                                 | \$ 43,598,207 | \$ 42,761,790 | \$ 836,417     |
|   |               |               |                |
| <b>Total Net Position and Liabilities</b>                 | \$ 61,230,416 | \$ 55,299,747 | \$ 5,930,669   |

### Description of Capital Assets

The Capital Assets increased significantly for 2020, due to completion of two Construction in Progress for construction and engineering services for a new well, pump house and transmission lines. Certain expenses captured in Construction in Progress were expensed rather than capitalized. Contributions from developers totaled \$163,218. In addition, property was purchased in 2020 for future water storage development in the Northern portion of the District.

## Statement of Revenue and Expenses

The Statement of Revenue and Expenses shows the revenues and expenses that were earned and/or generated during the year with the difference reported as Change in Net Position.

| Statement of Revenue and Expenses              |               |               |              |
|--|---------------|---------------|--------------|
|  | 2020          | 2019          | Change       |
| <b>Total Operating Revenue</b>                 | \$ 5,981,149  | \$ 5,751,450  | \$ 229,699   |
| <b>Total Operating Expense</b>                 | (5,044,170)   | (5,297,339)   | (253,169)    |
| <b>Net Operating Income (Loss)</b>             | \$ 936,979    | \$ 454,110    | \$ 482,869   |
|  |               |               |              |
| <b>Non-Operating Revenue</b>                   | \$ 57,399     | \$ 593,128    | \$ (535,729) |
| <b>Non-Operating Expense</b>                   | (321,179)     | (140,750)     | 180,429      |
| <b>Net Non-Operating Income (Loss)</b>         | \$ (263,780)  | \$ 452,378    | \$ (716,158) |
|  |               |               |              |
| <b>Net Income(Loss) prior to Contributions</b> | \$ 673,198    | \$ 906,488    | \$ (233,290) |
|  |               |               |              |
| <b>Capital Contributions</b>                   | 163,218       | 185,567       | (22,349)     |
|  |               |               |              |
| <b>Change in Net Position</b>                  | \$ 836,416    | \$ 1,092,055  | \$ (255,639) |
|  |               |               |              |
| <b>Beginning Net Position</b>                  | \$ 42,761,790 | \$ 41,669,735 | \$ 1,092,055 |
| <b>Prior Period Adjustments</b>                |               |               |              |
| <b>Change in Net Position</b>                  | 836,416       | 1,092,055     | (255,639)    |
| <b>Ending Net Position</b>                     | \$ 43,598,206 | \$ 42,761,790 | \$ 836,416   |

Revenue is derived from the sale of water, miscellaneous fees, and charges for other related services like fire protection, labor and materials, general facility charges, and meter installation. Expenses are a direct result of all maintenance and operation costs both internally (office) and externally (field). These revenue and expense categories are more specifically defined in the “Statement of Revenues, Expenses and Changes in Fund Net Position”. The above table reflects an increase of 3.99% in operating revenue and a decrease of 4.78% in operating expenses from 2019 to 2020.

## Contributions

Capital Contributions relate to facilities donated to the District by Developers who have paid for their design and installation. There were three small developer capital contributions made to the District in 2020.

| Contributions |            |            |             |
|---------------|------------|------------|-------------|
|               | 2020       | 2019       | Change      |
| Contributions | \$ 163,218 | \$ 185,567 | \$ (22,349) |

## Long Term Debt

During the 2020 fiscal year, the District continued to pay down its existing Public Works Trust Fund and Drinking Water State Revolving Fund debt. In 2018, the District secured a long-term Water Revenue Bond for the financing of the new administration/shop complex. In 2019, the District refunded the Water Revenue Bond 2018 with a Refund Water Revenue Bond 2019 to take advantage of better covenants and interest rates. In 2020, the District secured a Water Revenue Bond for a new reservoir and future capital improvements. More detailed information about the District's long-term debt is presented in Note 3 of the Notes to Financial Statement. The District's total Public Works Trust Fund, Drinking Water State Revolving Fund, and private funded debt at December 31, 2020 and 2019 is as follows:

| Long Term Debt                      |               |               |              |
|-------------------------------------|---------------|---------------|--------------|
|                                     | 2020          | 2019          | Change       |
| Public Works Trust Fund             | \$ 3,380,759  | \$ 3,945,674  | \$ (564,915) |
| Drinking Water State Revolving Fund | 2,806,222     | 2,985,990     | (179,768)    |
| Refund Water Revenue Bond 2019      | 3,500,000     | 3,725,000     | (225,000)    |
| Water Revenue Bond 2020             | 5,635,000     | -0-           | 5,635,000    |
| Total Long Term Debt                | \$ 15,321,981 | \$ 10,656,664 | \$ 4,665,317 |

## District's Position

In reviewing the 2020 Financials, and noting the slight changes (both increases and decreases) in the Statement of Net Position, Revenue and Expense and Long Term Debt, the District's financial position improved and remains strong. Also, we are not aware of any facts, decisions or conditions that would have a significant effect on the District's financial position or results of operations.

**STATEMENT OF NET POSITION**

December 31, 2020 &amp; 2019

**ASSETS**

|   | 2020                            | 2019                            |
|---|---------------------------------|---------------------------------|
| <b>Current Assets:</b>  |                                 |                                 |
| Cash and Cash Equivalents   | \$ 657,944                      | \$ 658,675                      |
| Deposits with Fiscal Agents/Trustees                                | \$ -                            | \$ -                            |
| Temporary Investments   | \$ 4,432,898                    | \$ 5,101,969                    |
| Receivables   | \$ 427,973                      | \$ 380,753                      |
| Receivables - Assessments   | \$ 475,355                      | \$ 599,991                      |
| Inventories   | \$ 468,537                      | \$ 354,265                      |
| Prepayments   | \$ 46,355                       | \$ 46,266                       |
| Other Current Assets  | \$ -                            | \$ -                            |
| <u>Sub Total</u>  | <u>\$ 6,509,062</u>             | <u>\$ 7,141,919</u>             |
| <b>Restricted Assets:</b>   |                                 |                                 |
| Debt Service, Deposits, Replacements                                | \$ 1,575,210                    | \$ 1,106,708                    |
| Construction Accounts   | \$ 4,229,301                    | \$ 1,129,677                    |
| <u>Sub Total</u>  | <u>\$ 5,804,510</u>             | <u>\$ 2,236,385</u>             |
| <br>TOTAL CURRENT ASSETS  | <br><u>\$ 12,313,572</u>        | <br><u>\$ 9,378,304</u>         |
| <b>Noncurrent Assets:</b>   |                                 |                                 |
| Restricted Assets;  |                                 |                                 |
| Debt Service, Deposits, Replacements                                | \$ -                            | \$ -                            |
| Unamortized Debt Discount and Expense                               | \$ -                            | \$ -                            |
| Other Deferred Debits   | \$ -                            | \$ -                            |
| <br>Capital Assets Not Being Depreciated                            |                                 |                                 |
| Land  | \$ 1,854,869                    | \$ 1,467,420                    |
| Construction In Progress  | \$ 2,939,371                    | \$ 3,211,685                    |
| <br>Capital Assets Being Depreciated                                |                                 |                                 |
| Plant   | \$ 65,760,384                   | \$ 61,240,329                   |
| Building, Machinery and Equipment                                   | \$ 6,411,149                    | \$ 6,385,853                    |
|   | \$ -                            | \$ -                            |
| Less Accumulated Depreciation                                       | \$ (28,205,772)                 | \$ (26,520,703)                 |
| Total Capital Assets (Net)  | <u>\$ 48,760,001</u>            | <u>\$ 45,784,584</u>            |
| <br>TOTAL NONCURRENT ASSETS   | <br><u>\$ 48,760,001</u>        | <br><u>\$ 45,784,584</u>        |
| <br><b><u>TOTAL ASSETS</u></b>                                      | <br><u><u>\$ 61,073,573</u></u> | <br><u><u>\$ 55,162,888</u></u> |
| <br><b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>                    |                                 |                                 |
| Deferred Outflows - Pensions  | \$ 156,843                      | \$ 136,859                      |
| <br><b><u>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</u></b> | <br><u><u>\$ 61,230,416</u></u> | <br><u><u>\$ 55,299,747</u></u> |

The notes to Financial Statements are an integral part of this statement.

**STATEMENT OF NET POSITION**

December 31, 2020 &amp; 2019

| <b><u>LIABILITIES</u></b>   | 2020                        | 2019                        |
|---|-----------------------------|-----------------------------|
| <b>Current Liabilities:</b>   |                             |                             |
| Accounts Payable  | \$ 678,799                  | \$ 97,370                   |
| <br>TOTAL CURRENT LIABILITIES                                       | <br>\$ 678,799              | <br>\$ 97,370               |
| <b>Payables from Restricted Assets:</b>                             |                             |                             |
| Debt Principal - DWSRF, PWTF & BOND 2019                            | \$ 1,304,682                | \$ 969,682                  |
| Debt Interest - DWSRF,PWTF & BOND 2019                              | \$ 270,527                  | \$ 137,026                  |
| <br>TOTAL PAYABLES FROM RESTRICTED ASSETS                           | <br>\$ 1,575,210            | <br>\$ 1,106,708            |
| <b>Noncurrent Liabilities:</b>                                      |                             |                             |
| Compensated Absences  | \$ 343,957                  | \$ 397,210                  |
| Other Long Term Debt (less 2019 principal)                          | \$ 14,017,298               | \$ 9,686,981                |
| Net Pension Liability   | \$ 409,911                  | \$ 400,778                  |
| <br>TOTAL NONCURRENT LIABILITIES                                    | <br>\$ 14,771,166           | <br>\$ 10,484,969           |
| <b><u>TOTAL LIABILITIES</u></b>                                     | <b><u>\$ 17,025,174</u></b> | <b><u>\$ 11,689,047</u></b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                             |                             |
| Deferred Inflow - Pension   | \$ 131,680                  | \$ 248,919                  |
| Deferred Inflow - Assessments                                       | \$ 475,355                  | \$ 599,991                  |
| <br>TOTAL INFLOWS OF RESOURCES                                      | <br>\$ 607,035              | <br>\$ 848,910              |
| <b><u>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</u></b> | <b><u>\$ 17,632,209</u></b> | <b><u>\$ 12,537,957</u></b> |
| <br><b><u>NET POSITION</u></b>                                      |                             |                             |
| Invested in Capital Assets, Net of Related Debt                     | \$ 33,438,021               | \$ 35,127,920               |
| Restricted for Debt and Construction                                | \$ 5,804,510                | \$ 2,236,385                |
| Unrestricted  | \$ 4,355,676                | \$ 5,397,485                |
| <br>TOTAL NET POSITION  | <br>\$ 43,598,207           | <br>\$ 42,761,790           |
| <b><u>TOTAL NET POSITION AND LIABILITIES</u></b>                    | <b><u>\$ 61,230,416</u></b> | <b><u>\$ 55,299,747</u></b> |

The notes to Financial Statements are an integral part of this statement.



**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**For Year Ending December 31, 2020 & 2019**

|   | <b><u>2020</u></b>   | <b><u>2019</u></b>   |
|---|----------------------|----------------------|
| <b><u>OPERATING REVENUES</u></b>  |                      |                      |
| Utility Sales and Service Fees  | \$ 5,047,040         | \$ 4,533,741         |
| Other Charges for Services  | \$ 934,109           | \$ 1,217,708         |
| <b>Total Operating Revenue</b>  | <b>\$ 5,981,149</b>  | <b>\$ 5,751,450</b>  |
| <b><u>OPERATING EXPENSES:</u></b>   |                      |                      |
| Operations:   |                      |                      |
| General Operations  | \$ 1,240,506         | \$ 1,333,587         |
| Cost of Power   | \$ 644,809           | \$ 716,664           |
| Customer Services   | \$ 580,996           | \$ 511,175           |
| Depreciation/Amortization/ Depletion                                      | \$ 1,834,720         | \$ 1,720,500         |
| Payroll, Property, Excise & B&O Taxes                                     | \$ 111,956           | \$ 346,667           |
| Insurance, Claims & Expenses  | \$ 109,991           | \$ 95,625            |
| Maintenance   | \$ 521,191           | \$ 573,121           |
| <b>Total Operating Expenses</b>   | <b>\$ 5,044,170</b>  | <b>\$ 5,297,339</b>  |
| <b>OPERATING INCOME (LOSS)</b>  | <b>\$ 936,979</b>    | <b>\$ 454,110</b>    |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b>                            |                      |                      |
| Interest and Investment Revenue   | \$ 55,080            | \$ 218,549           |
| Gains (Losses) on Capital Asset Disposition                               | \$ 2,319             | \$ 374,579           |
| Misc. Nonoperating Income & Expenses                                      | \$ 20,397            | \$ 3,741             |
| Other Nonoperating Expenses - Interest Expense                            | \$ (341,576)         | \$ (144,491)         |
| <b>Total Nonoperating Revenues (Expenses)</b>                             | <b>\$ (263,781)</b>  | <b>\$ 452,378</b>    |
| Income Before Contributions, Transfers<br>Extraordinary and Special Items | \$ 673,198           | \$ 906,488           |
| Capital Contributions   | \$ 163,218           | \$ 185,567           |
| <b>CHANGE IN NET POSITION</b>   | <b>\$ 836,416</b>    | <b>\$ 1,092,055</b>  |
| <b>TOTAL NET POSITION, January 1, 2020</b>                                | <b>\$ 42,761,790</b> | <b>\$ 41,669,735</b> |
| Prior Period Adjustments  | \$ -                 | \$ -                 |
| Change in Net Position (Stmnt of Revenues)                                | \$ 836,416           | \$ 1,092,055         |
| <b>TOTAL NET POSITION, December 31, 2020</b>                              | <b>\$ 43,598,207</b> | <b>\$ 42,761,790</b> |

The notes to Financial Statements are an integral part of this statement.

**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |              |
|---|--------------|
| Cash received from customers                      | \$ 6,058,566 |
| Cash payments to suppliers for goods and services | (2,568,586)  |
| Cash payments to employees for service            | (1,283,401)  |

|  |                     |
|--|---------------------|
| <b>Net Cash Provided by Operating Activities</b> | <b>\$ 2,206,579</b> |
|--|---------------------|

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

|   |              |
|---|--------------|
| Proceeds from fiduciary collections - street lights | \$ 167,186   |
| Payments on fiduciary responsibilities              | \$ (167,186) |

|  |             |
|--|-------------|
| <b>Net Cash Provided by (used for) Noncapital Financing Activities</b> | <b>\$ -</b> |
|--|-------------|

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|  |                |
|--|----------------|
| Proceeds from Public Works Trust Fund loans                                    | \$ -           |
| Proceeds from Drinking Water State Revolving Fund                              | \$ -           |
| Proceeds from Water Revenue Bond 2020  | \$ 6,045,000   |
| Acquisition and construction of capital assets                                 | \$ (3,849,176) |
| Principal payments made on revenue bond maturities<br>and other long-term debt | \$ (1,379,682) |
| Interest paid on revenue bonds and other long-term debts                       | \$ (208,075)   |
| Proceeds from sale of equipment  | \$ 8,200       |
| Non-Operating Income   | \$ 20,397      |
| Cash proceeds from contributions in aid of construction                        | \$ -           |

|  |                   |
|--|-------------------|
| <b>Net Cash used by Capital and Related Financing Activities</b> | <b>\$ 636,663</b> |
|--|-------------------|

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                   |           |
|-------------------|-----------|
| Interest received | \$ 55,080 |
|-------------------|-----------|

|  |                  |
|--|------------------|
| <b>Net Cash provided by Investing Activities</b> | <b>\$ 55,080</b> |
|--|------------------|

|   |                     |
|---|---------------------|
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>\$ 2,898,323</b> |
|---|---------------------|

|  |              |
|--|--------------|
| Cash and Cash Equivalents at Beginning of Year | \$ 7,997,030 |
|--|--------------|

|  |               |
|--|---------------|
| Cash and Cash Equivalents at End of Year | \$ 10,895,353 |
|--|---------------|

**Reconciliation of Cash and Cash Equivalents**

|                                       |              |
|---------------------------------------|--------------|
| Cash and investments                  | \$ 5,090,842 |
| Other restricted cash and investments | 5,804,510    |

|  |               |
|--|---------------|
| Cash and Cash Equivalents at End of Year | \$ 10,895,353 |
|--|---------------|

The notes to Financial Statements are an integral part of this statement.

**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:**

|  |                            |
|--|----------------------------|
| Operating Income (Loss)  | \$ 936,979                 |
| Adjustments to Reconcile Operating Income to Net Cash Provided<br>by Operating Activities: |                            |
| Depreciation Expense   | 1,834,720                  |
| Change in Assets and Liabilities:  |                            |
| (Increase) decrease in accounts receivable   | 77,417                     |
| (Increase) decrease in materials and supplies  | (114,272)                  |
| (Increase) decrease in prepaid expenses  | (89)                       |
| Increase (decrease) in accounts payable  | <u>(528,176)</u>           |
| Total Adjustments  | <u>1,269,600</u>           |
| <b>Net Cash provided by operating activities</b>   | <b><u>\$ 2,206,579</u></b> |

**NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

|   |                   |
|---|-------------------|
| Non-cash contributions in aid of construction | <u>\$ 163,218</u> |
|---|-------------------|

**DISCLOSURE OF ACCOUNTING POLICY:**

For purposes of this statement of cash flows, the District considers all of its investments in highly liquid debt instruments to have a maturity of three months or less and are thus considered as cash equivalents.

The notes to Financial Statements are an integral part of this statement.

**WHITWORTH WATER DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2020 through December 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Whitworth Water District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The District is a municipal corporation, special purpose district that was incorporated in 1939 and operates under the laws of the State of Washington applicable to water districts. It is governed by an elected five-member Board. As defined by the generally accepted accounting principles, the District has no component units.

B. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the *Uniform System of Accounts for Class A Water Utilities*.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the fund. Operating income includes gains and losses from the disposal of utility plant and equipment.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water and miscellaneous fees. The District also recognizes as operating revenue its general facility charges intended to recover the cost of connecting new customers to the system. Operating expenses for the district include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District's financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, Statement of Cash Flows and the Management Discussion & Analysis. The financial statements also include the assets and liabilities for which the District has a custodial or trust responsibility.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

See Note 2.

E. Restricted Funds

In accordance with certain related loan agreements (Public Works Trust Fund, Drinking Water State Revolving Fund, and private sources), separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service, and other special reserve requirements. Restricted funds needed for Public Works Trust Fund and Drinking Water State Revolving Fund loans for projects not yet closed out are estimated in the following table and both principal and interest fluctuate according to the amount borrowed as of a specific date. Restricted funds required by

loan covenants to cover principal and interest and reserved capital improvements funds in 2019 include the following:

|  | 2020         | 2019         |
|--|--------------|--------------|
| Long Term Debt Reserve Accounts (See Note 3) | \$ 1,575,210 | \$ 1,106,708 |
| Construction Capital Improvements (Future)   |              |              |
| LGIP   | \$ 4,224,306 | \$ 1,127,960 |
| Washington Trust                             | 4,994        | 1,717        |
| Total  | \$ 5,804,510 | \$ 2,236,385 |

F. Receivables

The customer receivable accounts consist of amounts owed from private individuals or organizations for goods and services. The District's receivable balance represents all unpaid amounts at year end. The balance is not reduced by an estimated uncollectible amount since the District experiences virtually no bad debt loss due to its statutory authority to both refuse service to delinquent accounts and to file property liens where necessary.

G. Inventories

Inventories consist of expendable supplies held for consumption and are valued by the last cost method, which approximates the market value.

H. Deposits & Investments

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. (See Note 4)

I. Compensated Absences

Compensated absences are an accumulation of vacation and sick leave, for which employees will be paid. The District records unpaid leave for compensated absences as an expense and liability when occurred.

The District accrues accumulated unpaid vacation leave benefit amounts up to thirty working days and is payable upon resignation, retirement, or death. In accordance with the District's Union contract, at separation any unused sick leave shall be forfeited and will not be paid as separation pay except when separation is due to death, retirement, or termination without cause after 10 years. When separation is due to the latter, an employee will be paid 50% of their accrued sick leave up to sixty-five days at their current rate of pay. Separation due to any other cause will result in forfeiture of sick leave. Sick leave accrual may be accumulated to a maximum amount of one-hundred and thirty (130) working days or 1040 total hours.

The recorded liability for sick pay and vacation pay for the years ended December 31, 2020 and December 31, 2019 is noted below.

| ID #   | Year | Compensated Absences | Beginning Balance 01/01/2020 | Additions  | Reductions | Ending Balance 12/31/2020 |
|--------|------|----------------------|------------------------------|------------|------------|---------------------------|
| 259.12 | 2020 | Sick                 | \$ 322,627                   | \$ 2,493   | \$ 48,122  | \$ 276,998                |
|        |      | Vacation             | \$ 74,583                    | \$ 88,243  | \$ 95,867  | \$ 66,959                 |
|        |      | Total                | \$ 397,210                   | \$ 90,736  | \$ 143,989 | \$ 343,957                |
| ID #   | Year | Compensated Absences | Beginning Balance 01/01/2019 | Additions  | Reductions | Ending Balance 12/31/2019 |
| 259.12 | 2019 | Sick                 | \$ 355,153                   | \$ 42,474  | \$ 75,000  | \$ 322,627                |
|        |      | Vacation             | \$ 72,524                    | \$ 92,429  | \$ 90,370  | \$ 74,583                 |
|        |      | Total                | \$ 427,677                   | \$ 134,903 | \$ 165,370 | \$ 397,210                |

J. Unamortized Debt Expense

The District has no outstanding bonds at this time.

K. 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 2 – UTILITY PLANT & DEPRECIATION**

Major expenses for capital assets, including major repairs that increase useful lives are capitalized. Determining when to capitalize versus when to expense varies based on the project and the useful life of the expenditure. Capital assets that have a cost or value of \$5,000 or more and an estimated useful life of five (5) years or more, will be capitalized and depreciated. Maintenance and repairs which do not extend the useful life of the asset, are recorded as expenses when incurred. Land is recorded at purchase price and is not depreciated.

Donations by developers and customers are recorded at the contract price or donor cost. Depreciation on assets acquired with contributed capital is recorded with other depreciation charges.

Depreciation is computed on the straight-line method with useful lives of five to 40 years. Initial depreciation on assets is recorded in the month following purchase or completion.

When capital assets are disposed of, the original cost is removed from the fixed asset accounts, accumulated depreciation is reduced by the assets accumulated depreciation, and the net gain or loss is recorded to non-operating income or loss.

Most capital assets will fall within the following guidelines relating to the number of years they will be depreciated.

| <u>Asset</u>                      | <u>Years</u> |
|-----------------------------------|--------------|
| Office Furniture                  | <u>5</u>     |
| Electronics                       | <u>5</u>     |
| Vehicles                          | <u>10</u>    |
| Equipment                         | <u>10</u>    |
| Meters                            | <u>20</u>    |
| Buildings                         | <u>20</u>    |
| New Office/Shop Complex           | <u>40</u>    |
| Transmission/Distribution Systems | <u>40</u>    |

A summary of changes in capital assets as of December 31, 2020 and December 31, 2019 follows:

**1/1/2020 through 12/31/2020**

|                                     | <b>Balance<br/>1/1/2020</b> | <b>Increase</b> | <b>Decrease</b> | <b>Balance<br/>12/31/2020</b> |
|-------------------------------------|-----------------------------|-----------------|-----------------|-------------------------------|
| Utility Plant Not Being Depreciated |                             |                 |                 |                               |
| Land                                | \$ 1,467,420                | \$ 387,449      | \$ 0            | \$ 1,854,869                  |
| Construction in Progress            | \$ 3,211,685                | \$ 4,010,031    | \$ 4,282,345    | \$ 2,939,371                  |
| Total Plant Not Being Depreciated   | \$ 4,679,105                | \$ 4,397,480    | \$ 4,282,345    | \$ 4,794,240                  |
| Utility Plant Being Depreciated     |                             |                 |                 |                               |
| Buildings, Plant                    | \$ 66,484,210               | \$ 4,583,501    | \$ 58,996       | \$ 71,008,715                 |
| Equipment                           | \$ 1,141,970                | \$ 117,383      | \$ 96,536       | \$ 1,162,817                  |
| Total Plant Being Depreciated       | \$ 67,626,180               | \$ 4,700,884    | \$ 155,532      | \$ 72,171,532                 |
| Less: Accumulated Depreciation      | \$ (26,520,703)             | \$ (1,834,720)  | \$ (149,651)    | \$ (28,205,772)               |
| Total Plant Being Depreciated, Net  | \$ 41,105,477               | \$ 2,866,164    | \$ 5,881        | \$ 43,965,760                 |
| Net Capital Assets                  | \$ 45,784,582               | \$ 7,263,644    | \$ 4,288,226    | \$ 48,760,000                 |

**1/1/2019 through 12/31/2019**

|                                     | <b>Balance<br/>1/1/2019</b> | <b>Increase</b> | <b>Decrease</b> | <b>Balance<br/>12/31/2019</b> |
|-------------------------------------|-----------------------------|-----------------|-----------------|-------------------------------|
| Utility Plant Not Being Depreciated |                             |                 |                 |                               |
| Land                                | \$ 1,354,301                | \$ 141,761      | \$ 28,642       | \$ 1,467,420                  |
| Construction in Progress            | \$ 4,294,915                | \$ 4,165,067    | \$ 5,248,297    | \$ 3,211,685                  |
| Total Plant Not Being Depreciated   | \$ 5,649,216                | \$ 4,306,828    | \$ 5,276,939    | \$ 4,679,105                  |
| Utility Plant Being Depreciated     |                             |                 |                 |                               |
| Buildings, Plant                    | \$ 61,113,037               | \$ 5,558,165    | \$ 186,992      | \$ 66,484,210                 |
| Equipment                           | \$ 1,141,796                | \$ 37,243       | \$ 37,069       | \$ 1,141,970                  |
| Total Plant Being Depreciated       | \$ 62,254,833               | \$ 5,595,408    | \$ 224,061      | \$ 67,626,180                 |
| Less: Accumulated Depreciation      | \$ (25,018,044)             | \$ (1,720,500)  | \$ (217,841)    | \$ (26,520,703)               |
| Total Plant Being Depreciated, Net  | \$ 37,236,790               | \$ 3,874,908    | \$ 6,220        | \$ 41,105,477                 |
| Net Capital Assets                  | \$ 42,886,006               | \$ 8,181,736    | \$ 5,283,159    | \$ 45,784,582                 |

**NOTE 3 – LONG TERM DEBT**

The District has been able to secure low interest loans from both the Washington State Public Works Trust Fund (PWTF), and the Drinking Water State Revolving Fund (DWSRF), for major construction projects. These loans are repaid from water sales revenue of the District. The District has also secured a long-term Water Revenue Bond for the construction of a new administration/shop complex. In December 2019, the District refunded this debt with a long term Water Revenue Refunding Bond in order to take advantage of lower interest rates and to modify debt service requirements. In 2020, the District secured a Water Revenue Bond for the construction of a 1.5 MG Reservoir and for additional district-wide infrastructure improvements. Annual principal and interest payments on the loans require approximately 26.55% of the District's Operating Revenues. The total principal and interest remaining to be paid on the loans is \$17,382,583. Principal and interest paid for the current year was \$1,379,682 and \$208,075 respectively.

## DISTRICT LOANS:

The District has both PWTF and DWSRF low interest-bearing loans from the State of Washington for the construction of numerous projects as follows:

### PWTF LOANS:

- Midway to Panorama: 2001, \$3,201,100, 20-year, .5% loan. Annual payment including interest is approximately \$112,000.
- North Colbert: 2005, \$2,502,300, 20-year, 0.50% loan. Annual payment including interest is approximately \$137,000.
- Perry North: 2006, \$3,496,600, 20-year, 0.50% loan. Annual payment including interest is approximately \$194,000.
- Big Meadows-Woolard Regular: 2011, \$2,586,950, 20-year, 0.25% loan. Annual payment including interest is approximately \$141,000.

### DWSRF LOANS:

- SCWD #3, Chattaroy Hills: \$1,401,144, 20-year, 1% interest loan. Annual payment including interest is approximately \$83,400.
- 12" & 16" Main, Chattaroy Rd: \$584,781, 20-year, 1.5% interest loan. Annual payment including interest is approximately \$37,000.
- 18" Main, Bernhill: \$1,609,738, 20-year, 1.5% interest loan. Annual payment including interest is approximately \$100,000.

### PRIVATE SOURCE LOANS:

- District Administration/Shop Complex: \$4,500,000 Water Revenue Refund Bond, 10-year, 2.71% interest. 2 payments annually, June – Interest only, Dec – Principal & Interest. Annual payment including interest is \$517,650. This loan was refunded in December 2019 with a 15 year, 2.4% interest with June – Interest only, Dec – Principal & Interest with annual payments including interest of approximately \$308,000.
- Reservoir and future infrastructure: \$6,045,000 Water Revenue Bond, 15-year, 2.46% interest. 2 payments annually, June & Dec - Principal & Interest. Annual payment including interest is \$477,000.

| The estimated annual requirements to amortize outstanding debt of the District includes both principal and interest as follows: |           |               |              |               |
|---|-----------|---------------|--------------|---------------|
|   |           | Principal     | Interest     | Total         |
| Year ending 12/31   | 2021      | \$ 1,304,682  | \$ 270,527   | \$ 1,575,209  |
|   | 2022      | 1,213,148     | 251,992      | 1,465,140     |
|   | 2023      | 1,228,148     | 233,527      | 1,461,675     |
|   | 2024      | 1,243,148     | 214,697      | 1,457,845     |
|   | 2025      | 1,253,148     | 195,563      | 1,448,711     |
|   | 2026-2030 | 5,104,956     | 690,703      | 5,795,659     |
|   | 2031-2035 | 3,865,038     | 201,948      | 4,066,986     |
|   | 2036      | 109,710       | 1,646        | 111,356       |
| Total Outstanding Debt  |           | \$ 15,321,981 | \$ 2,060,602 | \$ 17,382,583 |



Summary of Long-Term Debt is as follows for 2020 and 2019:

| ID No.                                    | Purpose                         | Date of Original Issue | Date of Maturity | Outstanding Debt 01/01/2020 | Additions    | Reductions   | Outstanding Debt 12/31/2020 |
|---|---------------------------------|------------------------|------------------|-----------------------------|--------------|--------------|-----------------------------|
| 263.88<br>PWTF – Hatch to Panorama        | Main, Booster, Reservoir        | 2001                   | 2021             | \$ 223,068                  |              | \$ 111,534   | \$ 111,534                  |
| 263.88<br>PWTF – N. Colbert               | Mains, Booster, Reservoir       | 2005                   | 2025             | \$ 792,395                  |              | \$ 132,066   | \$ 660,329                  |
| 263.88<br>PWTF Perry Rd N                 | Mains, Booster, Reservoir       | 2006                   | 2026             | \$ 1,295,799                |              | \$ 185,114   | \$ 1,110,685                |
| 263.88<br>Big Meadow Regular              | Mains                           | 2011                   | 2031             | \$ 1,634,412                |              | \$ 136,201   | \$ 1,498,211                |
| 263.84<br>DWSRF Chattaroy Hills           | Mains, Pump Station             | 2013                   | 2035             | \$ 1,120,915                |              | \$ 70,057    | \$ 1,050,858                |
| 263.84<br>DWSRF Bernhill                  | Mains, Pump Station             | 2014                   | 2036             | \$ 1,368,010                |              | \$ 80,471    | \$ 1,287,539                |
| 263.84 DWSRF Chattaroy/Yale Rd            | Mains                           | 2014                   | 2036             | \$ 497,064                  |              | \$ 29,239    | \$ 467,825                  |
| 263.61<br>Key Bank Refunded Commerce Bank | Administration/ Office Complex  | 2019                   | 2034             | \$ 3,725,000                |              | \$ 225,000   | \$ 3,500,000                |
| 263.61<br>Key Bank Commerce Bank          | Reservoir/Future Infrastructure | 2020                   | 2034             | -0-                         | \$ 6,045,000 | \$ 410,000   | \$ 5,635,000                |
| Total                                     |                                 |                        |                  | \$10,656,663                | \$ 6,045,000 | \$ 1,379,682 | \$ 15,321,981               |

| ID No.                                    | Purpose                        | Date of Original Issue | Date of Maturity | Outstanding Debt 01/01/2019 | Additions    | Reductions  | Outstanding Debt 12/31/2019 |
|---|--------------------------------|------------------------|------------------|-----------------------------|--------------|-------------|-----------------------------|
| 263.82<br>PWTF – Midway to Panorama       | Main, Booster, Reservoir       | 2001                   | 2021             | \$ 334,602                  |              | \$ 111,534  | \$ 223,068                  |
| 263.82<br>PWTF – N. Colbert               | Mains, Booster, Reservoir      | 2005                   | 2025             | \$ 924,461                  |              | \$ 132,066  | \$ 792,395                  |
| 263.82<br>PWTF Perry Rd N                 | Mains, Booster, Reservoir      | 2006                   | 2026             | \$ 1,480,913                |              | \$ 185,114  | \$ 1,295,799                |
| 263.82<br>Big Meadow Regular              | Mains                          | 2011                   | 2031             | \$ 1,770,612                |              | \$ 136,200  | \$ 1,634,412                |
| 263.82<br>DWSRF Chattaroy Hills           | Mains, Pump Station            | 2013                   | 2035             | \$ 1,190,973                |              | \$ 70,057   | \$ 1,120,915                |
| 263.82<br>DWSRF Bernhill                  | Mains, Pump Station            | 2014                   | 2036             | \$ 1,448,481                |              | \$ 80,471   | \$ 1,368,010                |
| 263.82<br>DWSRF Chattaroy/Yale Rd         | Mains                          | 2014                   | 2036             | \$ 526,303                  |              | \$ 29,239   | \$ 497,064                  |
| 263.61 Commerce Bank                      | Administration/ Office Complex | 2018                   | 2027             | \$ 4,085,000                |              | \$4,085,000 |                             |
| 263.61<br>Key Bank Refunded Commerce Bank | Administration/ Office Complex | 2019                   | 2034             | \$ -0-                      | \$ 3,725,000 |             | \$ 3,725,000                |
| Total                                     |                                |                        |                  | \$11,761,345                | \$3,725,000  | \$4,829,682 | \$10,656,663                |

## NOTE 4 – DEPOSITS & INVESTMENTS

The District maintains Deposit Accounts with Washington Trust Bank and Investment Accounts with the State Treasurer's Local Government Investment Pool (LGIP).

Custodial credit risk for deposits is the risk that, in the 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 deposits are mostly 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).

As required by State law, all investments of the District's funds are obligations of the U.S. Government, the State Treasurer's Local Government Investment Pool (LGIP), or deposits with a Washington State bank savings and loan institution. District funds are invested at the direction of the District's Board of Commissioners. The District considers all of its investments in highly liquid debt instruments to have a maturity of three months or less and are therefore considered as cash equivalents.

The District is a participant in the LGIP. It was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

The District's deposits & investments at year end 2020 & 2019 are stated as follows:

| DEPOSITS & INVESTMENTS       |               |              |
|------------------------------|---------------|--------------|
|                              | 2020          | 2019         |
| CASH ON HAND                 | \$ 400        | \$ 400       |
| BANK DEPOSIT ACCOUNTS        | 662,539       | 659,992      |
| LGIP INVESTMENTS             | 10,232,413    | 7,336,637    |
|                              |               |              |
| TOTAL DEPOSITS & INVESTMENTS | \$ 10,895,352 | \$ 7,997,029 |

All temporary investments are stated at cost, which approximates market value.

## NOTE 5 – CONSTRUCTION IN PROGRESS

As of December 31, 2020, Construction in Progress consisted of the following:

| 2020                             |                                 |                             |                      |
|----------------------------------|---------------------------------|-----------------------------|----------------------|
| Projects                         | Estimated Project Authorization | Expended through 12/31/2020 | Remaining Commitment |
| 1.5 MG Hatch Reservoir           | \$ 4,181,000                    | \$ 25,293                   | \$ 4,155,707         |
| 1.5 MG Reservoir – 9B            | 4,743,000                       | 2,663,640                   | 2,079,360            |
| 3-8 Transmission Main            | 5,765,000                       | 87,959                      | 5,677,041            |
| System 2 Well                    | 3,299,000                       | 7,939                       | 3,291,061            |
| Ardmore Booster Building Remodel | 100,000                         | 60,737                      | 39,263               |
| Misc District Projects           | 150,000                         | 93,803                      | 56,197               |
| Total of Projects in Progress    | \$ 18,238,000                   | \$ 2,939,371                | \$ 15,298,629        |

| 2019                              |  |                                    |                             |
|-----------------------------------|--|------------------------------------|-----------------------------|
| <b>Projects</b>                   | <b>Estimated Project Authorization</b> | <b>Expended through 12/31/2018</b> | <b>Remaining Commitment</b> |
| 1.5 MG Hatch Reservoir            | \$ 4,181,000                           | \$ 25,293                          | \$ 4,155,707                |
| Well 3D Drilling & Well House     | 2,030,000                              | 620,137                            | 1,409,863                   |
| Mayfair/Mill Rd Transmission Line | 2,510,000                              | 2,507,203                          | 2,797                       |
| 1.5 MG Reservoir – 9B             | 4,743,000                              | 59,053                             | 4,683,947                   |
| Total of Projects in Progress     | \$ 13,464,000                          | \$ 3,211,686                       | \$ 10,252,314               |

## **NOTE 6 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2020:

| Aggregate Pension Amounts – All Plans |              |
|---------------------------------------|--------------|
| Pension liabilities                   | \$ (409,911) |
| Deferred outflows of resources        | \$ 156,843   |
| Deferred inflows of resources         | \$ (131,680) |
| Pension expense/expenditures          | \$ 27,813    |

### **State Sponsored Pension Plans**

Substantially all 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 (DRS), 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 DRS, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at [www.drs.wa.gov](http://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 two percent 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. 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 non-duty 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 District has no active PERS 1 employees. Contributions are a component of PERS 2/3 to address the PERS 1 UAAL.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent 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 three percent 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 percent 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. 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 non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent 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.

### **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 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

| <b>PERS Plan 2/3</b>              |                     |                   |
|-----------------------------------|---------------------|-------------------|
| <b>Actual Contribution Rates:</b> | <b>Employer 2/3</b> | <b>Employee 2</b> |
| January - August 2020             |                     |                   |
| PERS Plan 2/3                     | 7.92%               | 7.90%             |
| PERS Plan 1 UAAL                  | 4.76%               |                   |
| Administrative Fee                | .18%                |                   |
| Total                             | 12.86%              | 7.90%             |
| September - December 2020         |                     |                   |
| PERS Plan 2/3                     | 7.92%               | 7.90%             |
| PERS Plan 1 UAAL                  | 4.87%               |                   |
| Administrative Fee                | .18%                |                   |
| Total                             | 12.97%              | 7.90%             |

The District's actual PERS plan contributions were \$ 158,108 for the year ended December 31, 2020. Amount includes the administrative fee.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

## Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 percent 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 percent 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

## 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 as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class     | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|-----------------|-------------------|---|
| Fixed Income    | 20%               | 2.20%   |
| Tangible Assets | 7%                | 5.10%   |
| Real Estate     | 18%               | 5.80%   |
| Global Equity   | 32%               | 6.30%   |
| Private Equity  | 23%               | 9.30%   |
|                 | <b>100%</b>       |   |

#### Sensitivity of Net Pension Liability/(Asset)

The table below presents the District's proportionate share\* of the net pension liability calculated using the discount rate of 7.4 percent, 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

|          | 1% Decrease<br>(6.4%) | Current Discount<br>Rate<br>(7.4%) | 1% Increase<br>(8.4%) |
|----------|-----------------------|------------------------------------|-----------------------|
| PERS 1   | \$ 348,293            | \$ 278,065                         | \$ 216,820            |
| PERS 2/3 | \$ 820,383            | \$ 131,846                         | \$ (435,164)          |

**\*See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.**

#### 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 June 30, 2020, the District reported a total pension liability of \$409,911 for its proportionate share of the net pension liabilities as follows:

|          | Liability (or Asset) |
|----------|----------------------|
| PERS 1   | \$278,065            |
| PERS 2/3 | \$131,846            |

At June 30, the District's proportionate share of the collective net pension liabilities was as follows:

|          | Proportionate<br>Share 6/30/19 | Proportionate<br>Share 6/30/20 | Change in<br>Proportion |
|----------|--------------------------------|--------------------------------|-------------------------|
| PERS 1   | .007860%                       | .007876%                       | .000016%                |
| PERS 2/3 | .010144%                       | .010309%                       | .000165%                |

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* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

## Pension Expense

For the year ended December 31, 2020, the District recognized pension expense as follows:

|          | Pension Expense |
|----------|-----------------|
| PERS 1   | \$14,257        |
| PERS 2/3 | \$13,556        |

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience   | \$ 0                           | \$ 0                          |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 0                           | (\$1,548)                     |
| Changes of assumptions   | \$ 0                           | \$ 0                          |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 0                           | \$ 0                          |
| Contributions subsequent to the measurement date   | \$ 30,963                      | \$ 0                          |
| TOTAL  | \$ 30,963                      | (\$1,548)                     |

| PERS 2/3   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience   | \$ 47,199                      | (\$ 16,523)                   |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 0                           | (\$ 6,696)                    |
| Changes of assumptions   | \$ 1,878                       | (\$ 90,062)                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 28,040                      | (\$ 16,846)                   |
| Contributions subsequent to the measurement date   | \$ 50,757                      | \$ 0                          |
| TOTAL  | \$ 125,874                     | (\$ 130,127)                  |

| TOTAL ALL PLANS  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience   | \$ 47,199                      | (\$ 16,523)                   |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ 0                           | (\$ 8,244)                    |
| Changes of assumptions   | \$ 1,878                       | (\$ 90,062)                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 28,040                      | (\$ 16,846)                   |
| Contributions subsequent to the measurement date   | \$ 81,720                      | \$ 0                          |
| TOTAL  | \$ 156,837                     | (\$ 131,675)                  |

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 year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



| <b>Year ended<br/>December 31:</b> | <b>PERS1</b> | <b>PERS 2/3</b> |
|------------------------------------|--------------|-----------------|
| 2021                               | (\$ 7,026)   | (\$ 52,067)     |
| 2022                               | (\$ 221)     | (\$ 10,436)     |
| 2023                               | \$ 2,144     | \$ 4,985        |
| 2024                               | \$ 3,555     | \$ 11,192       |
| 2025                               |              | (\$ 3,649)      |
| Thereafter                         |              | (\$ 5,036)      |
| Total                              | (\$ 1,548)   | (\$ 55,011)     |

## **NOTE 7 – DEFERRED COMPENSATION PROGRAM**

The State of Washington has approved offering its employees and employees of those political subdivisions that elect to participate, a deferred compensation program (DCP) pursuant to RCW 41.50.770, in accordance with Internal Revenue Code Section 457. The District commissioners have likewise approved offering its employees the State deferred compensation program. The deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable financial emergency. This deferred compensation program is administered by DRS.

The intent of the program is to provide additional income to participants upon retirement. By deferring part of their income, participants can reduce their taxable income each year. The investments remain tax-free until they are withdrawn. The program provides participants with a way to easily save money and help supplement their other retirement income.

District employees participating in DCP self-direct their investments through options provided by the Washington State Investment Board (WSIB). The WSIB has the full power to invest moneys in DCP in accordance with RCW 43.84.150, 43.33A.140, and 41.50.770.

The program offers two investment options as follows:

The **One-Step Investing** option is designed for those who do not have the desire, comfort level and/or time to select, monitor and rebalance, as needed, their own allocation mix of funds. Each Retirement Strategy Fund is diversified and automatically rebalances, adjusting the participant's allocation mix as the participant moves toward a retirement date. The program funds for this option include 12 specific Retirement Strategy year options from 2000 to 2055.

The **Build and Monitor** option requires the participant to select fund(s) from any or all of the following seven professionally managed funds, monitor account activity and rebalance the allocation mix as necessary to maintain the desired investment objectives.

DCP participants may adjust or suspend their participation in the program at any time. Upon separation from employment, DCP participants have the option of withdrawing some or all of the balance in their account or leaving their balance in place to continue to benefit from market fluctuations.

The IRS requires a DCP participant to start receiving mandatory account distributions at retirement, or by April of the year after the participant turns 70 ½ years old, whichever comes later.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust by the WSIB, as set forth under RCW 43.33A.030, for the exclusive benefit of the DCP participants and their beneficiaries. Neither the participant, nor the participant's beneficiary or beneficiaries, nor any other designee, has any right to commute, sell, assign, transfer, or otherwise convey the right to receive any payments under the plan. These payments and rights thereto are non-assignable and non-transferable.



## **NOTE 8 – RISK MANAGEMENT**

The District purchases insurance through local agents as shown below:

| AGENT  | COVERAGE                                   | LIMIT                 | DEDUCTIBLE |
|--|--|-----------------------|------------|
| Hub International Northwest LLC for The Cincinnati Insurance Company |  |                       |            |
|  | Commercial Package:                        |                       |            |
|  | Property – Per Occurrence                  | Blanket               | 10,000     |
|  | General Liability                          | 1,000,000 - 3,000,000 | Varies     |
|  | Crime & Fidelity                           | 500,000               | 5,000      |
|  | Inland Marine                              | Varies                | 1,000      |
|  | Automobile – BI and PD                     | 1,000,000             | 500        |
|  | Public Officials (D&O)                     | 5,000,000             | 10,000     |
|  | Boiler and Machinery                       | Blanket               | 10,000     |
|  | Employment Practices                       | 5,000,000             | 10,000     |
|  | Commercial Umbrella                        | 10,000,000            |            |
|  | Professional Liability – Each Claim        | 2,000,000             | 1,000      |
|  | Cyber Liability                            | 1,000,000             | 2,500      |
|  | Street Obstruction Bond-Spokane Co         | 10,000                |            |
|  | Franchise & Permit, WA State DOT           | 10,000                |            |
|  | Notary Bonds                               | 10,000                |            |
|  | Public Officials Bond                      | 50,000                |            |
| Assoc of Wa Cities   | Group Medical, Vision, Life & AD&D, Dental | Varies                | Varies     |

## **NOTE 9 – JOINT VENTURE**

### **Spokane Aquifer Joint Board**

The District became a member of the Spokane Aquifer Joint Board in June 1995. The Board was formed in accordance with and authorized by RCW 39.34, Washington Interlocal Cooperation Act.

The activities of the Board all relate to the protection of the Spokane Valley/Rathdrum Prairie Aquifer public water supply; however, its main focus is to eliminate the duplication of effort in developing required wellhead protection plans for each Spokane County public water system, to insure that a coordinated effort is made to enforce the plans, and to collectively ensure ongoing aquifer protection education programs and contaminant source inventories.

Each member district bears its share of administrative costs and project costs, which are minimal, that are based on the benefit each derives from the project.

## **NOTE 10 – CONTINGENT LIABILITIES & LITIGATION**

As discussed in Note 3, the District has a number of public and private loans and is contingently liable for the repayment of the debt. These loans are subject to audit by the grantors or their representatives.

The District is not aware of any litigation issues.

## **NOTE 11 – SUBSEQUENT EVENTS**

The District implemented a 5% increase in water rates effective January 1, 2021. Other rates for miscellaneous services are being evaluated.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

To date, there has been minimal financial impact to the District. We continue to monitor the delinquencies of our customers. Management responded quickly and implemented the required measures with masking and social distancing policies. Operations continued with little or no interruptions.

The length of time these measures will be in place, and the full extent of the financial impact on the District is unknown at this time.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

WHITWORTH WATER DISTRICT #2  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30, 2020  
Last 10 Fiscal Years\*

|  | 2020 | 2019      | 2018      | 2017      | 2016      | 2015      | 20X4    | 20X3 | 20X2 | 20X1 |
|--|------|-----------|-----------|-----------|-----------|-----------|---------|------|------|------|
| Employer's proportion of the net pension liability (asset)                                     | %    | 0.007876% | 0.007860% | 0.007648% | 0.008214% | 0.007605% |         |      |      |      |
| Employer's proportionate share of the net pension liability                                    | \$   | 278,065   | 302,245   | 341,562   | 389,761   | 408,424   | 434,167 |      |      |      |
| TOTAL  | \$   | 278,065   | 302,245   | 341,562   | 389,761   | 408,424   | 434,167 |      |      |      |
| Covered payroll**  | \$   | 1,225,893 | 1,175,523 | 1,006,847 | 1,009,274 | 934,356   | 951,685 |      |      |      |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll | %    | 22.68%    | 25.71%    | 33.92%    | 38.62%    | 43.71%    | 45.62%  |      |      |      |
| Plan fiduciary net position as a percentage of the total pension liability                     | %    | 68.64%    | 67.12%    | 63.22%    | 61.24%    | 57.03%    | 59.10%  |      |      |      |

**Notes to Schedule:**

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

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

WHITWORTH WATER DISTRICT #2  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2/3  
As of June 30, 2020  
Last 10 Fiscal Years\*

|  | 2020      | 2019      | 2018      | 2017      | 2016      | 2015       | 20X4 | 20X3 | 20X2 | 20X1 |
|--|-----------|-----------|-----------|-----------|-----------|------------|------|------|------|------|
| Employer's proportion of the net pension liability (asset) %                                     | 0.010309% | 0.010144% | 0.009866% | 0.010566% | 0.009757% | 0.0010729% |      |      |      |      |
| Employer's proportionate share of the net pension liability \$                                   | 131,846   | 98,533    | 168,453   | 367,118   | 491,257   | 383,353    |      |      |      |      |
| TOTAL \$   | 131,846   | 98,533    | 168,453   | 367,118   | 491,257   | 383,353    |      |      |      |      |
| Covered payroll** \$   | 1,225,893 | 1,175,523 | 1,006,847 | 1,009,274 | 934,356   | 951,685    |      |      |      |      |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll % | 10.76%    | 8.38%     | 16.73%    | 36.37%    | 52.58%    | 40.28%     |      |      |      |      |
| Plan fiduciary net position as a percentage of the total pension liability %                     | 97.22%    | 97.77%    | 95.77%    | 90.97%    | 85.82%    | 89.20%     |      |      |      |      |

**Notes to Schedule:**

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

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

WHITWORTH WATER DISTRICT #2  
Schedule of Employer Contributions  
PERS 1  
For the year ended December 31, 2020  
Last 10 Fiscal Years\*

|  | 2020      | 2019      | 2018      | 2017      | 2016     | 2015     | 20X4 | 20X3 | 20X2 | 20X1 |
|--|-----------|-----------|-----------|-----------|----------|----------|------|------|------|------|
| Statutorily or contractually required contributions \$                                     | 58,811    | 58,032    | 50,987    | 49,574    | 46,473   | 42,034   |      |      |      |      |
| Contributions in relation to the statutorily or contractually required contributions*** \$ | (58,811)  | (58,032)  | (50,987)  | (49,574)  | (46,473) | (42,034) |      |      |      |      |
| Contribution deficiency (excess) \$  | 0         | 0         | 0         | 0         | 0        | 0        |      |      |      |      |
| Covered payroll** \$   | 1,225,893 | 1,175,523 | 1,006,847 | 1,009,274 | 974,270  | 953,237  |      |      |      |      |
| Contributions as a percentage of covered payroll %   | 4.80%     | 4.94%     | 5.06%     | 4.91%     | 4.77%    | 4.41%    |      |      |      |      |

**Notes to Schedule:**

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

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

WHITWORTH WATER DISTRICT #2  
Schedule of Employer Contributions  
PERS 2/3

For the year ended December 31, 2020  
Last 10 Fiscal Years\*

|  | 2020      | 2019      | 2018      | 2017      | 2016     | 2015     | 20X4 | 20X3 | 20X2 | 20X1 |
|--|-----------|-----------|-----------|-----------|----------|----------|------|------|------|------|
| Statutorily or contractually required contributions \$                                     | 97,091    | 90,856    | 75,515    | 69,816    | 60,697   | 54,033   |      |      |      |      |
| Contributions in relation to the statutorily or contractually required contributions*** \$ | (97,091)  | (90,856)  | (75,515)  | (69,816)  | (60,697) | (54,033) |      |      |      |      |
| Contribution deficiency (excess) \$  | 0         | 0         | 0         | 0         | 0        | 0        |      |      |      |      |
| Covered payroll** \$   | 1,225,893 | 1,175,523 | 1,006,847 | 1,009,274 | 974,270  | 953,237  |      |      |      |      |
| Contributions as a percentage of covered payroll %   | 7.92%     | 7.73%     | 7.50%     | 6.92%     | 6.23%    | 5.67%    |      |      |      |      |

**Notes to Schedule:**

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

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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