



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

North Perry Avenue Water District

For the period January 1, 2018 through December 31, 2020

Published March 10, 2022

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

March 10, 2022

Board of Commissioners
North Perry Avenue Water District
Bremerton, Washington

Report on Financial Statements

Please find attached our report on the North Perry Avenue Water District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

North Perry Avenue Water District January 1, 2018 through December 31, 2020

Board of Commissioners
North Perry Avenue Water District
Bremerton, 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 North Perry Avenue Water District, as of and for the years ended December 31, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 3, 2022.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 5 to the 2019 financial statements, during the year ended 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 3, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

North Perry Avenue Water District January 1, 2018 through December 31, 2020

Board of Commissioners
North Perry Avenue Water District
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the North Perry Avenue Water District, for the years ended December 31, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the North Perry Avenue Water District has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the North Perry Avenue Water District, and its changes in cash and investments, for the years ended December 31, 2020, 2019 and 2018, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the North Perry Avenue Water District, as of December 31, 2020, 2019 and 2018, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 5 to the 2019 financial statements, in 2019, the District adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 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

March 3, 2022

FINANCIAL SECTION

North Perry Avenue Water District January 1, 2018 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020

Fund Resources and Uses Arising from Cash Transactions – 2019

Fund Resources and Uses Arising from Cash Transactions – 2018

Notes to the Financial Statements – 2020

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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020

Schedule of Liabilities – 2019

Schedule of Liabilities – 2018

**North Perry Avenue Water District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020**

		401 General- Water Fund
Beginning Cash and Investments		
308	Beginning Cash and Investments	5,057,339
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	4,821,632
350	Fines and Penalties	-
360	Miscellaneous Revenues	93,061
Total Revenues:		4,914,693
Expenditures		
530	Utilities	3,918,161
Total Expenditures:		3,918,161
Excess (Deficiency) Revenues over Expenditures:		996,532
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	28,218
Total Other Increases in Fund Resources:		28,218
Other Decreases in Fund Resources		
594-595	Capital Expenditures	328,832
591-593, 599	Debt Service	53,384
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	23,871
Total Other Decreases in Fund Resources:		406,087
Increase (Decrease) in Cash and Investments:		618,663
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	119,072
50851	Assigned	5,556,926
50891	Unassigned	-
Total Ending Cash and Investments		5,675,998

**North Perry Avenue Water District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019**

		401 General- Water Fund
Beginning Cash and Investments		
30810	Reserved	107,764
30880	Unreserved	5,129,316
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	4,772,039
350	Fines and Penalties	-
360	Miscellaneous Revenues	182,036
Total Revenues:		4,954,075
Expenditures		
530	Utilities	4,101,372
Total Expenditures:		4,101,372
Excess (Deficiency) Revenues over Expenditures:		852,703
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	31,096
381, 382, 395, 398	Other Resources	9,052
Total Other Increases in Fund Resources:		40,148
Other Decreases in Fund Resources		
594-595	Capital Expenditures	942,887
591-593, 599	Debt Service	100,025
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	29,684
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		1,072,596
Increase (Decrease) in Cash and Investments:		(179,745)
Ending Cash and Investments		
5081000	Reserved	119,072
5088000	Unreserved	4,938,267
Total Ending Cash and Investments		5,057,339

**North Perry Avenue Water District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018**

		401 General- Water Fund
Beginning Cash and Investments		
30810	Reserved	105,934
30880	Unreserved	4,578,746
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	4,519,736
350	Fines and Penalties	-
360	Miscellaneous Revenues	140,968
Total Revenues:		4,660,704
Expenditures		
530	Utilities	3,944,089
Total Expenditures:		3,944,089
Excess (Deficiency) Revenues over Expenditures:		716,615
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	23,066
381, 382, 395, 398	Other Resources	41,713
Total Other Increases in Fund Resources:		64,779
Other Decreases in Fund Resources		
594-595	Capital Expenditures	103,312
591-593, 599	Debt Service	101,838
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	23,844
Total Other Decreases in Fund Resources:		228,994
Increase (Decrease) in Cash and Investments:		552,400
Ending Cash and Investments		
5081000	Reserved	107,764
5088000	Unreserved	5,129,316
Total Ending Cash and Investments		5,237,080

NORTH PERRY AVENUE WATER DISTRICT

Notes to the Financial Statements

For the year ended 12/31/2020

Note 1 - Summary of Significant Accounting Policies

The North Perry Avenue Water District was incorporated in 1942 and operates under the laws of the state of Washington applicable to a water utility special purpose district, Chapter 57 RCW. The North Perry Avenue Water District is a proprietary special purpose local government and provides water services and street lighting to the general public.

The North Perry Avenue Water District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Combined leave hours may be carried over from year to year. Upon termination of employment, employees shall be compensated 50% of the first 1,000 hours of their unused, but accrued, combined leave hours. Employees with 20 continuous years of employment shall be compensated 75% of the first 1,000 hours of their unused, but accrued, combined leave hours. Employees with 30+ continuous years of employment shall be paid out 100% of the first 1,000 hours of their unused, but accrued, combined leave hours. Any remaining unused but accrued hours shall not be compensated.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the District's Board of Commissioners. When expenditures that meet restrictions are incurred, the District intends to use the most restricted resources first.

The District has committed funds with Resolution #668 for the sole purpose of compensating accrued leave balances upon an employee's retirement and/or separation from employment. The committed fund balance as of December 31, 2020, is \$135,049.

Note 2 – Budget Compliance

The North Perry Avenue Water District is not required by State law to adopt an annual appropriations budget; however, it is the Districts' practice to adopt an annual budget as a fiscal management tool.

Note 3 – 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 district has complied with the Governor's proclamations associated with supplying essential utility services to its customers. At the present time the district estimates a loss of income associated with the prohibition of applying late fees on delinquent accounts and adhering to normal collection procedures of

\$51,648.00 The district has established a payment plan to assist those customers that are currently delinquent due to the impacts of COVID-19.

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.

Note 4 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2020 are as follows:

2020			
<u>Type of Investment</u>	<u>Districts own investments</u>		<u>Total</u>
Bank deposits	\$	22,353	\$ 22,353
Kitsap County Investment Pool	\$	5,653,645	\$ 5,653,645
	\$	5,675,998	\$ 5,675,998

It is the Districts' policy to invest all temporary cash surpluses. The interest is allocated to the managerial funds of the District according to their proportional share.

Investments in Kitsap County Investment Pool

The District is an involuntary participant in the Kitsap County Investment Pool (KCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The KCIP does not impose liquidity fees or redemption gates.

Custodial Credit Risk

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

All investments are insured, registered or held by the District or its agent in the governments' name.

Note 5 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the Districts' debt transactions for year ended December 31, 2020.

The debt service requirements for revenue and other debt, including both principal and interest, are as follows:

	Principal	Interest	Total Debt
2021	\$46,827.83	\$6,087.61	\$52,915.44
2022	\$46,827.83	\$5,619.34	\$52,447.17
2023	\$46,827.83	\$5,151.07	\$51,978.90
2024	\$46,827.85	\$4,682.78	\$51,510.63
2025	\$46,827.82	\$4,214.52	\$51,042.34
2026-2030	\$234,139.17	\$14,048.35	\$248,187.52
2031-2033	\$140,483.47	\$2,809.68	\$143,293.15
TOTALS	\$608,761.80	\$42,613.35	\$651,375.15

Note 6 – OPEB Plans

The District is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The District only provides *medical* plans from PEBB. Dental, vision and life is purchased outside of PEBB from Washington Counties Insurance Fund (WCIF). The PEBB plan provides OPEB through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The District had 17 active plan members and no retired plan members as of June 30, 2020 (fiscal period of PEBB program).

The Office of the Washington State Actuary alternative measurement method tool was used to calculate the OPEB liability for the PEBB program. The OPEB liability as of June 30, 2020 is: \$855,878.

The District contributed \$197,865.26 to the plan for the year ended June 30, 2020.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all North Perry Avenue Water Districts full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS 1 and PERS 2/3).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual

Financial Report may be obtained by writing to:

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

Also, the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2020 (the measurement date of the plans), the Districts' proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

<u>Plan</u>	<u>Employer</u> <u>Contributions</u>	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1	\$ 57,943	0.007995%	\$ 282,267
PERS 2/3	\$ 96,386	0.010463%	\$ 133,816
Total liability			\$ 416,083

Note 8 – Risk Management

The District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 70 members. The Pool's fiscal year is November 1st through October 31st.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: All-Risk Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Employment Practices Liability, Cyber Liability, Identity Fraud Reimbursement Program; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most coverages are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000

			(\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$10,000,000 dedicated to Sammamish Plateau)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$25,000	\$25,000	Replacement Value Coverage
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$300,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$15,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$15,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$15,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible, which exceeds \$25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2021, written notice must be in possession of the Pool by April 30, 2021). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with various independent public adjusters.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

NORTH PERRY AVENUE WATER DISTRICT

Notes to the Financial Statements

For the year ended 12/31/2019

Note 1 - Summary of Significant Accounting Policies

The North Perry Avenue Water District was incorporated in 1942 and operates under the laws of the state of Washington applicable to a water utility special purpose district, Chapter 57 RCW. The North Perry Avenue Water District is a proprietary special purpose local government and provides water services and street lighting to the general public.

The North Perry Avenue Water District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 4, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Combined leave hours may be carried over from year to year. Upon termination of employment, employees shall be compensated 50% of the first 1,000 hours of their unused, but accrued, combined leave hours. Employees with 20 continuous years of employment shall be compensated 75% of the first 1,000 hours of their unused, but accrued, combined leave hours. Employees with 30+ continuous years of employment shall be paid out 100% of the first 1,000 hours of their unused, but accrued, combined leave hours. Any remaining unused but accrued hours shall not be compensated.

F. Long-Term Debt

See Note 3, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by North Perry Avenue Water District's Board of Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

The District has committed funds with Resolution #668. The reserved fund balance as of 12/31/2019 is \$119,230.67

Note 2 – Budget Compliance

The North Perry Avenue Water District is not required by State law to adopt an annual appropriations budget; however, it is the Districts' practice to adopt an annual budget as a fiscal management tool.

Note 3 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the Districts' debt transactions for year ended December 31, 2019.

The debt service requirements for revenue and other debt, including both principal and interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	46,827.83	6,555.90	53,383.73
2021	46,827.83	6,087.62	52,915.45
2022	46,827.83	5,619.34	52,447.17
2023	46,827.83	5,151.06	51,978.89

2024	46,827.83	4,682.78	51,510.61
2025 – 2029	234,139.15	16,389.74	250,528.89
2030 – 2033	187,311.32	4,682.79	191,994.11
TOTALS	<u>655,589.62</u>	<u>49,169.23</u>	<u>704,758</u>

Note 4 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2019 are as follows:

<u>Type of Investment</u>	<u>Districts own investments</u>		<u>Total</u>
Bank deposits	\$	30,976	\$ 30,976
Kitsap County Investment Pool	\$	5,026,363	\$ 5,026,363
	\$	5,057,339	\$ 5,057,339

It is the Districts' policy to invest all temporary cash surpluses. The interest is allocated to the managerial funds of the District according to their proportional share.

Investments in Kitsap County Investment Pool

The District is an involuntary participant in the Kitsap County Investment Pool (KCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The KCIP does not impose liquidity fees or redemption gates.

Custodial Credit Risk

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

All investments are insured, registered or held by the District or its agent in the governments' name.

Note 5 – OPEB Plans Liabilities –PEBB WA Health Care Authority

During the year ended 2019, the District adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

The District is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The District only gets **medical** plans from PEBB. We continue to get dental, vision and life from Washington Counties Insurance Fund (WCIF). The plan provides OPEB through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by

members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The District had 18 active plan members and no retired plan members as of December 31, 2019.

The OPEB liability as of December 31, 2019 is: \$ 717,990.

The Office of the Washington State Actuary tool was used to calculate this liability.

The District contributed \$196,473.16 to the plan for the year ended December 31, 2019.

Note 6 – Other Disclosures

A. Subsequent Events

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

On March 16th, at the Governors suggestion, the District decided to waive penalties, delinquent, reconnect and returned item charges. Actual losses in March were \$4,801.84; estimated losses in April were \$4,968.68 and as of May 18th, losses for the month were \$7,420.46.

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

B. Special Items

Resolution 701, adopted on December 4, 2019, approved and authorized land purchase. On December 23, 2019 the District successfully acquired land sufficient to meet the Districts needs for a new maintenance shop and operations office. Purchase price of \$825,000 came out of the Districts Capital Facilities fund established to meet the capital needs of the District. The District will look at bonding for funds to complete the project.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all North Perry Avenue Water Districts full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS 1 and PERS 2/3).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

At June 30, 2019 (the measurement date of the plans), the Districts' proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

<u>Plan</u>	<u>Employer</u>		<u>Liability (Asset)</u>
	<u>Contributions</u>	<u>Allocation %</u>	
PERS 1	\$ 23,120	0.008631%	\$ 331,893
PERS 2/3	\$ 90,952	0.011136%	\$ 108,168
Total liability			\$ 440,061

Note 8 – Risk Management

The District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 70 members. The Pool's fiscal year is November 1st through October 31st.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: All-Risk Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Employment Practices Liability, Cyber Liability, Identity Fraud Reimbursement Program; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most coverages are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$5,000,000 dedicated to Sammamish Plateau, and \$5,000,000 dedicated to Cascade Water Alliance)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$25,000	\$25,000	\$15,000,000
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$15,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$15,000,000

Employment Practices	\$1,000 - \$25,000	Same as above	\$15,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible, which exceeds \$25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2019, written notice must be in possession of the Pool by April 30, 2019). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with various independent public adjusters.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

NORTH PERRY AVENUE WATER DISTRICT

Notes to the Financial Statements

For the year ended 12/31/2018

Note 1 - Summary of Significant Accounting Policies

The North Perry Avenue Water District was incorporated in 1942 and operates under the laws of the state of Washington applicable to a water utility special purpose district, Chapter 57 RCW. The North Perry Avenue Water District is a proprietary special purpose local government and provides water services and street lighting to the general public.

The North Perry Avenue Water District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The following fund types are used:

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 3, *Deposits and Investments*

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Combined leave hours may be carried over from year to year. Upon termination of employment, employees shall be compensated 50% of the first 1,000 hours of their unused, but accrued, combined leave hours. Employees with 20 continuous years of employment shall be compensated 75% of the first 1,000 hours of their unused, but accrued, combined leave hours. Employees with 30+ continuous years of employment shall be paid out 100% of the first 1,000 hours of their unused, but accrued, combined leave hours. Any remaining unused but accrued hours shall not be compensated.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by North Perry Avenue Water Districts' Board of Commissioners. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

North Perry Avenue Board of Commissioners adopted Resolution No. 668 committing funds for the sole purpose of buyout of accumulated leave upon termination and/or retirement of District employees. The reserved fund balance as of 12/31/2018 is \$107,923.24

Note 2 – Budget Compliance

The North Perry Avenue Water District is not required by State law to adopt an annual appropriations budget; however, it is the Districts' practice to adopt an annual budget as a fiscal management tool.

Note 3 – Deposits and Investments

It is the Districts' policy to invest all temporary cash surpluses. The interest is allocated to the managerial funds of the District according to their proportional share.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District or its agent in the government's name.

The Districts investments are held by the Kitsap County Treasurer as its agent. All excess cash of the district is invested with the Kitsap County Investment Pool (KCIP). Investments are reported at cost.

Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>Districts own investments</u>		<u>Total</u>
Bank deposits	\$	21,019	\$ 21,019
Kitsap County Investment Pool	\$	5,216,061	\$ 5,216,061
	\$	5,237,080	\$ 5,237,080

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the Districts' debt transactions for year ended December 31, 2018.

The debt service requirements for revenue and other debt, including both principal and interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	91,655.99	8,369.01	100,025.00
2020	46,827.83	6,555.90	53,383.73
2021	46,827.83	6,087.61	52,915.44
2022	46,827.83	5,619.34	52,447.17
2023	46,827.83	5,151.07	51,978.90
2024 – 2028	234,139.17	18,731.14	252,870.31
2029 – 2033	234,139.14	7,024.19	241,163.33
TOTALS	\$747,245.62	\$57,538.26	\$ 804,783.88

Note 5 – Other Post-Employment Benefits

The District is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The District only gets *medical* plans from PEBB. We continue to get dental, vision and life from Washington Counties Insurance Fund (WCIF). The plan provides OPEB through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The District had 17 active plan members and no retired plan members as of December 31, 2018. The District contributed \$178,196.85 to the plan for the year ended December 31, 2018.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all North Perry Avenue Water Districts full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS 1 and PERS 2/3).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

At June 30, 2018 (the measurement date of the plans), the Districts' proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

<u>Plan</u>	<u>Employer</u> <u>Contributions</u>	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1	\$ 56,920	0.008516%	\$ 380,327
PERS 2/3	\$ 84,735	0.010981%	\$ 187,491
Total liability			\$ 567,818

Note 7 -- Risk Management

Property, Liability and Fidelity Coverages

The North Perry Avenue Water District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk

management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 62 members. The Pool's fiscal year is November 1st through October 31st.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Identity Fraud Reimbursement Program; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most coverages are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members and \$25,000,000 dedicated to Alderwood, \$5,000,000 dedicated to Sammamish Plateau and \$5,000,000 dedicated to Cascade Water Alliance)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$25,000	\$25,000	\$15,000,000

Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$15,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$15,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$15,000,000
Other:			
Cyber Liability	\$100,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible, which exceeds \$25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2018, written notice must be in possession of the Pool by April 30, 2018). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the

District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Services and Adjusters Northwest.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

Note 8 – Other Disclosures

Construction Commitment

The District has active construction projects as of December 31, 2018. The project included the cleaning & inspection of six water tanks. The project contract agreement with the contractor-LiquiVision-included discovery clauses to allow for variations as a result of inspection. The project was completed within the first quarter of 2019, as a result the following table reflects actual commitments paid rather than estimates.

At year-end the districts' commitments with the contractor were as follows:

Project	Spent to Date	Remaining Commitment
Clean/Inspect Six Water Tanks	\$42,565.68	\$6,196.06

**North Perry Avenue Water District
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	DWSRF-Water Loan DM 10-952-008	10/1/2033	655,589	-	46,828	608,761
264.30	Pension Liability		440,061	-	23,979	416,082
264.40	OPEB Liability (PEBB)		717,990	137,888	-	855,878
259.12	Compensated Absence		234,821	44,805	-	279,626
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,048,461	182,693	70,807	2,160,347
Total Liabilities:			2,048,461	182,693	70,807	2,160,347

**North Perry Avenue Water District
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	PWTF-Water Loan PW99-791-024	6/1/2019	44,828	-	44,828	-
263.82	DWSRF-Water Loan DM10-952-008	10/1/2033	702,417	-	46,828	655,589
259.12	Compensated Absences	12/31/2019	225,516	9,305	-	234,821
264.30	Pension Liabilities	6/30/2019	567,818	-	127,757	440,061
264.40	WA State Health Care Authority- PEBB		580,986	137,004	-	717,990
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,121,565	146,309	219,413	2,048,461
Total Liabilities:			2,121,565	146,309	219,413	2,048,461

**North Perry Avenue Water District
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	PWTF-Water Loan PW99-791-024	6/1/2019	89,656	-	44,828	44,828
263.82	DWSRF-Water Loan DM10-952-008	10/1/2033	749,245	-	46,828	702,417
259.12	Compensated Absences	12/31/2018	206,041	19,475	-	225,516
264.30	Pension Liabilities	6/30/2018	794,445	-	226,627	567,818
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,839,387	19,475	318,283	1,540,580
Total Liabilities:			1,839,387	19,475	318,283	1,540,580

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. 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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