



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Southwest Suburban Sewer District

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

Published December 2, 2021

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

December 2, 2021

Board of Commissioners
Southwest Suburban Sewer District
Burien, Washington

Report on Financial Statements

Please find attached our report on the Southwest Suburban Sewer District'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

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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*

Southwest Suburban Sewer District January 1, 2020 through December 31, 2020

Board of Commissioners
Southwest Suburban Sewer District
Burien, 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 the Southwest Suburban Sewer District, 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 November 23, 2021.

As discussed in Note 9 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

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.



Pat McCarthy, State Auditor

November 23, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Southwest Suburban Sewer District January 1, 2020 through December 31, 2020

Board of Commissioners
Southwest Suburban Sewer District
Burien, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Southwest Suburban Sewer District, 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 9.

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 the Southwest Suburban Sewer District, 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.

Matter of Emphasis

As discussed in Note 9 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

Other Matters

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 9 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 November 23, 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.

A handwritten signature in black ink that reads "Pat McCaskey". The signature is written in a cursive style with a large initial "P" and "M".

Olympia, WA

November 23, 2021

**Southwest Suburban Sewer District
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 Net Pension Liability – PERS 1 and PERS 2/3 – 2020

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

Schedule of Changes in Total OPEB Liability and Related Ratios – PEBB OPEB Plan –
2020

SOUTHWEST SUBURBAN SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

INTRODUCTION

As management of Southwest Suburban Sewer District ("the District"), we have prepared a narrative overview and analysis of the financial activities of the District for the fiscal years ending December 31, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements, including the notes to the financial statements, which follow.

The following Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements, the notes to the financial statements and, if applicable, any other supplementary information required as part of the basic financial statements. Please refer to the accompanying Notes to the Financial Statements regarding capital asset and long-term liability activity, which can be found on pages 19-22.

The District is not legally required to adopt a budget, however, does so as a measure of monitoring revenues and controlling expenses. The Board of Commissioners adopts an annual budget and uses it as a financial plan for the District. The District has not reported budgetary comparison schedules herein as required supplementary information.

The District's financial statements present a Special Purpose District organized under the laws of the State of Washington, Revised Code of Washington (RCW), Title 57, to provide sanitary sewer service to specific areas in King County, Washington. The District is not a segment of any other local government nor is it a component unit thereof. The financial statements are presented in a manner similar to a private-sector business.

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities (i.e. sewer service). The District reports its activities as an enterprise fund, which is a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities; as such, the District uses the enterprise fund to account for all its activities.

The *Statement of Net Position* presents information on all the District's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* display the change in the District's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of related cash flows.

The *Statement of Cash Flows* presents the cash flow from operations, non-capital financing and from capital and related financing, as well as from investing activities.

SOUTHWEST SUBURBAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Financial Highlights

- For the year ending December 31, 2020, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$85.6 million. Of this amount, \$17.1 million is classified as unrestricted and may be used to meet the District's ongoing obligations. The remaining net position is invested in capital assets \$64.1 million or restricted for debt service payments and reserves \$4.5 million.
- The District's change in net position was \$2.2 million for 2020. The 2020 net position decrease from previous year is primarily in 2020 there is no capital contributions from developers and connection charges. Additionally, the total net operating income is decrease by \$0.5 million and overall the net position increase from 2019 to 2020 of \$2.2 million.
- In 2020, the District made regular principal payments on its outstanding sewer revenue bonds of \$1,155,000 and P WTF loans of \$402,363. Changes in long-term liabilities included the scheduled reduction of debt due to annual principal payments on its outstanding sewer revenue bonds.

The following condensed financial information provides an overview of the District financial position for the fiscal years ended December 31:

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020 to 2019			
	2020	2019	Change	%
Current assets	\$ 13,965,285	\$ 22,236,536	\$ (8,271,251)	-37.2%
Sewer revenue bond redemption funds	4,664,367	3,421,899	1,242,468	36.3%
Cash and cash equivalents - construction fund, restricted	6,299,905	1,263,243	5,036,662	398.7%
Capital assets, net	93,290,093	91,284,044	2,006,049	2.2%
Assessments and contracts receivable, net of current portion	890,078	1,107,819	(217,741)	-19.7%
Total assets	119,109,729	119,313,541	(203,812)	
Deferred outflows of resources-Pension	407,472	354,044	53,428,	15.1%
Deferred outflows of resources-OPEB	1,426	4,001	(2,575)	-64.4%
Total assets and deferred outflows of resources	\$119,518,627	\$119,671,586	\$ (152,959)	
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities	\$ 2,526,720	\$ 3,185,448	\$ (658,728)	-24.1%
Long-term liabilities	30,925,655	32,215,525	(1,289,870)	-4.0%
Total liabilities	33,452,375	35,400,973	(1,948,598)	
Deferred inflows of resources	363,679	677,776	(314,097)	-46.3%
Total liabilities and deferred inflows of resources	33,816,054	36,078,749	(2,262,695)	
NET POSITION				
Net Investment in Capital Assets	64,124,033	61,819,681	2,304,352	3.7%
Restricted for bond repayment	4,478,413	3,199,467	1,278,946	40.0%
Unrestricted	17,100,127	18,573,689	(1,367,500)	-7.4%
Total net position	\$ 85,808,635	\$ 83,592,837	\$ 2,215,798	

SOUTHWEST SUBURBAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Financial Highlights (Continued)

- Total cash as of December 31, 2020 of \$21.6 million was a decrease of \$2.02 million over the prior year. The District spend approximately \$4.7 million in CIP, mainly on the Salmon Creek Solid Handling Project.
- On January 7, 2020, the District's Board of Commissioners adopted new District Financial Management Policies (Resolution 2020-01-01) and based on the new policies, the District established a reserve fund of \$6.2 Million for the purpose of funding the District's capital improvement projects and funding the District's debt service fund.
- The 24.1% decrease in current liabilities was mostly due to the change in accounts payable. The District nearly completed the outstanding CIP and a decrease in payment schedule difference.
- Deferred outflows and deferred inflows of resources fluctuate annually due to the change in proportionate share of state-calculated pensions deferred outflows and inflows.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- Investment in capital assets includes land, buildings, pump stations, collection and transmission lines, machinery and equipment, construction work in progress and intangible assets. The District's total net capital assets as of December 31, 2020, were \$93.3 million. The \$2 million increase in net capital assets is primarily due to the increase in construction-in-progress.
- The District has one large capital projects under construction: Salmon Creek Solid Handling Project and in 2020 the District spent a total of \$4.7 million.

CAPITAL ASSETS, NET

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 3,958,792	\$ 3,958,792	\$ -
Construction in progress	<u>21,349,890</u>	<u>16,634,268</u>	<u>4,715,622</u>
Capital assets not being depreciated	25,308,682	20,593,060	4,715,622
Utility plant and machinery and equipment	151,260,884	150,948,622	312,262
Accumulated depreciation	<u>(83,279,473)</u>	<u>(80,257,639)</u>	<u>(3,021,834)</u>
Capital assets being depreciated	<u>67,981,412</u>	<u>70,690,983</u>	<u>(2,709,571)</u>
Total capital assets	<u><u>\$ 93,290,093</u></u>	<u><u>\$ 91,284,043</u></u>	<u><u>\$ 2,006,051</u></u>

Long-Term Liabilities

- At December 31, 2020, the District had total Public Works Trust Fund Loans outstanding of \$2.2 million and total sewer revenue bonds outstanding of \$26.9 million. Additionally, \$0.6 million is payable in long-term compensated absences.
- The total long-term debt of the District decreased by \$1.6 million due to the District making regular principal payments on its outstanding sewer revenue bonds and PWTF loans.
- On March 2, 2021, the District adopted Resolution 2021-03-01, for the sale of the sewer revenue refunding bond that provided funds to pay off the 2011 sewer revenue bond at a lower interest rate. The District will save a total of \$240K over the life the refinanced sewer revenue bond.
- Additional information on the District's capital assets and long-term debt can be found in Notes 4 and 5 of this report.

**SOUTHWEST SUBURBAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

**REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2020 and 2019**

	2020	2019	2020 to 2019 Change	%
Operating Revenue				
Sewer revenue	\$ 13,023,076	\$ 12,586,509	\$ 436,567	3.5%
Other operating revenue	75,546	191,761	(116,215)	-60.6%
Total operating revenue	13,098,621	12,778,270	320,351	
Operating Expenses				
Depreciation	3,035,122	3,053,830	(18,708)	-0.6%
Sewage treatment	2,536,848	2,227,876	308,972	13.9%
General and administrative	3,796,006	3,419,233	376,773	11.0%
Biosolids management	449,668	425,448	24,220	5.7%
Collection and transmission	646,980	605,570	41,410	6.8%
Pumping	338,064	300,557	37,507	12.5%
Total operating expenses	10,802,687	10,032,514	770,173	7.7%
Net operating income	2,295,934	2,745,756	(449,822)	-16.4%
Nonoperating Revenue (Expenses)				
Interest and other investment income	365,442	709,749	(344,307)	-48.5%
Gain/loss on disposal of Assets	2,741	1,543	1,198	77.6%
Miscellaneous income	12,564	7,043	5,522	78.4%
Interest expense	(949,971)	(984,503)	34,532	-3.5%
Bond issuance costs	-	-	-	100.0%
Street lighting, net	12,853	17,951	(5,098)	-28.4%
Income before contributions				
in aid of construction	1,739,562	2,497,539	(757,976)	-30.3%
Contributions in Aid of Construction	476,235	1,577,534	(1,101,299)	-69.8%
Change in net position	2,215,798	4,075,073	(1,859,275)	-45.6%
Net Position, beginning of year	83,592,836	79,517,765	4,075,071	5.1%
Net Position, end of year	\$ 85,808,634	\$ 83,592,838	\$ 2,215,796	

SOUTHWEST SUBURBAN SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The comparative statement of revenue, expenses, and changes in fund net position shows how the District's net position changed during the most recent fiscal year compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenue and expenses reported in this statement will affect future period cash flows (e.g., uncollected receivables).

This statement, in part, measures the success of the District's operations to collect enough revenue to pay for the costs of providing the Sewer services. It also reports other non-operating revenue and expenses such as investment interest income and bond interest expense. This comparative statement provides interesting information that can be compared and analyzed.

- Operating revenues increased in 2020 by \$320,351 or 3%. This was the result of a \$2.00 increase in monthly sewer service rates and partially offset with a decrease in other operating revenue. Penalty income decreased by \$116,215 due to the COVID-19 pandemic. The District temporarily suspended the imposition of late penalties, interest for delinquent sewer accounts and suspension of recording of Liens, through December 31, 2020.
- Due to the increase in operating expenses, and a salary and benefit adjustment made effective July, 2019, the total operating expenses for 2020 increased by \$0.8 million (or 7.7%) from the 2019 operating expenses.
- The District's interest and other investment income, decreased by \$344,307 from 2019. This decrease is primarily due to the CIP project cash balance. .
- Capital Contributions reported on the Statement of Revenues, Expenses, and Changes in Net Position include: 1) Developer Contributed Systems, a non-cash transaction, and 2) Other Capital Contributions, which includes customer payments of connection charges, a cash capital contribution. In 2020, the Capital Contributions decreased by \$1.1 million (69.8%) from 2019. Due to the COVID-19 pandemic. There was no developer contributions, but the District did receive \$152,224 in capital contribution (general facilities charges) and \$237,165 in installment contracts.

SOUTHWEST SUBURBAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Notes to the Basic Financial Statements

The notes to the District's basic financial statements can be found on pages 15 through 34 of this report. These notes provide additional information that are essential to a full understanding of the basic financial statements.

Economic Outlook

The District's economic condition has continued to improve since 2016. Unrestricted net position and unrestricted cash and investments has continued to increase since 2016. These improvements are due largely to the District's customer base continuous growth. We predict the COVID-19 pandemic will temporarily affect district development.

On April 04, 2021, the District Board of Commissioners extend Resolution 2020-04-01, which will continue temporary billing and collection polices for delinquent bills for sewer service, late fees and interest and continued suspension of recording of late fees through June 30th, 2021. The District is not authorized to forgive or waive any charges for sewer services provided by the District. While this will affect the timing of the District's cash flows, this policy will not negatively impact the District's overall financial results for 2020, with a minimal late fee decrease of \$116k.

Overall, the COVID-19 pandemic has had no material adverse impact on the finances and operations of the District as a sewer utility and the District does not reasonably foresee that it will have any such material adverse effect in 2021. The District has not incurred material direct expenses related to the COVID-19 pandemic and has not applied for, or received reimbursement for any such expenditures. The COVID-19 pandemic is ongoing, and the duration and severity of the pandemic are uncertain.

The Board of Commissioners did raise the residential and commercial rates in March of 2020, from \$36.75 to \$38.75 per month. At \$38.75 per month, the District still has the second lowest monthly sewer rates in King County, Washington, and is committed to keeping rates as low as possible while still providing quality sewer service.

The District continues its commitment to spend a minimum of \$2 million per year replacing and rehabilitating the District's collection, pumping, and treatment systems to ensure cost effective sewer service.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the General Manager, Southwest Suburban Sewer District, 17840 Des Moines Memorial Dr. South, Burien, WA 98148.

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020
Current Assets	
Cash and cash equivalents	
Maintenance fund	\$ 6,538,400
Construction fund, unrestricted	4,254,158
Accrued interest receivable	13,011
Accounts receivable	2,819,105
Prepayments and advances	148,591
Current portion of assessments and contracts receivable	192,021
Total current assets	13,965,285
Noncurrent Assets	
Sewer revenue bond redemption funds	
Cash and cash equivalents - bond fund	4,478,413
ULID assessments receivable	185,955
Total sewer revenue bond redemption funds	4,664,367
Cash and cash equivalents - construction fund, restricted	6,299,905
Capital assets not being depreciated	25,308,682
Capital assets being depreciated	67,981,412
Assessments and contracts receivable, net of current portion	890,078
Total noncurrent assets	105,144,444
Total assets	119,109,729
Deferred outflows of Resources	
Deferred outflows related to pensions	407,472
Deferred outflows related to OPEB	1,426
Total Deferred outflows of Resources	408,898
Total assets and deferred outflows of resources	\$ 119,518,627

The notes to the financial statements are an integral part of this statement

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENT OF NET POSITION

(Continued)

As of December 31, 2020

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2020
Current Liabilities	
Accounts payable, maintenance fund	\$ 449,102
Accounts payable, construction fund	195,280
Accrued interest payable	192,310
Current portion of long-term liabilities	1,690,028
Total current liabilities	2,526,720
Net Pension Liability	1,108,568
Total OPEB Liability	1,615,514
Long-Term Liabilities, less current portion	28,201,573
Total liabilities	33,452,375
Deferred Inflows Related to Pensions	363,679
Total liabilities and deferred inflows of resources	33,816,054
NET POSITION	
Net Investment in Capital Assets	64,124,033
Restricted for bond repayment	4,478,413
Unrestricted	17,100,127
Total net position	\$ 85,808,635

The notes to the financial statements are an integral part of this statement

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2020

	2020
Operating Revenue	
Sewer revenue	\$ 13,023,076
Permits income	41,701
Late charge income	33,845
Total operating revenue	13,098,622
Operating Expenses	
Depreciation	3,035,122
Sewage treatment	2,536,848
General and administrative	3,796,006
Biosolids management	449,668
Collection and transmission	646,980
Pumping	338,064
Total operating expenses	10,802,687
Net operating income	2,295,935
Nonoperating Revenue (Expenses)	
Interest and other investment income	365,442
Gain/loss on disposal of Assets	2,741
Miscellaneous income	12,565
Interest expense	(949,971)
Street lighting, net	12,852
Income before contributions in aid of construction	1,739,564
Contributions in Aid of Construction	
Charges in lieu of assessments	86,846
General facilities charges and other	152,224
Installment contracts (non-cash)	237,165
Total contributions in aid of construction	476,235
Change in net position	\$ 2,215,799
Net Position, beginning of year, as originally reported	\$ 83,592,836
Cumulative effect of a change in accounting Principle	-
Net Position, end of year	\$ 85,808,635

The notes to the financial statements are an integral part of this statement

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2020

	2020
Cash Flows from Operating Activities	
Cash received from customers	\$ 13,291,804
Cash paid to suppliers	(5,269,166)
Cash paid to employees	(3,416,418)
Net cash flows from operating activities	4,606,219
Cash Flows from Noncapital Financing Activities	
Grant Proceeds	-
Interest received on assessments and contracts	-
Net Cash Flows from Noncapital Financing Activities	-
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(4,951,208)
Proceeds from sewer revenue bonds	-
Bond issuance costs	-
Principal payments on sewer revenue bonds	(1,155,000)
Principal payments on loans payable	(402,364)
Interest paid on sewer revenue bonds and loans payable	(1,060,213)
Proceeds from sale of capital assets	2,741
Cash received in aid of construction	239,070
Net cash flows from capital and related financing activities	(7,326,974)
Cash Flows from Investing Activities	
Interest received on investments	331,526
Principal received on contracts	320,868
Interest received on assessments and contracts	43,871
Net cash flows from investing activities	696,265
Net change in cash and cash equivalents	(2,024,490)
Cash and Cash Equivalents, beginning of year	23,595,365
Cash and Cash Equivalents, end of year (See Note 3)	\$ 21,570,875

The notes to the financial statements are an integral part of this statement

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENT OF CASH FLOWS

(Continued)

For the Years Ended December 31, 2020

2020

Reconciliation of Net Operating Income to Net

Cash Flows from Operating Activities

Net operating income	\$	2,295,935
Depreciation		3,035,122
Change in operating assets and liabilities		
Accounts receivable		28,731
Prepayments and advances		(18,264)
Accounts payable and accrued expenses		(759,530)
Accrued compensated absences		34,154
Deferred outflows		(50,853)
Deferred inflows		(314,097)
Net pension liability		34,801
Net OPEB liability		307,368
Other		12,853
Net cash flows from operating activities	\$	<u>4,606,219</u>

The notes to the financial statements are an integral part of this statement

SOUTHWEST SUBURBAN SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
As of and For the Years Ended December 31, 2020

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Southwest Suburban Sewer District ("the District") was created under the laws of the State of Washington by King County Commissioners' Resolution No. 9607 dated April 30, 1945, for the purpose of constructing, maintaining, and operating a sewer system and treatment plant within the boundaries of the District. As a governmental entity, the District is not subject to federal income tax.

Reporting Entity

The District is a municipal corporation governed by an elected three-member board. As required by accounting principles generally accepted in the United States, management has considered all potential component units in defining the reporting entity. The District concludes it has no component units. The District's financial statements include the financial position and results of operation of a single enterprise that the District manages and has custodial responsibility over the assets and liabilities therein.

Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the Washington State Auditor under the authority of Chapter 43.09 of the Revised Code of Washington ("RCW"). The District uses the Uniform System of Accounts for Class A & B Water and Sewer Utilities as prescribed by the National Association of Regulatory Utility Commissioners, which does not differ materially from accounting principles generally accepted in the United States. The District uses the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues are derived from the sewer services provided to the ratepayers of the District. Operating expenses include the cost of providing sewer services (i.e. maintenance, engineering, treatment and administration), as well as depreciation and amortization of capital assets. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses, such as interest income and expense.

Accounts Receivable

Accounts receivables represent user charges for sewer services, which are recognized as earned. All accounts receivables are due from users within the service area of the District. Since the District records liens on the property served and, ultimately, may foreclose on such property, payments on delinquent accounts are eventually received. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Assessments and Contracts Receivable

Assessments and contracts receivable are due from property owners for improvements the District has financed. Property owners repay amounts due over a 10 to 15-year period. These assessments and contracts receivable are reported at their principal amounts. An allowance for uncollectible amounts was not required at December 31, 2020. Interest rates on these receivables are determined by the Board of Commissioners and vary from 2% to 5%.

Capital Assets

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Secondary Waste Water Treatment plant in service and other fixed assets are recorded at cost. Donations by developers and customers ("contributions in aid of construction") are recorded at the donor's costs. The District uses the straight-line method in computing depreciation for all of its physical property. Machinery and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Preliminary planning and design costs incurred for proposed projects are deferred pending construction of the facility. When the projects are completed, their costs are transferred to capitalized Secondary Waste Water Treatment plant; costs relating to those projects abandoned are charged to expense when it is determined that they will not be completed. Expenditures not associated with construction are expensed as incurred.

Compensated Absences

The District accrues accumulated, but unpaid compensated absences related to vacation and sick leave as earned. Total accrued unpaid compensated absences (vacation and sick leave) amounted to \$671,404 at December 31, 2020.

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.

Deferred Inflows/Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2. Statement of Cash Flows

Cash and cash equivalents in the statements of cash flows include the following:

	2020
Held for operations and construction	
Maintenance fund invested in the Pool (see Note 4)	\$ 6,501,394
Maintenance fund invested in the Impaired Pool	3,216
Maintenance fund - demand deposits	33,790
	6,538,400
Construction fund invested in the Pool (see Note 4)	4,249,535
Construction fund invested in the Impaired Pool	4,623
Construction fund invested in the Pool (see Note 4)- restricted	6,299,905
Construction fund - demand deposits	-
	10,554,063
Held for the redemption of bonds	
Bond fund invested in the Pool (see Note 4)	4,478,228
Bond fund invested in the Impaired Pool	185
	4,478,413
Total cash and cash equivalents	\$ 21,570,875

For purposes of the statements of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 3. Investments in King County Finance Division Pool

The District has entered into an investment pool ("the Pool") agreement with the King County Finance Division. Under this agreement, the District advances funds to the King County Finance Division. These funds are pooled with other funds and are commonly invested. The District accounts for its investment in the Pool at the fair value of its investment. Investment income is allocated to the District in proportion to its average balance in the Pool on a quarterly basis. District deposits are 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.

As of December 31, 2020, the District had the following invested in the Pool:

Investment Type	Total Investment	Fair Value	Effective Duration
Maintenance Fund	\$ 6,501,394	\$ 6,553,405	1.20 Years
Construction Fund	10,549,440	10,633,835	1.20 Years
Bond Fund	4,478,228	4,514,053	1.20 Years

Impaired Investments. As of December 31, 2020, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment’s underlying securities. The District’s share of the impaired investment pool (which is included in cash balances at fair value) is as follows as of December 31:

	<u>2020</u>
Principal (maximum risk of loss)	\$ 12,866
Unrealized loss	<u>(4,842)</u>
Fair value	<u>\$ 8,024</u>

Interest Rate Risk: As of December 31, 2020, the Pool’s average duration was 1.20 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool’s market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2020, the district’s investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate note (rated at least “A”), municipal securities (rated at least “A” by two NRSROs), commercial paper (rated at least the equivalent of “A-1”), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

All amounts administered by the King County Finance Division are restricted for payment of maintenance and other operating costs, construction costs, and/or repayment of bonds.

Note 4. Capital Assets

The District records project costs, as well as construction disbursements, in a construction in progress account (CIP) until final completion is determined before transferring these costs to a utility plant in service account.

The following schedule of capital assets is recorded at historical costs with any related additions due to purchases or utility plant brought into service. In 2020, the District incurred \$4,715,622 in CIP project costs (i.e. pump stations and plant improvements) of which \$4,445,393 was for the construction of the Salmon Creek Solids Handling Project. The Salmon Creek Solids Handling Project will be completed in 2021.

Capital assets activity for the year ended December 31, 2020, was as follows:

	<u>2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>2020</u>
Utility plant not being depreciated					
Land	\$ 3,958,792	\$ -	\$ -	\$ -	\$ 3,958,792
Construction work in progress	<u>16,634,268</u>	<u>4,715,622</u>	<u>-</u>	<u>-</u>	<u>21,349,890</u>
Total utility plant not being depreciated	20,593,060	4,715,622	-	-	25,308,682
Utility plant and machinery and equipment					
Collection and transmission lines	70,978,742	-	-	-	70,978,742
Plant structures and improvements	43,300,455	-	-	-	43,300,455
Pump stations	7,633,411	-	-	-	7,633,411
Machinery and equipment	11,408,064	284,320	(13,288)	-	11,679,096
Other (Office Structures and Equipment)	<u>17,627,951</u>	<u>41,229</u>	<u>-</u>	<u>-</u>	<u>17,669,180</u>
Total utility plant and machinery and equipment being depreciated	150,948,623	325,549	(13,288)	-	151,260,884
Less accumulated depreciation for:					
Collection and transmission lines	32,184,890	1,425,593	-	-	33,610,483
Plant structures and improvements	32,548,528	847,041	-	-	33,395,569
Pump stations	3,267,168	194,374	-	-	3,461,542
Machinery and equipment	10,214,160	205,451	-	-	10,419,611
Other	<u>2,042,895</u>	<u>362,663</u>	<u>(13,288)</u>	<u>-</u>	<u>2,392,270</u>
Total accumulated depreciation	<u>80,257,640</u>	<u>3,035,122</u>	<u>(13,288)</u>	<u>-</u>	<u>83,279,473</u>
Total utility plant and machinery and equipment being depreciated, net	<u>70,690,982</u>	<u>(2,709,573)</u>	<u>-</u>	<u>-</u>	<u>67,981,410</u>
Total capital assets	<u>\$91,284,043</u>	<u>\$2,006,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$93,290,093</u>

Construction in progress at December 31, 2020, consists primarily of the Salmon Creek Solid Handling Project.

Note 5. Long-Term Liabilities

Loans Payable

The State of Washington has a low-cost financing program that allows public entities to borrow funds to finance public works projects. This program is administered by the State of Washington Public Works Trust Fund (PWTF) Board. The State Revolving Fund program administered by the State of Washington also provides lower-cost financing to public projects that meet certain requirements. The District's Long-Term Loans Payable is composed of the following loans:

	<u>2020</u>
2006 Public Works Trust Fund Loan, due in annual installments of \$209,277, plus interest at 0.5% through July 1, 2026	1,255,658
2008 Public Works Trust Fund Loan, due in annual installments of \$170,580, plus interest at 0.5% through July 1, 2028	<u>912,676</u>
	<u>\$ 2,168,334</u>

For 2020, the District paid \$415,611 (\$402,363 principal and \$13,245 interest) on the PWTF loans the District is carrying an outstanding balance on as of December 31, 2020.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	323,360	10,841	334,201
2022	323,360	9,225	332,585
2023	323,360	7,609	330,969
2024	323,360	5,991	329,351
2025	323,360	4,375	327,735
2026-2028	<u>551,534</u>	<u>4,469</u>	<u>556,003</u>
	<u>\$ 2,168,334</u>	<u>\$ 42,510</u>	<u>\$ 2,210,844</u>

Note 5. Long-Term Liabilities- Continued

Bonds

On March 2, 2021, the District adopted Resolution 2021-03-01, for sale of the sewer revenue refunding bond to provide funds to pay off the 2011 sewer revenue bond at a lower interest rate and the District will save a total of \$240K over the life the refunding sewer revenue bond.

The Long-Term Bond Debt is composed of the following bond issues:

	<u>2020</u>
\$3,750,000 2011 revenue and refunding bonds due in remaining annual principal installments of \$160,000 to \$265,000 through May 2031; interest varies from 3.00% to 4.00%. Includes unamortized premium of \$45,988 at December 31, 2020.	2,430,987
\$9,995,000 2014 A revenue and refunding bonds due in remaining annual principal installments of \$595,000 to \$640,000 through May 2034; interest varies from 2.00% to 4.00%; includes unamortized premium of \$180,135 at December 31, 2020.	7,458,989
\$16,175,000 2018 revenue and refunding bonds due in remaining annual principal installments of \$350,000 to \$1,145,000 through May 2038; interest varies from 3.00% to 5.00%; includes unamortized premium of \$1,590,547 at December 31, 2020.	17,107,753
	<u>\$ 26,997,729</u>

Scheduled future repayments on the sewer revenue bonds are as follows at December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1,220,000	1,016,465	2,236,465
2022	1,265,000	974,940	2,239,940
2023	1,310,000	921,240	2,231,240
2024	1,375,000	865,015	2,240,015
2025	1,430,000	806,365	2,236,365
2026-2030	7,825,000	3,068,235	10,893,235
2031-2033	4,720,000	1,019,480	5,739,480
2034-2038	5,930,000	558,800	6,488,800
	<u>25,075,000</u>	<u>\$ 9,230,540</u>	<u>\$ 34,305,540</u>
Unamortized premium	<u>1,812,484</u>		
	<u>\$ 26,887,484</u>		

Note 5. Long-Term Liabilities- Continued

Revenue bonds are authorized and adopted by the Board of Commissioners for construction of capital additions. Sewer revenues of the District provide the security for repayment of District debt.

Changes in long-term liabilities as a summary for the year ended December 31, 2020:

	<u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>2020</u>	<u>Amount Due Within One Year</u>
Loans Payable:					
2000 Public Works Trust Fund Loan	79,003		79,003	-	-
2006 Public Works Trust Fund Loan	1,464,934		209,276	1,255,658	209,276
2008 Public Works Trust Fund Loan	<u>1,026,758</u>		<u>114,085</u>	<u>912,676</u>	<u>114,084</u>
Total loans payable	2,570,695		402,364	2,168,334	323,360
Bonds Payable:					
2011 Sewer Revenue Bonds	2,605,168		174,180	2,430,988	179,180
2014 A Sewer Revenue Bonds	8,057,845		598,856	7,458,989	433,856
2018 Sewer Revenue Impr. & Ref Bond	17,599,959	<u>-</u>	<u>492,206</u>	<u>17,107,753</u>	<u>717,206</u>
Total bonds payable	28,262,969	-	1,265,242	26,997,727	1,330,242
Compensated Absences	<u>637,251</u>	<u>34,153</u>	<u>-</u>	671,404	<u>33,570</u>
Latecomer	<u>51,125</u>	<u>153</u>		<u>51,278</u>	<u>-</u>
Long-Term Liabilities	<u><u>\$31,522,040</u></u>	<u><u>\$ 34,306</u></u>	<u><u>\$1,667,606</u></u>	<u><u>\$29,888,743</u></u>	<u><u>\$1,687,172</u></u>

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	\$ 1,108,568
Deferred outflows of resources	\$ 407,472
Deferred inflows of resources	\$ 363,679
Pension expense/expenditures	\$ 87,155

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 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 **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

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 five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and 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. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 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:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

The district’s actual PERS plan contributions were \$158,401 to PERS Plan 1 and \$261,481 to PERS Plan 2/3 for the year ended December 31, 2020.

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.
- 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.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- 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 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%
	100%	

Sensitivity of the 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 (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 944,980	\$ 754,441	\$ 588,271
PERS 2/3	\$ 2,203,470	\$ 354,127	\$ (1,168,809)

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 \$1,108,568 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 754,441
PERS 2/3	\$ 354,127
	\$ 1,108,568

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.021054%	0.021369%	0.000315%
PERS 2/3	0.027196%	0.027689%	0.000493%

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*.

Pension Expense

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

	Pension Expense
PERS 1	\$ 50,022
PERS 2/3	\$ 37,132
TOTAL	\$ 87,155

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	(\$4,200)
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	\$80,928	\$0
TOTAL	\$80,928	(\$4,200)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$126,772	(\$44,381)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$17,985)
Changes of assumptions	\$5,044	(\$241,899)
Changes in proportion and differences between contributions and proportionate share of contributions	\$62,153	(\$55,214)
Contributions subsequent to the measurement date	\$132,576	\$0
TOTAL	\$326,544	(\$359,478)

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$126,772	(\$44,381)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$22,185)
Changes of assumptions	\$5,044	(\$241,899)
Changes in proportion and differences between contributions and proportionate share of contributions	\$62,153	(\$55,214)
Contributions subsequent to the measurement date	\$213,504	\$0
TOTAL	\$407,472	(\$363,679)

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:

Year ended December 31:	PERS 1
2021	(\$19,062)
2022	(\$600)
2023	\$5,816
2024	\$9,645
2025	
Thereafter	
Total	(\$4,200)

Year ended December 31:	PERS 2/3
2021	(\$143,898)
2022	(\$32,080)
2023	\$9,338
2024	\$26,229
2025	(\$11,641)
Thereafter	(\$13,458)
Total	(\$165,510)

Note 7– Risk Management

Southwest Suburban Sewer District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

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

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence. Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31, 2020

<i>Aggregate OPEB Amounts – All Plans</i>	
<i>OPEB liabilities</i>	<i>\$ 1,618,370</i>
<i>OPEB assets</i>	<i>\$ 0</i>
<i>Deferred outflows of resources</i>	<i>\$ 1,426</i>
<i>Deferred inflows of resources</i>	<i>\$ 0</i>
<i>OPEB expenses/expenditures</i>	<i>\$ 310,424</i>

General Information about the OPEB Plan

Plan Description - The District participates in a cost sharing multiple-employer defined benefit Other Postemployment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

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

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

Employees Covered by Benefit Terms

At December 31, 2020 the following employees were covered by the benefit terms:

	<i>2020</i>
<i>Inactive employees or beneficiaries currently receiving benefits</i>	<i>1</i>
<i>Inactive employees entitled to but not yet receiving benefits</i>	<i>0</i>
<i>Active employees</i>	<i>37</i>
<i>Total</i>	<i>38</i>

Funding Policy

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

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans (Continued....)

Contributions

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

Total OPEB Liability

The District’s total OPEB liability was measured as of June 30, 2020, and was determined using the alternative measurement method as of that date. All significant assumptions utilized in the alternative measurement were provided by the Washington State Actuary.

Assumptions and Other Inputs

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Methodology:

Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)

Discount Rate - Bond Buyer General Obligation 20-Bond Municipal Index.

Beginning of Measurement Year	3.50%
End of Measurement Year	2.21%

Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates-	Initial rate is approximately 7%, trends down to about 5% in 2020.

Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see OSA's 2019 PEBB OPEB Actuarial Valuation Report.

Mortality Rates	
Base Mortality Table	Healthy RP-2000
Age Setback	1 year
Mortality Improvements	100% Scale BB
Projection Period	Generational
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans (Continued....)

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

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) that the current rate.

	<i>1% Decrease (5.8%)</i>	<i>Current Healthcare Cost Trend Rate (6.8%)</i>	<i>1% Increase (7.8%)</i>
<i>Total OPEB Liability</i>	\$1,241,048	\$1,618,370	\$2,137,443

The following presents the total OPEB liability of the District calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) that the current rate.

	<i>1% Decrease (2.5%)</i>	<i>Current Discount Rate (3.5%)</i>	<i>1% Increase (4.5%)</i>
<i>Total OPEB Liability</i>	\$2,034,692	\$1,618,370	\$1,299,772

Changes in the Total OPEB Liability

<i>All Plan</i>	
<i>Total OPEB Liability at 01/01/2020</i>	\$ 1,311,022
<i>Service cost</i>	87,464
<i>Interest</i>	48,893
<i>Changes in Experience and Data and Assumptions</i>	174,067
<i>Changes of benefit terms</i>	0
<i>Benefit payments</i>	(3,056)
<i>Other changes</i>	0
<i>Total OPEB Liability at 12/31/2020</i>	\$ 1,618,370

OPEB Expense

The District recognized OPEB expense for the years ended December 31, 2020 as follows:

	2020
<i>Service cost</i>	87,464
<i>Interest</i>	48,893
<i>Changes in Experience and Data and Assumptions</i>	174,067
<i>Total</i>	\$310,424

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans (Continued....)

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

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
<i>Payments subsequent to the measurement date</i>	\$1,426	\$0
<i>TOTAL*</i>	\$1,426	\$

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

NOTE 9 – SUBSEQUENT EVENTS

In February 2020, Washington State's Governor declared a state of emergency in response to the spread of this deadly new virus. In the weeks following the Governor's declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, closing all non-essential businesses, and mandating that people stay home and stay healthy. On March 17, 2020, the District Board of Commissioners passed Resolution 2020-03-02, delegating to the District's General Manager, explicit and enhanced authority to respond to COVID-19.

Due to the closures mandated by the Governor, many businesses in the community are experiencing negative financial impacts. Many of the District's customers have made requests for bill payment relief. On April 21, 2020, the District Board of Commissioners adopted a temporary billing and collection policies relating to the COVID-19 Pandemic. Resolution 2020-04-01, under this policy, the District General Manager is authorized to work with customers who unable to pay their bills for sewer service in a timely manner by extending reasonable payment terms for a period of time not to exceed twelve (12) months. In addition, temporarily suspend the imposition of late charge and interest for delinquent sewer accounts and suspension of recording of Liens through June 30th, 2021. The District is not authorized to forgive or waive any charges for sewer services provided by the District. While this will affect the timing of the District's cash flows, and a reduction of revenue from penalty and a minimum decrease in commercial revenue due to less water consumption. However, the full extent of the financial impact to the District is unknown at this time.

The District continues to monitor the situation closely and will make adjustments as required to comply with recommendations of the Centers for Disease Control, the King County Health Department, and the Washington State Governor's office.

On March 2, 2021, the District adopted Resolution 2021-03-01, for sale of the sewer revenue refunding bond to provide funds to pay off the 2011 sewer revenue bond at a lower interest rate and the District will save a total of \$240K over the life the refunding sewer revenue bond.

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
<u>Employer's proportion of the net pension liability (asset)</u>	% 0.021369%	0.021054%	0.020971%	0.022605%	0.021069%	0.022117%	0.022148%
<u>Employer's proportionate share of the net pension liability</u>	\$ 754,441	809,601	936,572	1,072,625	1,131,504	1,156,925	1,115,716
<u>Covered payroll**</u>	\$ 3,301,527	3,154,862	2,849,095	2,810,118	2,763,245	2,514,680	2,491,827
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	% 22.85%	25.66%	32.87%	38.17%	40.95%	46.01%	44.78%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	% 68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered payroll has been retrospectively presented in accordance with GASB 82, Pension Issues. Covered payroll now includes all payroll on which a contribution is based.

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.027689%	0.027196%	0.026782%	0.029076%	0.026957%	0.028570%	0.028516%
<u>Employer's proportionate share of the net pension liability</u>	\$	354,127	264,166	457,279	1,010,252	1,357,264	1,020,822	576,411
<u>Covered payroll**</u>	\$	3,301,527	3,154,862	2,849,095	2,810,118	2,763,245	2,514,680	2,491,827
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	%	10.73%	8.37%	16.05%	35.95%	49.12%	40.59%	23.13%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered payroll has been retrospectively presented in accordance with GASB 82, Pension Issues. Covered payroll now includes all payroll on which a contribution is based.

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Employer Contributions
PERS 1

For the year ended December 31
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 158,401	155,860	144,277	137,650	172,150	109,995	100,451
Contributions in relation to the statutorily or contractually required contributions***	\$ (158,401)	(155,860)	(144,277)	(137,650)	(172,150)	(109,995)	(100,451)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0
Covered payroll**	\$ 3,301,527	3,154,862	2,849,095	2,810,118	2,763,245	2,514,680	2,491,827
Contributions as a percentage of covered payroll	% 4.80%	4.94%	5.06%	4.90%	6.23%	4.37%	4.03%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered payroll has been retrospectively presented in accordance with GASB 82, Pension Issues. Covered payroll now includes all payroll on which a contribution is based. Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contribution do not include employer-paid member contributions.

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Employer Contributions
PERS 2/3

For the year ended December 31
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily or contractually required	\$ 261,481	243,715	213,688	192,553	172,150	141,150	124,560
Contributions in relation to the statutorily or contractually required contributions***	\$ (261,481)	(243,715)	(213,688)	(192,553)	(172,150)	(141,150)	(124,560)
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll**	\$ 3,301,527	3,154,862	2,849,095	2,810,118	2,763,245	2,514,680	2,491,827
Contributions as a percentage of covered	% 7.92%	7.73%	7.50%	6.85%	6.23%	5.61%	5.00%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered payroll has been retrospectively presented in accordance with GASB 82, Pension Issues. Covered payroll now includes all payroll on which a contribution is based. Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contribution do not include employer-paid member contributions.

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios

PEBB OPEB Plan

For the year ended June 30, 2020

Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB liability - beginning	\$1,311,002	\$1,405,336	\$1,362,967
Service cost	87,464	75,229	84,197
Interest	48,893	57,120	51,771
Changes in benefit terms	0	0	0
Differences between expected and actual experience	174,067	(217,423)	(91,474)
Changes of assumptions	0	0	0
Benefit payments	(3,056)	(9,260)	(2,125)
Other changes			
Total OPEB liability - ending	1,618,370	1,311,002	1,405,336
Covered-employee payroll**	3,301,527	3,154,862	2,849,095
Total OPEB liability as a % of covered-employee payroll	49.02%	41.55%	49.33%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246).

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

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.

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