



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Vera Water and Power

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

*Published February 22, 2022*

Report No. 1029926



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

February 22, 2022

Board of Directors  
Vera Water and Power  
Spokane Valley, Washington

**Report on Financial Statements**

Please find attached our report on the Vera Water and Power'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***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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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*

#### **Vera Water and Power January 1, 2020 through December 31, 2020**

Board of Directors  
Vera Water and Power  
Spokane Valley, 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 Vera Water and Power, 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 February 7, 2022.

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.

### 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.

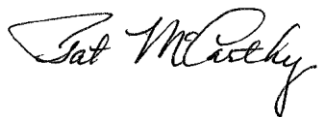
## COMPLIANCE AND OTHER MATTERS

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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

February 7, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Vera Water and Power January 1, 2020 through December 31, 2020**

Board of Directors  
Vera Water and Power  
Spokane Valley, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Vera Water and Power, 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 Vera Water and Power, 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. 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 February 7, 2022 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 McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

February 7, 2022



## **FINANCIAL SECTION**

### **Vera Water and Power 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 Pension Contributions – PERS 1, PERS 2/3 – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3

# **VERA WATER AND POWER**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The management of Vera Water and Power (the District) offers readers of these financial statements this overview and summary analysis of the financial activities of the District for the year ended December 31, 2020. This annual report consists of a series of financial statements: The Statement of Net Position, Statement of Revenues and Expenses, and Changes in Fund Net Position. This report provides information about the activities of the District and presents a longer-term view of the District's finances.

This section of the financial report is designed to assist the reader in focusing on significant financial activities and issues, as well as important changes in the District's financial position and results of operations. Please read it in conjunction with the District's financial statements.

### **FINANCIAL HIGHLIGHTS**

The District's overall financial condition remains very strong with some improvement over the past year. Two of the District's financial policies are:

- Unrestricted cash balances will equal or exceed 200 days of operating expenses. When cash balances fall below 90% of the goal, a line item will be added to the annual budget to recover the deficit through rates, cost reductions, a bond sale or other actions as may be approved by the Board. When cash balances exceed 120% of the goal, an agenda item will be added to the annual budget presentation to discuss this balance and determine if a balance reduction through early debt repayment, capital projects, increasing restricted funds or some other action as approved by the Board should be taken.
- Debt Service coverage on senior lien debt shall be greater than 1.5 times the maximum annual debt service.

As of December 31, 2020, the District's unrestricted cash balances were 159 days of expenditures.

Unrestricted Cash and Investments remained steady at \$7.9 million in 2020 and \$7.6 million in 2019.

As of December 31, 2020, the debt service coverage ratio is 3.61.

## **FINANCIAL HIGHLIGHTS (cont.)**

### **Rating Agency Determination**

Moody's Investors Service has assigned a rating of "Aa3" to the 2017B Bonds. As noted in Moody's report dated March 15, 2017:

*"The Aa3 rating incorporates the enterprise's history of strong debt service coverage and cash management practices, favorable water and electric retail rates compared to regional peers, and low-cost power supply from the Bonneville Power Administration. The rating additionally considers the stability of the water supply and the small size of the system and customer base located within the Spokane metropolitan area."*

### **Financial Ratio Benchmarking**

Below are some other key financial ratios the District uses to gauge its financial condition.

Current Ratio	4.70
Debt to Assets	0.23
Debt to Equity	0.25
Retail Customers per Employee	287
Revenue per kWh - All Retail Customers	\$ 0.082

## **THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION**

The Statement of Net Position and the Statement of Revenues and Expenses and Changes in Fund Net Position report information about the District and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the District's net position and its changes. You can think of the District's net position - the difference between assets and liabilities - as a way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator as to whether its financial health is improving or deteriorating.

Our analysis below focuses on the net position and changes in net position of the District:

**THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION (cont.)**

**Changes in Net Position  
(In thousands)**

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>OPERATING REVENUES</b>	<b>21,723</b>	<b>20,799</b>
<b>OPERATING EXPENSES</b>	<b><u>20,330</u></b>	<b><u>19,447</u></b>
<b>OPERATING INCOME</b>	<b>1,393</b>	<b>1,352</b>
<b>NONOPERATING REV. AND EXP.</b>	<b><u>(427)</u></b>	<b><u>(345)</u></b>
<b>INCOME BEFORE CONTRIBS. AND SPEC. ITEMS</b>	<b>966</b>	<b>1,007</b>
Capital contributions by developers	558	739
Contributed capital - Sunacres sewer	37	65
Stay-at-work reimbursement	10	0
Adjustment for Unclaimed Funds	<u>1</u>	<u>14</u>
<b>INCREASE IN NET POSITION</b>	<b>1,572</b>	<b>1,825</b>
<b>TOTAL NET POSITION, beginning of year</b>	<b>53,432</b>	<b>51,607</b>
<b>TOTAL NET POSITION, end of year</b>	<b>55,005</b>	<b>53,432</b>

The following is a detail of capital assets for the last two years:

**Capital Assets at Year-end  
(In thousands)**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Utility Plant	89,757	87,161
Land	2,681	2,681
Transportation Equipment	3,729	3,243
Construction in Progress	720	680
Other Utility Plant	18	18
Less: Accumulated Depreciation	<u>(36,178)</u>	<u>(33,615)</u>
<b>Total Utility Plant, net</b>	<b>60,727</b>	<b>60,169</b>

**THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION (cont.)****Statement of Net Position  
(In thousands)**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Current Assets	11,067	10,575
Capital Assets	60,727	60,169
Other Assets	1,065	2,278
Deferred Outflows - Pensions	447	393
<b>Total Assets</b>	<b>73,306</b>	<b>73,414</b>
Current Liabilities	2,353	2,947
Non-Current Liabilities	15,575	16,325
Deferred Inflows - Pensions	373	710
<b>Total Liabilities</b>	<b>18,301</b>	<b>19,982</b>
Net Position		
Invested in Capital Assets	47,237	45,466
Restricted – Debt Service	10	842
Unrestricted	7,758	7,123
<b>Total Net Position</b>	<b>55,005</b>	<b>53,432</b>

Net capital assets grew to \$60.7 million as of December 31, 2020. The major additions for 2020 and 2019 are as follows (in thousands):

<b>Capital Additions (in thousands)</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Land and Easements	0	166
Morningside and Morrow Park Booster Upgrades	0	27
Software Upgrades	187	98
Substation Upgrades	11	145
Underground Distribution Projects	544	785
New and Replaced Meters	203	151
Overhead Distribution & Pole Replacement Projects	69	205
Transformers	172	215
New or Altered Services	201	120
Transportation Equipment	486	18
Water Mains and Hydrants Paid for by Developers	558	739
Well 2 Upgrade Project	40	378
	<b>2,470</b>	<b>3,047</b>

## **THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION (cont.)**

### **Capital Projects**

#### **Electric System**

The District added approximately \$544,000 and \$785,000 in underground distribution additions and improvements in 2020 and 2019, respectively. During 2020 and the two years preceding, the District experienced one of the largest “growth periods” in residential development since the 1970s. Two apartment complexes will be energized in 2021; one of those adds over 260 units. Also, there has been significant development in the Morningside area and other residential areas of the District. The new loop for the power system for the Morningside area will require over 6,000 feet of wire to be installed.

The District continued a multi-year plan to upgrade its electric infrastructure. These upgrades will improve reliability, provide redundancy, and ensure continued safe operations of the system. Some of those larger projects were the W3 feeder upgrades and replacing the reclosers and regulators at several District substations.

#### **Water System**

The District invested \$418,000 on the Well #2 upgrade where a new larger pump was installed. This will increase Vera’s pumping capacity by over 2,000 gallons per minute to meet customer demand. This new pump could delay the installation of an entirely new well by two to four years. The Well #2 Upgrade was done in house with Vera crews and was funded partially with the remaining 2017 Bond Funds.

Some of the larger capital projects and expenses of the Water Division in 2020 are as follows:

- During 2019, the District procured a land easement for the construction of the Ball Booster replacement for \$100,000. As of December 31, 2020, \$164,453 has been incurred for the Ball Booster design which will be recoverable in a 2021 Bond Sale.

During 2021, the District entered a \$1.4 million contract for the construction of the booster station with a projected start date of June 2021. The current design specifications allow for future growth and the addition of standby generation. The District intends to complete a portion of the design with staff engineers and to complete the interior piping and electrical work with Vera’s water crew and electrician. This will hopefully save in construction costs and will allow Vera’s own employees, who will operate this facility for the entirety of its useful life, to know every detail about its operation.

## **THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION (cont.)**

- The newly replaced Well 2 motor was damaged by a high voltage fault requiring unexpected repairs of \$37,000 in 2020.
- In 2020, the District participated in the installation of a 10" water main in the Remington Hills area. The District invested \$70,600 to oversize the water main for the future.

### **Accumulated Capital Expenditures for Potential 2021 Bond Sale**

The District has many capital projects carrying over from 2020 that it anticipates beginning or continuing in 2021. Some of these were delayed in 2020 because of the uncertainties in the market created by COVID. The following list summarizes expenditures that have been made on these projects through 2020. These costs can be reimbursed when the Bond proceeds are received.

- Enterprise Software Replacement Project - \$284,000
- Front Office Remodel - \$32,000
- Maintenance Building - \$97,000
- Ball Booster Replacement - \$164,000

The total of these reimbursements will add approximately \$577,000 to the unrestricted cash balance.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

### **Debt**

Below is a detail of the District's outstanding debt:

#### **Outstanding Long-Term Debt (exclusive of current portion), at Year-End (In thousands)**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Revenue and Refunding Bonds	\$13,160	\$13,750
Drinking Water Loan	\$109	\$146
SRF Loan - Sunacres	\$174	\$184
<b>Total</b>	<b><u>\$13,443</u></b>	<b><u>\$14,080</u></b>

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION**

**Changes in Net Position  
(In thousands)**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>	<b>21,723</b>	<b>20,799</b>
<b>OPERATING EXPENSES</b>	<u><b>20,330</b></u>	<u><b>19,447</b></u>
<b>OPERATING INCOME</b>	<b>1,393</b>	<b>1,352</b>
<b>NONOPERATING REV. AND EXP.</b>	<u><b>(427)</b></u>	<u><b>(345)</b></u>
<b>INCOME BEFORE CONTRIBS. AND SPEC. ITEMS</b>	<b>966</b>	<b>1,007</b>
Capital contributions by developers	558	739
Contributed capital - Sunacres sewer	37	65
Stay-at-work reimbursement	10	0
Write-off of unclaimed funds	<u>1</u>	<u>14</u>
<b>INCREASE IN NET POSITION</b>	<b>1,572</b>	<b>1,825</b>
<b>TOTAL NET POSITION, beginning of year</b>	<b>53,432</b>	<b>51,607</b>
<b>TOTAL NET POSITION, end of year</b>	<b>55,005</b>	<b>53,432</b>



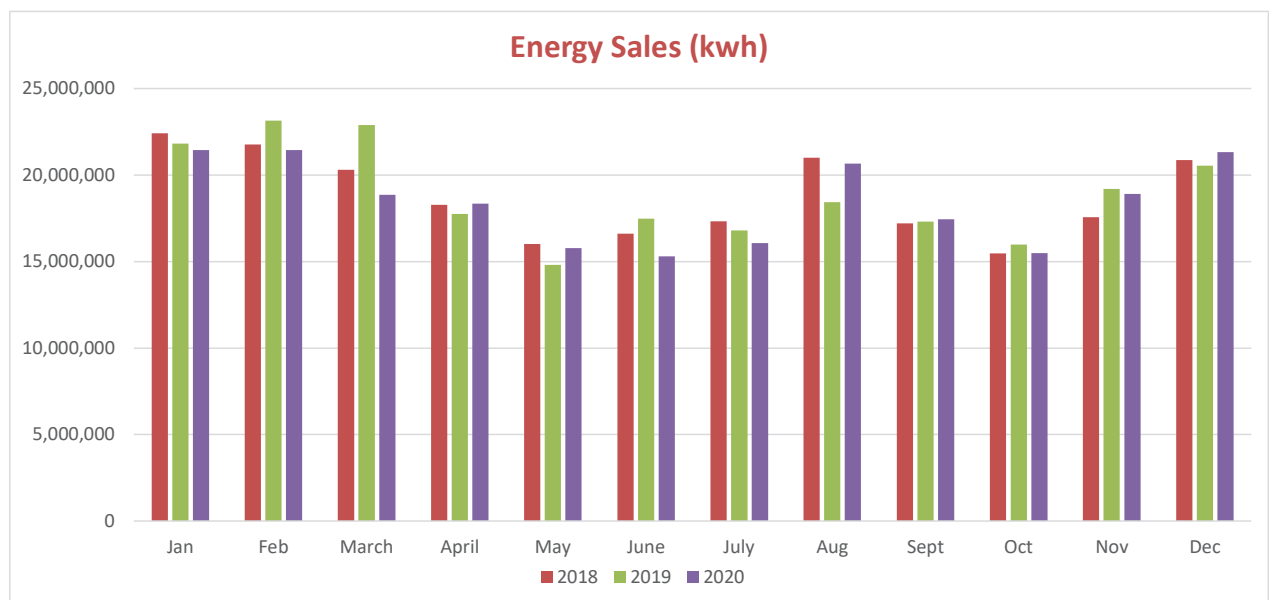
## **STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION (cont.)**

### **Electric Rates**

Effective October 1, 2019 Vera's electric rates increased throughout all customer classes by 4.7%. The need for the increase was a result of expiration of the Annual Residential Exchange Settlement Credit of \$342,192 and Bonneville imposing a 1.5% increase in the Financial Reserve CRAC (Cost Recovery Adjustment Clause). Additional debt service requirements as well as material and labor inflation were also factored into the increase.

### **Electric Division Rates**

Electric sales decreased to 221,281,825 kwh in 2020 as compared to 226,332,344 kwh in 2019. This change in electric sales is due primarily to large customer load reductions because of COVID and weather differences impacting kwh sales.



## **STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION (cont.)**

### **Water Division Rates**

Water Sales were \$2,833,100 in 2020 versus \$2,507,000 in 2019.

For more than 100 years, the District has provided high-quality drinking water at the lowest price possible. Vera's water rates have been much lower than other services, in part because of the ample water supply, stable costs, and predictable demand. That reality has changed. Vera's water supply is becoming tight, the infrastructure is aging and in need of reinvestment, and the costs of providing service are increasing.

Thus, the district performed a cost of service study for the water division in 2017. The results of that study were presented to the Board of Directors, which decided to implement a multiple phase project of restructuring and adjusting the district's water rates.

With the new rate structure, the cost to serve is equitably linked to each customer class and meter size. The increased monthly base charge will help to procure additional water rights and to replace aging pipes, pumps, plant, and improve the infrastructure. Customers with larger meters have higher price increases. Meter size determines the amount of water that can flow to homes or businesses. Larger meters can place a greater demand on the water system and are charged based on that potential. Booster customers—typically located on hillsides—have an even higher increase in their monthly base charge because it costs significantly more to pump water twice, first from the aquifer and then up the hill. It is also stored twice, once at the lower elevation and then at the higher. Finally, customers at the higher elevations and with larger meters have price increases for both demand-capacity and pumping.

The first phase of this restructure was implemented June 1, 2019, which removed the declining block rates and increased the monthly base charges to more appropriately match the different sizes of meters and classes of the customers.

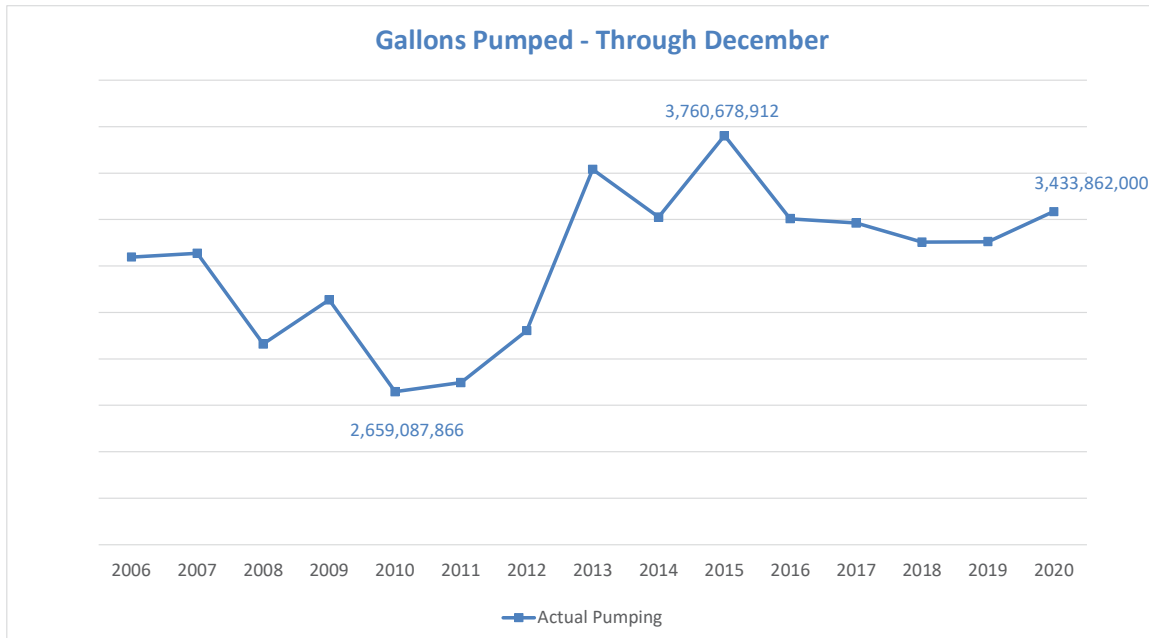
The second phase of the water rate adjustment became effective February 1, 2020, where the monthly base charge for water increased. The amount of change varied depending on customer class (residential or commercial) and meter size.

Effective February 1, 2020, the average residential customer, who lives on the valley floor and has a 3/4" water meter, the monthly base charge increased by \$1.65 to a total of \$18.65.

The District expects to continue to adjust rates over the next few years, each time minimizing the near-term impact while making sure the District is financially healthy and the infrastructure is sound in the long run.

## **STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION (cont.)**

The District pumped 3.4 billion gallons of water in 2020 and 3.3 billion in 2019. The following graph represents gallons of water pumped for the last 15 years. The variations from year to year are mostly weather dependent.



The number of the Water Division customers grew to 8,764 in 2020 from 8,562 in 2019.

### **Sewer Rates**

The base sewer rates remained unchanged at \$50 per month per customer. Additionally, the construction costs and general facilities charge (GFC) for the new lift station are being paid for through rates. The 41 sewer customers were given the choice of paying up front or financing through service rates. Many of the customers paid in full. The remainder are paying additional monthly charges of \$142.12 for construction and \$115.84 for GFC. The GFC total was repaid in August of 2019. From that point on the \$115.84 per month was stopped.

## **STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION (cont.)**

### **COVID-19**

The Washington State Governor's Proclamation called on utilities to waive late fees and suspend utility shut-offs. The District closed its lobby on March 16, 2020, enabled most of its staff to work remotely, and set different rally points to distance crews from each other. The suspension of shut-offs has caused aged balances to increase, however, the District's cash flow has remained steady as the District has limited activity and postponed 2020 budget items. Here is a snapshot of some of the financial impacts of COVID:

- At its height in 2020, over 60-day receivables totaled \$133,836. That was prior to receiving a \$143,300 payment from Spokane Neighborhood Action Program (SNAP) payment for those over 60-day old customers.
- 10.5% decrease in Large Commercial kwh sales because of partial and/or complete shutdown of their operations. At the onset of COVID, some of these larger customers were using 30% less energy than years prior. That has since recovered and since July 2020 these customers are averaging approximately 6.4% fewer kwhs per month.
- The District's 2020 budget included over \$190,000 in projected income from credit fees. As of the middle of March 2020, the District had collected \$41,000, when the governor prohibited us from continuing to collect these fees. That lost \$150,000 will never be recovered, however, the costs not only remained the same, but with the governor's mandated Customer Service Program, the costs have escalated. Even if the prohibition ends soon, we will be very cautious in resuming credit activities that incur customer costs.
- During the early days of COVID, the District set up "work at home" stations and our crews alternated work weeks. There were no layoffs resulting from COVID.

### **Contributions in Aid of Construction**

The District capitalized Contributions in Aid of Construction of \$595,505 and \$738,894 for 2020 and 2019, respectively. Because of the significant increase in residential property development, contributions of donated water mains and hydrants escalated.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers and creditors with a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Assistant General Manager at Vera Water and Power, P.O. Box 630, Spokane Valley, WA 99037.

**VERA WATER AND POWER**  
**Statement of Net Position**  
**December 31, 2020**

	<u><b>2020</b></u>
<u><b>ASSETS</b></u>	
<u><b>CURRENT ASSETS:</b></u>	
Cash and Cash Equivalents	2,718,253
Temporary Investments	5,146,277
Accounts Receivable - Customer and Other	1,767,675
Inventories	1,243,437
Prepayments and Other	191,417
<b>TOTAL CURRENT ASSETS</b>	<u><b>11,067,059</b></u>
<u><b>NONCURRENT ASSETS:</b></u>	
Debt Service Cash and Investments	9,802
Capital Assets:	
Utility Plant in Service	89,757,015
Land	2,681,475
Transportation Equipment	3,728,822
Construction Work in Progress	719,541
Other Utility Plant	18,370
Less: Accumulated Depreciation	<u>(36,177,741)</u>
Total Capital Assets (Net)	60,727,483
Unamortized Debt Discount	312,089
Unamortized Water and Electric System Study Costs	68,544
Regulatory Asset - Bonneville Switch	303,711
Bonneville Transmission Credits Receivable	<u>370,400</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u><b>61,792,028</b></u>
<u><b>DEFERRED OUTFLOWS</b></u>	
Pensions	<u>447,111</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u><b>447,111</b></u>
<b>TOTAL ASSETS</b>	<u><u><b>73,306,199</b></u></u>

*The accompanying notes are an integral part of the financial statements*

**VERA WATER AND POWER**  
**Statement of Net Position**  
**December 31, 2020**

	<u><b>2020</b></u>
<b><u>LIABILITIES</u></b>	
<b><u>CURRENT LIABILITIES:</u></b>	
Accounts Payable	1,102,711
Interest Accrued	684
Bonds and Notes Payable, portion due within one year	47,239
Accrued Payroll and PTO Liability	1,188,958
Other Current and Accrued Liabilities	13,366
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,352,958</u></b>
<b><u>NONCURRENT LIABILITIES:</u></b>	
Bonds and Notes Payable, portion due after one year	13,443,099
Unamortized Debt Premium	855,293
Net Pension Liability	1,276,893
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>15,575,285</u></b>
<b><u>DEFERRED INFLOWS</u></b>	
Pensions	373,177
<b>TOTAL DEFERRED INFLOWS</b>	<b><u>373,177</u></b>
<b>TOTAL LIABILITIES</b>	<b>18,301,421</b>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	47,237,145
Restricted Net Assets - Debt Service	9,802
Unrestricted	7,757,831
<b>TOTAL NET POSITION</b>	<b><u>55,004,778</u></b>
<b>TOTAL NET POSITION AND LIABILITIES</b>	<b><u><u>73,306,199</u></u></b>

*The accompanying notes are an integral part of the financial statements*

**VERA WATER AND POWER****Statement of Revenues and Expenses and Changes in Fund Net Position  
For the Fiscal Year Ended December 31, 2020**

	<b><u>2020</u></b>
<b>OPERATING REVENUES</b>	
Utility Sales	20,699,510
Other Operating Revenues	<u>1,023,276</u>
<b>TOTAL OPERATING REVENUES</b>	<b><u>21,722,786</u></b>
<b>OPERATING EXPENSES:</b>	
Cost of Purchased Power	9,844,386
General Operations & Maintenance	3,382,581
Cost of Pumping Water	516,989
Customer Services	1,791,570
General Administration	850,112
Depreciation & Amortization Expense	2,658,261
Taxes	839,007
Special Sales & Services Costs	<u>447,165</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>20,330,071</u></b>
<b>OPERATING INCOME</b>	<b>1,392,715</b>
<b>NONOPERATING REVENUES AND EXPENSES:</b>	
Loss on Utility Plant Disposal	(19,688)
Interest Income	59,592
Interest Expense	(506,086)
Debt Discount Amortization Expense	(24,477)
Debt Premium Amortization Revenue	<u>63,546</u>
<b>TOTAL NONOPERATING REVENUES AND EXPENSES</b>	<b><u>(427,112)</u></b>
<b>INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEMS</b>	<b>965,603</b>
Capital Contributions by Developers	558,412
Contributed Capital - Sunacres Sewer	37,093
Stay-at-Work Reimbursement	10,000
Adjustment for Unclaimed Funds	<u>1,307</u>
<b>INCREASE IN NET POSITION</b>	<b><u>1,572,415</u></b>
<b>TOTAL NET POSITION, beginning of year</b>	<b><u>53,432,364</u></b>
<b>TOTAL NET POSITION, end of year</b>	<b><u>55,004,778</u></b>

*The accompanying notes are an integral part of the financial statements*



**VERA WATER AND POWER**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

	<b><u>2020</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Receipts from customers	21,420,963
Payments for purchased power	(9,526,590)
Payments to all other suppliers	(2,570,507)
Payments for payroll expenses	<u>(5,621,155)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,702,711</b>
 <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Payments for purchase of utility plant	(2,545,627)
Payments to retire bond and loan principal	(1,212,142)
Interest paid	<u>(763,766)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(4,521,535)</b>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Interest Income	<u>59,592</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>59,592</b>
 <b>NET DECREASE IN CASH</b>	<b>(759,232)</b>
 CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,633,564</u>
 <b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<b><u>7,874,332</u></b>

**VERA WATER AND POWER**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2020**

**2020**

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

**OPERATING INCOME** **1,392,715**

Adjustments to reconcile net income to net cash  
provided by operating activities:

Depreciation and Amortization expense 2,658,261

Net changes in:

Accounts Receivable - Customer and Other (313,129)

Material and Supplies (102,586)

Prepayments and Other (48,778)

Accounts Payable (53,347)

Accrued Liabilities 292,092

Bonneville Transmission Credits Receivable 317,796

Pension Assets and Liabilities (440,313)

**NET CASH PROVIDED BY OPERATING ACTIVITIES** **3,702,711**

**NONCASH INVESTING, CAPITAL & FINANCING ACTIVITIES:**

Capital contributions by developers (595,505)

*The accompanying notes are an integral part of the financial statements*

**VERA WATER AND POWER**  
**Notes to Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Vera Water and Power (the 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 quasi-municipal entity governed by an elected five-member board and operated under the laws of the State of Washington applicable to Irrigation Districts. As required by GAAP, management has considered all potential component units in defining the reporting entity. The District has no component units and operates three utility divisions (electric, water and sewer).

**b. Measurement Focus, Basis of Accounting**

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 statements are reported using the economic resources measurement focus and the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the cash flows. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The District has not accrued year end unbilled revenues. The District has recorded revenues based on total customer billings. The customer meters are read and billed at various times during the month. Actual energy usage in the current period may not be billed until the subsequent period. The District's management has determined that the amount of unbilled revenues would be immaterial to the financial statements taken as a whole.

Other operating revenues include the gains and losses from disposal of utility plant.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The District distinguishes between operating revenues and expenses from non-operating revenues. Operating Revenues are revenues billed to customers of the District for usage of electricity, water, sewer, and streetlights. Other Operating Revenues are amounts billed for credit and collection fees, hookup fees and chargeable construction work orders. Operating Expenses for the District include purchased power, general maintenance and operations expense and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**c. Assets, Liabilities, Fund Balance, Net Position**

**1. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. At December 31, 2020 the treasurer was holding \$7,864,530 in short-term residual investments of surplus cash.

**2. Utility Plant & Depreciation**

See note 4 regarding capitalization, depreciation, and retirement of Utility Plant.

**3. Debt Service Cash & Investments**

In accordance with bond resolutions, separate restricted funds are required to be established. The assets held in these funds restricted for debt service total \$9,802 as of December 31, 2020.

Assets and liabilities shown as current in the accompanying Statement of Net Position exclude current maturities on revenue bonds and accrued interest thereon because debt service funds are provided for their payment. These funds are included in the cash and investments detailed in the Cash and Investments note 3.

**4. Receivables**

The District defines customer accounts receivable as amounts billed for utility services and construction billings.

The District has a lien on all property within its boundaries. Because of this lien, the District does not have a policy for estimating and/or writing off uncollectible accounts receivable. There are instances, however, where the District may write off certain accounts because of a court order. The District also may write off certain accounts resulting from pole-hits and other activities as they are deemed uncollectible.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### **5. Inventories**

Inventories consist of materials and supplies primarily used for the construction of utility plant. The cost is recorded as an expenditure or utility plant addition at the time individual inventory items are consumed.

Inventories are valued at average cost which approximates the market value.

### **6. Investments**

All temporary investments are stated at cost plus accrued interest which approximates market. Management intends to hold its investments until maturity. See the Deposits and Investments note 3 for more detailed information concerning the District's investments.

### **7. Compensated Absences**

All the District's full-time employees have a one leave bank system titled "Personal Time Off" (PTO). PTO is payable upon termination, retirement, or death. The PTO liability included in other current and accrued liabilities as of December 31, 2020 is \$896,678.

### **8. Unamortized Debt Discount and Debt Premium**

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

### **9. Pensions**

For purposes of measuring the net pension liability or asset, 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.

### **10. Long-Term Debt**

See note 5 regarding Long-Term Debt.

## **2. THE DISTRICT'S POWER SUPPLY**

The District, a statutory preference customer of the BPA, is entitled to the same preference rights as BPA's other preference customers and, as such, has priority to purchase power over BPA's non-preference customers. The District purchases power from BPA pursuant to a twenty-year "Full-Service Power Sales Agreement" which expires in 2028.

In December 2008, BPA signed new wholesale power contracts with its preference customers, including the District, and some investor-owned utilities. These new long-term contracts are effective from October 1, 2011 through September 30, 2028. The contracts deliver low-cost power sourced from federally owned, Northwest based, hydroelectric facilities for long durations. This provides customers with highly reliable power supply and BPA with highly predictable sources of revenue that will cover its costs to the U.S. Treasury.

Bonneville's rates include a Cost Recovery Adjustment Clause (CRAC) to allow BPA a temporary upward adjustment to power rates. The CRAC is triggered when accumulated and modified net revenues reach thresholds as established in the rate case. A Dividend Distribution Charge, which could reduce rates under certain circumstances, was also included.

The BPA contract gives the District a contract-defined right to purchase an amount of power at Tier 1 rates. Power at Tier 1 rates would be limited to the output of the existing resources of the federal system as of fiscal year 2011, together with limited potential additional resources, the amount of which is capped by contract. Tier 1 rates are expected to remain relatively low and stable because they recover the existing overhead of the federal system, which in aggregate, is expected to be a low-cost portfolio of generating resources.

As the District's load demand grew, it had the choice of purchasing this incremental need from BPA at Tier 2 rates or securing its own resources. Tier 2 rates are customarily set to cover the full cost of additional power purchased by BPA to meet additional loads. In order to respond to the Tier 2 requirement, the District joined NIES.

In May 2009, the following three legal entities were incorporated: Northwest Energy Supply Cooperative ("NESC"), NIES, and Northwest Energy Management Services ("NEMS"). The cooperatives joined NESC; and the municipals, PUD's, and special purpose districts (including the District) joined NIES; and the two organizations signed operating agreements with NEMS.

## **2. THE DISTRICT'S POWER SUPPLY (cont.)**

NIES has completed multiple market purchases to serve load placed by its members. Administrative costs, resource investigation costs and resource costs are allocated to members based on load placement. NESC and NIES separately sign contracts for resources that are added to the resource pools. The credit support of NESC and NIES remains separate to conform to underlying legal requirements.

The District has participated in several transactions between NIES and Shell Energy North America, L.P. (Shell) for the period beginning October 1, 2011 and ending September 30, 2023. Additional counter parties, in addition to Shell, are now preapproved to bid during the next purchase period, 2020 through 2024.

NIES and Shell executed a Master Power Purchase and Sale Agreement (PPA) to govern the power purchase and sale transactions between the parties. The remaining contracted, to serve the District's needs, MWh and Shell transaction price under these contracts are as follows:

<b><u>Fiscal Year</u></b>	<b><u>MWh</u></b>	<b><u>Price</u></b>
2020	1.000	28.76
2021	1.000	29.30
2022	1.000	36.00

Purchases are scheduled based on forecasted needs and market rate projections. In some cases, if load does not materialize, power purchased may need to be remarketed. If more load than forecasted is connected, additional purchases may be needed.

### **3. DEPOSITS & INVESTMENTS**

Cash & Cash Equivalents of \$2,718,253 for the year ended December 31, 2020, represent deposits held at Washington Trust Bank and Mountain West Bank. The District's deposits are entirely 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).

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. None of District's deposits and investments is exposed to custodial credit risk. The District does not have a deposit or investments policy.

#### **Investments in Local Government Investment Pool (LGIP)**

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

All the District's investments are insured, registered, or held by the District or its agent in the District's name. The District has funds invested in the State Treasurer's Local Government Investment Pool (LGIP), invested in a premium savings account at Washington Trust Bank and money market account at Mountain West Bank.



### **3. DEPOSITS & INVESTMENTS (cont.)**

Below is a summary of Cash & Cash Equivalents and the carrying value of the District's investments as of December 31, 2020:

<b>Statement of Net Position Classification</b>	<b>Washington Trust and Mountain West Bank</b>	<b>State Treasurer Investment Pool (LGIP)</b>	<b>Total Deposits and Investments</b>
Cash & Cash Equivalents	614,700	2,103,553	2,718,253
Temporary Investments	365,548	4,780,730	5,146,277
Debt Service Cash and Investments		9,802	9,802
	<hr/> 980,247	<hr/> 6,894,084	<hr/> 7,874,332

All the District's investments carrying value approximate their market value as of December 31, 2020. There are no maturity restrictions to the deposits and investments held at the LGIP, Washington Trust Bank or Mountain West Bank.

#### **4. UTILITY PLANT & DEPRECIATION**

Major expenses for capital assets and major repairs that increase useful lives of the assets are capitalized. The District's management considers the nature and dollar amount of the item or project when capitalizing expenditures to Utility Plant. Maintenance, repairs, and minor renewals are expensed when incurred.

Utility plant in service and other capital assets are recorded at cost, where the historical cost is known. Where historical cost is not known, assets are recorded at estimated cost. Donations by developers and customers are recorded at the fair value at the date of donation.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, if the sale of a significant operating unit or system occurs, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation is computed on the straight-line method with useful lives of 5 to 70 years.

• Utility Infrastructure	40 - 50 Years
• Electric Altered Services and Meters	15 - 33 Years
• Office, Tools & Equipment	10 Years
• Computer System Equipment	5 - 10 Years
• Transportation Equipment	4 - 15 Years
• Pumps, Wells and Discharge Piping	70 Years
• Reservoirs	50 Years
• Water Mains, Hydrants	70 Years

Initial depreciation on utility plant is recorded in the year subsequent to purchase.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that relate to abandoned projects are expensed.

#### **4. UTILITY PLANT & DEPRECIATION (cont.)**

	2019 Balance	Increase	Decrease	2020 Balance
<b><u>Utility plant not being depreciated:</u></b>				
Land	2,681,475	0	(0)	2,681,475
Construction in progress	680,138	230,453	(191,050)	719,541
<b>Total utility plant not being depreciated</b>	<b>3,361,613</b>	<b>230,453</b>	<b>(191,050)</b>	<b>3,401,016</b>
<b><u>Utility plant being depreciated:</u></b>				
Utility Plant	87,160,614	2,829,086	(232,684)	89,757,015
Other Utility Plant	18,370	0	0	18,370
Transportation Equipment	3,243,184	485,638	0	3,728,822
<b>Total utility plant being depreciated</b>	<b>90,422,168</b>	<b>3,314,724</b>	<b>(232,684)</b>	<b>93,504,208</b>
Less: Accumulated Depreciation	(33,614,863)	(2,615,858)	52,979	(36,177,741)
<b>Total utility plant being depreciated, net</b>	<b>56,807,305</b>	<b>698,867</b>	<b>(179,705)</b>	<b>57,326,466</b>
<b>TOTAL UTILITY PLANT, NET</b>	<b>60,168,918</b>	<b>929,320</b>	<b>(370,756)</b>	<b>60,727,483</b>

All capital assets are depreciable except for Land and Construction in Progress. Construction in Progress represents expenditures to date on projects whose authorizations total \$719,541 on December 31, 2020.

#### **5. LONG-TERM DEBT**

The annual requirements to amortize all debts outstanding as of December 31, 2020, including interest, are as follows:

	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2021	51,066	47,239	3,827
2022	1,322,894	832,336	490,558
2023	1,309,897	842,434	467,463
2024	1,301,700	857,533	444,166
2025	1,276,631	856,161	420,469
2026-2030	6,390,606	4,762,337	1,628,269
2031-2035	5,294,828	4,654,975	639,853
2036-2037	675,205	637,322	37,883
<b>Total</b>	<b>17,622,827</b>	<b>13,490,338</b>	<b>4,132,489</b>

## **5. LONG-TERM DEBT (cont.)**

The restricted assets of \$9,802 as of December 31, 2020, represent debt reserve requirements of the District. There are several other limitations and restrictions contained in the various bond indentures. The District is in compliance with all limitations and restrictions.

The following changes occurred in Non-Current Liabilities:

	<b>Beginning Balance</b>			<b>Ending Balance</b>	<b>Due Within</b>
	<b><u>1/1/2020</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>12/31/2020</u></b>	<b><u>One Year</u></b>
Bonds Payable	\$13,750,000	\$0	(\$590,000)	\$13,160,000	\$0
Drinking Water Loan	\$145,890	\$0	(\$36,472)	\$109,418	\$36,472
SRF Loan - Sunacres	\$184,448	\$0	(\$10,767)	\$173,681	\$10,767
<b>Total Long-Term Liabilities</b>	<b>\$14,080,338</b>	<b>\$0</b>	<b>(\$637,239)</b>	<b>\$13,443,099</b>	<b>\$47,239</b>
Net Pension Liability	\$1,326,197	\$0	(\$49,304)	\$1,276,893	
Unamortized Debt Premium	\$918,839	\$0	(\$63,546)	\$855,293	
<b>Total Non-Current Liabilities</b>	<b>\$16,325,374</b>	<b>\$0</b>	<b>(\$750,088)</b>	<b>\$15,575,285</b>	

The District did not issue any new debt in 2020.

## **6. PENSION PLANS**

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

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$1,276,893
Pension assets	\$0
Deferred outflows of resources	\$447,111
Deferred inflows of resources	\$373,177
Pension expense/expenditures	\$39,150

### **State Sponsored Pension Plans**

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

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

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

Or the DRS CAFR 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

## **6. PENSION PLANS (cont.)**

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:

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

\* For employees participating in JBM, the contribution rate was 12.26%.

## **6. PENSION PLANS (cont.)**

**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

## **6. PENSION PLANS (cont.)**

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	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>
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
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

\* For employees participating in JBM, the contribution rate was 19.75%.

The District's actual PERS plan contributions were \$23,021 to PERS Plan 1 and \$449,751 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



## **6. PENSION PLANS (cont.)**

- **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 of 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.
- 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](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

## **6. PENSION PLANS (cont.)**

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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
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 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.

## 6. PENSION PLANS (cont.)

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$1,131,243	\$903,147	\$704,224
PERS 2/3	\$2,325,545	\$373,746	\$(1,233,562)

### 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 \$1,326,197 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$903,147
PERS 2/3	\$373,746

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	.026764%	.025581%	.001183%
PERS 2/3	.030579%	.029223%	.001356%

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 Non-employer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on

## **6. PENSION PLANS (cont.)**

historical data.

In fiscal year 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

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:

	<b>Pension Expense</b>
PERS 1	-\$3,287
PERS 2/3	\$42,437

### **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:

<b>PERS Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(5,028)
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	\$117,714	\$0
<b>TOTAL</b>	<b>\$117,714</b>	<b>\$(5,028)</b>

**6. PENSION PLANS (cont.)**

<b>PERS Plan 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$133,796	\$(46,839)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(18,981)
Changes of assumptions	\$5,323	\$(255,301)
Changes in proportion and differences between contributions and proportionate share of contributions	\$19,721	\$(47,028)
Contributions subsequent to the measurement date	\$170,557	\$0
<b>TOTAL</b>	<b>\$329,397</b>	<b>\$(368,149)</b>

<b>All Plans in Total</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$133,796	\$(46,839)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(24,009)
Changes of assumptions	\$5,323	\$(255,301)
Changes in proportion and differences between contributions and proportionate share of contributions	\$19,721	\$(47,028)
Contributions subsequent to the measurement date	\$288,271	\$0
<b>TOTAL</b>	<b>\$447,111</b>	<b>\$(373,177)</b>

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:

**6. PENSION PLANS (cont.)**

<b>Year ended December 31:</b>	<b>PERS 1</b>
2021	\$(22,819)
2022	\$(718)
2023	\$6,963
2024	\$11,546
2025	\$0
Thereafter	\$0

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2021	\$(160,774)
2022	\$(42,762)
2023	\$951
2024	\$31,216
2025	\$(15,391)
Thereafter	\$(22,549)

**7. OTHER POST EMPLOYMENT BENEFITS – DEFINED CONTRIBUTION**

Besides being a member of the Washington State Department of Retirement Systems (DRS), the District offers two additional benefits that may be considered Other Post Employment Benefit (OPEB). Both plans are defined contribution plans held in trusts. Contributions to the employee accounts are immediately and fully vested. The District, therefore, does not have an ongoing liability on termination of employment.

**IRS Section 457 Plan:**

The District offers all employees a Section 457 retirement investment plan (457 Plan). The plan allows for tax deferred contributions for retirement savings. The plan is administered by Lincoln Financial Group:

Lincoln Financial Group  
P.O. Box 2248  
Fort Wayne, IN 46801-2248  
lfg.com

## **7. OTHER POST EMPLOYMENT BENEFITS – DEFINED CONTRIBUTION (cont.)**

Contributions to the 457 Plan can be made through two funding mechanisms. Employees can choose to have withheld from payroll an amount or percentage of their gross wages to contribute to the 457 Plan. Additionally, employees subject to the District's union contract will receive an employer contribution up to 2.5% of the gross wages provided the employee contributes at least the same amount. Currently all employees subject to the union contract make at least this minimum contribution. All contributions are deposited into the employee's account in the 457 Plan each pay period.

Fees to maintain the 457 Plan are paid annually and are paid directly by the District. For 2020 the total fees are \$660.00.

### **HRA Veba**

The District provides all employees with a Section 105 Health Reimbursement Account plan (HRA). The plan allows for tax deferred contributions for medical expenses. The plan is administered by HRA Veba Trust:

HRA Veba Plan  
PO Box 80587  
Seattle, WA 98018  
[hraveba.org](http://hraveba.org)

Contributions to the plan can only be made by the District. Elective employee contributions are not allowed. The District contributes \$45.00 per pay period for employee subject to the union contract. Other employees receive \$22.50 per pay period. At year end, any employee with a personal time off (PTO) balance in excess of 1,000 hours will have the value of it cashed out to the employee's HRA. Additionally, on retirement the entire PTO balance is cashed out to the employee's HRA account.

Fees to maintain the HRA are paid from each employee's individual account. The District contributes, once annually, a \$30.00 contribution to employee not covered by the union contract.

## **8. DEFERRED DEBITS (OR CREDITS)**

In accordance with GAAP for regulated businesses, the District has deferred bond discounts of \$312,089 and deferred bond premium of \$855,293. These discounts and premiums are amortized using the costs method over the original life of bonds. The charges would have been included in net income for non-regulated business, but for rate-making purposes they are treated as applicable in the future.

## **9. RISK MANAGEMENT**

The District maintains insurance against most normal hazards except for unemployment insurance where it has elected to be self-insured. Claims are processed by the District. The District does not have any material outstanding claims as of December 31, 2020. There were no claim settlements exceeding the District's insurance coverage in 2020.

## **10. INSURANCE POOL**

Vera Water and Power 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.



## **9. INSURANCE POOL (cont.)**

The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is 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.

## **11. Subsequent Events**

### **January 2021 Windstorm**

In April 2021, the President declared a state of emergency in response to a severe windstorm that affected most of Washington, including the District, on January 13, 2021. The costs incurred because of the windstorm are estimated to be approximately \$149,000 and will be paid out of the general fund of the District. The District has applied for the receipt of emergency disaster funds from the state and federal government.

### **COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities. The length of time these measures will continue to be in place, and the full extent of the financial impact on the District is unknown at this time.

**12. SEGMENT ACTIVITY – ENTERPRISE FUND**

The District operates 3 utilities which are primarily financed by user charges. The key financial data for the year ended December 31, 2020 for these utilities are as follows:

**Condensed Statement of Net Position:**

	<b><u>ELECTRIC</u></b>	<b><u>WATER</u></b>	<b><u>SEWER</u></b>	<b><u>INTER-DIVISION</u></b>	<b><u>TOTAL</u></b>
	<b><u>DIVISION</u></b>	<b><u>DIVISION</u></b>	<b><u>DIVISION</u></b>	<b><u>ACTIVITY</u></b>	<b><u>UTILITY</u></b>
Current & Other Assets	12,196,371	658,886	(276,541)		12,578,716
Total Capital Assets, Net	35,849,038	23,500,127	1,378,317		60,727,483
<b>TOTAL ASSETS</b>	<b>48,045,409</b>	<b>24,159,013</b>	<b>1,101,776</b>		<b>73,306,199</b>
Total Current Liabilities	1,960,517	381,594	10,847		2,352,958
Total Noncurrent Liabilities	10,249,700	5,525,081	173,682		15,948,463
<b>TOTAL LIABILITIES</b>	<b>12,210,217</b>	<b>5,906,675</b>	<b>184,529</b>		<b>18,301,421</b>
Net Invested in Capital Assets	27,475,640	18,567,636	1,193,868		47,237,145
Restricted Net Position – Debt Service	0	9,802	0		9,802
Unrestricted	8,359,552	(325,100)	(276,621)		7,757,831
<b>TOTAL NET POSITION</b>	<b>35,835,192</b>	<b>18,252,338</b>	<b>917,247</b>		<b>55,004,778</b>

**12. SEGMENT ACTIVITY – ENTERPRISE FUND (cont.)**

<b><u>Condensed Statement of Revenues, Expenses and Changes in Net Position:</u></b>	<b><u>ELECTRIC DIVISION</u></b>	<b><u>WATER DIVISION</u></b>	<b><u>SEWER DIVISION</u></b>	<b><u>INTER-DIVISION ACTIVITY</u></b>	<b><u>TOTAL UTILITY</u></b>
Utility Sales	18,181,317	2,833,102	24,906	(339,816)	20,699,510
Other Operating Revenues	504,198	552,582	0	(33,504)	1,023,276
<b>TOTAL OPERATING REVENUES</b>	<b>18,685,515</b>	<b>3,385,685</b>	<b>24,906</b>	<b>(373,320)</b>	<b>21,722,786</b>
Operating Expenses	15,799,579	2,221,068	24,483	(373,320)	17,671,810
Depreciation & Amortization Expense	1,995,631	632,390	30,239	0	2,658,261
<b>TOTAL OPERATING EXPENSES</b>	<b>17,795,210</b>	<b>2,853,458</b>	<b>54,722</b>	<b>(373,320)</b>	<b>20,330,071</b>
<b>OPERATING INCOME (LOSS)</b>	<b>890,304</b>	<b>532,227</b>	<b>(29,816)</b>	<b>0</b>	<b>1,392,715</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>					
Gain (Loss) on Utility Plant Disposal	(19,673)	(15)	0	0	(19,688)
Interest & Net Debt Amortization Expense	(301,685)	(163,596)	(1,735)	0	(467,016)
Interest Income	55,036	4,557	0	0	59,592
<b>TOTAL NONOPERATING REV. AND EXPENSES</b>	<b>(266,323)</b>	<b>(159,054)</b>	<b>(1,735)</b>	<b>0</b>	<b>(427,112)</b>
<b>INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEMS</b>	<b>623,981</b>	<b>373,173</b>	<b>(31,551)</b>	<b>0</b>	<b>965,603</b>
Capital Contributions	1,051	557,361	37,093	0	595,505
Stay-at-work Reimbursement	10,000	0	0	0	10,000
Adjustment for Unclaimed Funds	347	960	0	0	1,307
<b>Change in Net Position</b>	<b>635,379</b>	<b>931,493</b>	<b>5,542</b>	<b>0</b>	<b>1,572,415</b>
<b>Net Position, January 1, 2020</b>	<b>35,199,813</b>	<b>17,320,845</b>	<b>911,705</b>	<b>0</b>	<b>53,432,364</b>
<b>Total Net Position, December 31, 2020</b>	<b>35,835,192</b>	<b>18,252,338</b>	<b>917,247</b>	<b>0</b>	<b>55,004,778</b>

**12. SEGMENT ACTIVITY – ENTERPRISE FUND (cont.)**

**Condensed statement of cash flows:**

**Net cash provided (used) by:**

Operating activities  
Capital and related financing activities  
Investing activities

	<u>ELECTRIC DIVISION</u>	<u>WATER DIVISION</u>	<u>SEWER DIVISION</u>	<u>INTER-DIVISION ACTIVITY</u>	<u>TOTAL UTILITY</u>
	2,829,897	868,622	4,191		3,702,711
	(2,884,423)	(1,661,800)	24,688		(4,521,535)
	55,036	4,557	0		59,592
	8,445,289	500,708	(312,433)		8,633,564
	<b>8,445,799</b>	<b>(287,913)</b>	<b>(283,554)</b>		<b>7,874,332</b>

Beginning cash and cash equivalents

**Ending cash and cash equivalents**

**VERA WATER AND POWER**  
**Required Supplementary Information**  
**For the Fiscal Year Ended December 31, 2020**

**Schedule of Pension Contributions**

Actuarially/Statutorily/Contractually Determined Contribution  
 Actual Contribution in Relation to the Above  
 Contribution Deficiency/(Excess)  
 Covered Employee Payroll  
 Contributions as a % of Covered-Employee Payroll

**Measurement Date: December 31, 2020**

<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
\$23,021	\$449,751
\$23,021	\$449,751
\$0	\$0
\$3,717,115	\$3,536,123
.619%	12.7%

**Schedule of Proportionate Share of the Net Pension Liability**

Vera's Proportion of the Net Pension Liability  
 Vera's Proportionate Share of the Net Pension Liability  
 Covered Employee Payroll  
 Vera's Proportionate Share of the Net Pensions Liability as a Percentage of its Covered Payroll  
 Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability

**Measurement Date: June 30, 2020**

<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
0.025581%	0.029223%
903,147	373,746
\$3,586,427	\$3,406,980
25.18%	10.97%
68.64%	97.22%

**VERA WATER AND POWER**  
**Required Supplementary Information**  
**For the Fiscal Year Ended December 31, 2019**

**Schedule of Pension Contributions**

**Measurement Date: December 31, 2019**

	<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
Actuarially/Statutorily/Contractually Determined Contribution	\$22,851	\$434,662
Actual Contribution in Relation to the Above	\$22,851	\$434,662
Contribution Deficiency/(Excess)	\$0	\$0
Covered Employee Payroll	\$3,561,689	\$3,383,802
Contributions as a % of Covered-Employee Payroll	.642%	12.8%

**Measurement Date: June 30, 2019**

**Schedule of Proportionate Share of the Net Pension Liability**

	<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
Vera's Proportion of the Net Pension Liability	0.026764%	0.030579%
Vera's Proportionate Share of the Net Pension Liability	1,029,171	297,026
Covered Employee Payroll	\$3,513,237	\$3,338,028
Vera's Proportionate Share of the Net Pensions Liability as a Percentage of its Covered Payroll	29.29%	8.90%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	67.12%	97.77%

**VERA WATER AND POWER**  
**Required Supplementary Information**  
**For the Fiscal Year Ended December 31, 2018**

**Schedule of Pension Contributions**

**Measurement Date: December 31, 2018**

	<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
Actuarially/Statutorily/Contractually Determined Contribution	\$22,025	\$411,115
Actual Contribution in Relation to the Above	\$22,025	\$411,115
Contribution Deficiency/(Excess)	\$0	\$0
Covered Employee Payroll	\$3,398,507	\$3,225,716
Contributions as a % of Covered-Employee Payroll	.648%	12.7%

**Measurement Date: June 30, 2018**

**Schedule of Proportionate Share of the Net Pension Liability**

	<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
Vera's Proportion of the Net Pension Liability	0.026497%	0.029942%
Vera's Proportionate Share of the Net Pension Liability	1,183,365	511,233
Covered Employee Payroll	\$3,284,307	\$3,113,621
Vera's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	36.03%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	63.22%	95.77%

**VERA WATER AND POWER**  
**Required Supplementary Information**  
**For the Fiscal Year Ended December 31, 2017**

**Schedule of Pension Contributions**

Actuarially/Statutorily/Contractually Determined Contribution  
 Actual Contribution in Relation to the Above  
 Contribution Deficiency/(Excess)  
 Covered Employee Payroll  
 Contributions as a % of Covered-Employee Payroll

**Measurement Date: December 31, 2017**

<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
\$20,205	\$361,601
\$20,205	\$361,601
\$0	\$0
\$3,189,000	\$3,020,149
.634%	12.0%

**Measurement Date: June 30, 2017**

**Schedule of Proportionate Share of the Net Pension Liability**

Vera's Proportion of the Net Pension Liability  
 Vera's Proportionate Share of the Net Pension Liability  
 Covered Employee Payroll  
 Vera's Proportionate Share of the Net Pensions Liability as a Percentage of  
 its Covered Payroll  
 Plan Fiduciary Net Position as a Percentage of the Total Net Pension  
 Liability

<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
0.026199%	0.029752%
\$1,243,163	\$1,033,740
\$3,086,609	\$2,918,700
40.28%	35.42%
61.24%	90.97%



**VERA WATER AND POWER**  
**Required Supplementary Information**  
**For the Fiscal Year Ended December 31, 2016**

**Schedule of Pension Contributions**

Actuarially/Statutorily/Contractually Determined Contribution  
 Actual Contribution in Relation to the Above  
 Contribution Deficiency/(Excess)  
 Covered Employee Payroll  
 Contributions as a % of Covered-Employee Payroll

**Measurement Date: December 31, 2016**

<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
\$18,637	\$313,189
\$18,637	\$313,189
\$0	\$0
\$2,962,734	\$2,796,328
.629%	11.2%

**Measurement Date: June 30, 2016**

**Schedule of Proportionate Share of the Net Pension Liability**

Vera's Proportion of the Net Pension Liability  
 Vera's Proportionate Share of the Net Pension Liability  
 Covered Employee Payroll  
 Vera's Proportionate Share of the Net Pensions Liability as a Percentage of  
 its Covered Payroll  
 Plan Fiduciary Net Position as a Percentage of the Total Net Pension  
 Liability

<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
0.027026%	0.030557%
1,451,423	1,538,521
\$3,020,078	\$2,854,779
48.06%	53.89%
57.03%	85.82%

**VERA WATER AND POWER**  
**Required Supplementary Information**  
**For the Fiscal Year Ended December 31, 2015**

**Schedule of Pension Contributions**

**Measurement Date: December 31, 2015**

	<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
Actuarially/Statutorily/Contractually Determined Contribution	\$16,787	\$283,573
Actual Contribution in Relation to the Above	\$16,787	\$283,573
Contribution Deficiency/(Excess)	\$0	\$0
Covered Employee Payroll	\$2,950,722	\$2,786,625
Contributions as a % of Covered-Employee Payroll	.569%	10.2%

**Schedule of Proportionate Share of the Net Pension Liability**

**Measurement Date: June 30, 2015**

	<b><u>PERS 1</u></b>	<b><u>PERS 2/3</u></b>
Vera's Proportion of the Net Pension Liability	0.024619%	0.027679%
Vera's Proportionate Share of the Net Pension Liability	\$1,287,803	\$988,986
Covered Employee Payroll	\$2,633,137	\$2,470,722
Vera's Proportionate Share of the Net Pensions Liability as a Percentage of its Covered Payroll	48.91%	40.03%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	59.10%	89.20%

## 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.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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(866) 902-3900
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[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)