Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Soos Creek Water and Sewer District

For the period January 1, 2021 through December 31, 2021

Published March 23, 2023

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Office of the Washington State Auditor
Pat McCarthy

March 23, 2023

Board of Commissioners
Soos Creek Water and Sewer District
Renton, Washington

Report on Financial Statements

Please find attached our report on the Soos Creek Water and Sewer District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Soos Creek Water and Sewer District
January 1, 2021 through December 31, 2021

Board of Commissioners
Soos Creek Water and Sewer District
Renton, 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 Soos Creek Water and Sewer District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 2023.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

March 15, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Soos Creek Water and Sewer District
January 1, 2021 through December 31, 2021

Board of Commissioners
Soos Creek Water and Sewer District
Renton, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Soos Creek Water and Sewer District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Soos Creek Water and Sewer District, as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 March 15, 2023 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

March 15, 2023

FINANCIAL SECTION

Soos Creek Water and Sewer District
January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021
Statement of Revenues, Expenses and Changes in Net Position – 2021
Statement of Cash Flows – 2021
Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2021
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021
Schedule of Changes in Total OPEB Liability and Related Ratios – 2021

SOOS CREEK WATER AND SEWER DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021

Soos Creek Water and Sewer District (the District) is a Special Purpose District organized under the laws of the State of Washington, Revised Code of Washington, Title 57, to provide water and sewer services to specific areas in southeast King County, Washington. The District is not a segment or component of any other local government. Soos Creek Management Discussion and Analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the District's financial activity
- Identify changes in the District's financial position
- Identify any material deviations from the approved budget

The Management Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with the District's financial statements.

Financial Highlights

- The assets and deferred outflow of resources of the District exceeded its liabilities and deferred inflows of resources at the close of 2021 by $278,040,801.
- The District's net position from the Statement of Revenues, Expenses and Changes in Net Position increased by $7,707,164.
- The District posted an income before contributions of $542,108 in 2021. The District experienced some growth in sewer and water connections due to increased growth in residential construction.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows found after Management's Discussion and Analysis, provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

Reporting the District as a Whole

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows report information about the District as a whole and about its activities in a way that helps communicate the financial condition of the District. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Except for interest and penalties on ULID assessments (See Note 1), all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the District's net position, and changes in them, as well as how cash was generated and used during the year. The District's net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows. It is one way to measure the District's financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial condition is improving or deteriorating. You also need to consider other non-financial factors, such as the physical condition of the operating infrastructure; and changes in laws, that impact water and sewer districts to assess the overall financial health of the District.

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021

The District's annual financial report is presented in four parts:

1. This Management's Discussion and Analysis as required supplementary information
2. Financial statements
3. Notes to the financial statements
4. Required Supplementary Information

Financial Statements

The Financial Statements are presented in conformity with the Governmental Accounting Standards Board (GASB) Statements. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. The District only has one fund type: proprietary funds.

Proprietary funds are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

The District has one type of proprietary fund: Enterprise funds. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services and that fee is set to recover the costs of operations, including depreciation. The District currently has only one enterprise fund. The District is not legally required to adopt a budget; however, the District does so as a tool for monitoring and controlling revenues and expenses.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the financial information provided in the financial statements.

Financial Analysis

The statement of net position can serve as a useful indicator of the District's financial position. The District's net position (assets plus deferred outflows in excess of liabilities plus deferred inflows) at December 31, 2021 totaled $278,040.801. Following is a condensed version of the statement of net position.

The District's net position increased by $7,707,164. The District posted income before contributions of $542,108 in 2021. Growth in sewer and water connections increased with the growth in residential construction. At year-end 2021, the District served 40,285 sewer equivalent residential units (ERUs) and 23,805 water ERUs, an increase over 2020 of 2.23% in sewer ERUs and 0.35% in water ERUs.

Changes in Net Position

At the end of 2021, the net position of the District was $278,040,801. Of this amount, $226,849,333 was invested in capital assets, $50,981,676 was unrestricted assets and available for meeting the District's ongoing obligations, and $209,792 was restricted assets.

Condensed Statement of Net Position

	2021	2020
Assets		
Current	$ 44,055,588	$ 41,229,047
Restricted	11,517	9,641,381
Non-current assets		
Receivable	16,329,912	11,863
Capital assets		
(net of depreciation)	226,849,333	227,761,414
Total Assets	287,246,350	278,643,705
Deferred Outflows of Resources - Pensions	333,319	428,946
Deferred Outflows of Resources - OPEB	24,781	27,251
Current liabilities	3,676,794	4,118,708
Liabilities on Restricted Assets	-	270
Net Pension Liabilities	282,484	1,190,920
Net OPEB Liabilities	2,348,970	2,675,880
Other Non-current Liabilities	344,745	422,068
Total Liabilities	6,652,993	8,407,846
Deferred Inflows of Resources - Pensions	2,910,656	358,419
Net position:		
Investment in capital assets	226,849,333	227,697,422
Restricted	209,792	9,652,975
Unrestricted	50,981,676	32,983,240
Total Net Position	$ 278,040,801	$ 270,333,637

See Note 10 for information on pensions.
See Note 13 for information on OPEB.

The District's Net Position increased $7,707,164. This increase was due to income before contributions of $542,108 in 2021 and Capital Contributions, also called Contributions in Aid of Construction, of $7,165,056. Developers installed $3,429,328 of water and sewer infrastructure. These capital contributions are water and sewer lines and associated appurtenances that are constructed by private developers, according to the District's strict construction standards, and upon project completion are donated to the District. The District then maintains these water and sewer lines in perpetuity. An additional $3,735,728 in system connection fees were collected.

District total liabilities decreased $1,754,853 in 2021. This change was the result of decreases in all categories, such as accounts payable, scheduled principal reductions in bond and loan balances, pension liabilities and OPEB liabilities.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2021	2020
Operating Revenues:		
Sewer	$ 33,473,980	$ 31,663,847
Water	10,812,629	10,099,962
Other	1,800,954	1,985,734
Non-operating Revenues	-	742,950
Total Revenues	46,087,563	44,492,493
Operating Expenses	45,070,462	44,855,445
Non-operating Expenses	474,993	22,012
Total Expenses	45,545,455	44,877,457
Income (Loss) Before Contributions	542,108	(384,964)
Capital Contributions	7,165,056	9,234,728
Change in Net Assets	7,707,164	8,849,764
NET POSITION, JANUARY 1	270,333,637	261,483,873
Net Position, DECEMBER 31	$278,040,801	$270,333,637

Total District revenues increased $1,595,070. The increase resulted from an average rate increase of 5% in 2021 plus a 2.58% increase in the customer base. Sewer revenue made up $1,810,133 of the total revenue increase. In addition, water revenue increased $712,667, primarily the result of a 4.6% rate increase. Other revenue decreased $184,780, this is due to the executive orders related to the pandemic restricting the District from imposing late fees and liens, in addition to slowed development during the pandemic. The decrease of $742,950 in non-operating revenue reflects a reduction in interest revenue due to declining interest rates. Also included is the decline in the Fair Market Value of the City's investment portfolio as required to be reported in GASB No. 72. This reduction is reported as a non-operating expense. The District anticipates holding all investments until maturity, at which time the District will receive the full value.

The $215,017 year-over-year increase in operating expenses was mainly due to an increase of $1,180,399 in sewage treatment costs, a $246,985 decrease in purchased water, a $145,406 increase in maintenance costs, a $1,533,684 decrease in administrative costs, a $870,595 increase in business taxes, and increased depreciation expense of $81,513. The increase of $452,981 in non-operating expenses is primarily due to the reduction of the Fair Market Value of the District's investment portfolio, as discussed in the previous paragraph.

Capital Assets

The District's total capital assets at year-end 2021, including work in progress, exceeded $226 million (net of accumulated depreciation). This total includes land, sewer collection and transmission mains and lines, water transmission and distribution mains and lines, buildings, sewer and water pump stations, and construction work in progress on the sewer and water systems.

Detailed information on Capital Assets is available in Note 4 of the Notes to the Financial Statements. Significant capital asset activity during the year included:

- The District added $4,301,156 (net) in sewer infrastructure and other assets. Of this total, $3,081,131 represented 16 completed developments that connected to the District's sewer system.
- The District added $4,729,702 (net) in water infrastructure and other assets. Of this total, $348,197 represented three completed developments that connected to the District's water system.
- At year-end 2021, work in progress totaled $6,260,634. Of this total $889,672 was for sewer system projects and $5,370,962 was water system projects. This is a net reduction of $2,313,391 from the prior year.

Work in progress at year-end included:

	2021
Water Meter Change-out	$ 3,306,453
Lift Station 24B Removal	178,916
Reservoir #6 Seismic Work	473,091
PRV 2 Replacement	494,965
Lift Station 5B N Forcemain	135,665
District Network Upgrade	569,592
District Office Remodel	222,175
Rock Creek Culvert Crossing	44,197
Shake Alert Pilot	174,510
Boulevard Lanes Ph 2	19,474
LS #48 Phase 1 Alternate Analysis	10,894
HVAC Replacement 2021	17,340
Other projects	613,362
	$ 6,260,634

Long-term Debt

At year-end 2021, the District has paid off all outstanding debt. During 2021, long-term debt decreased $63,992, the result of scheduled payments on debt principal.

See Notes 4, 5, and 8 of the notes to the financial statements for more information on capital assets and long-term debt.

Outlook

The District's ongoing capital improvement plan calls for the expenditure of $33.7 million through 2025. It is the District's intent to fund these capital expenditures through a combination of utility receipts, sewer and water system connection fees, and assets currently on hand. The District has no current plans for additional revenue bond financing; however, should they become available the District would pursue grants and/or additional low-interest rate loans.

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 (COVID-19). In the weeks following the declaration, precautionary measures to slow spread of the virus were ordered. These measures included closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were leaving for an essential function. The Governor declared construction workers for water and sewer as essential workers, and this was critical for the District to help lessen the impact of the economic slowdown on the District and its developers during the pandemic.

Since the District has not been allowed to hold a public hearing, a comprehensive plan amendment that is needed to serve a new 3,000-unit development is on hold. In addition, executive orders related to the pandemic have restricted the District from imposing late fees, liens and performing shutoffs for overdue bills. Since the start of this event has had an impact on our revenues and cash flow and as of December 31, 2021, receivables are up $1,421,011 and other operating revenue is down $1,502,266 all since the state of emergency was declared. These measures have been in place for two years now, and the full extent of the financial impact on the District is still currently unknown. In January 2022, the District has resumed imposing late fees, liens and performing shutoffs for overdue bills. The District is also accepting payment plans from those customers in arrears due to COVID.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning this report, or requests for additional information, may be addressed to the Finance Manager of the District at 14616 SE 192nd Street, Renton, WA 98058-9420.

SOOS CREEK WATER AND SEWER DISTRICT

STATEMENT OF NET POSITION
December 31, 2021

	2021
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - Notes 1 & 3	$ 33,574,586
Investments	749,279
Receivables - Note 1	9,058,005
Inventory - Note 1	397,355
Prepaids	276,363
Restricted assets - Notes 2 & 3	
Capital Improvement Fund	
Cash and cash equivalents	10,782
Revenue Bond Fund	
Cash and cash equivalents	735
TOTAL CURRENT ASSETS	44,067,105
NON-CURRENT ASSETS	
Investments	13,554,300
Assessments receivable - Note 2	11,863
Pension asset	2,763,749
TOTAL NON-CURRENT ASSETS	16,329,912
CAPITAL ASSETS - Notes 1 & 4	
Capital assets not being depreciated:	
Land and land rights	2,501,454
Intangible property rights	1,817,857
Construction work in process - Note 5	6,260,634
Capital assets being depreciated:	
Utility plant in service	363,921,135
Less accumulated depreciation	(147,651,747)
TOTAL CAPITAL ASSETS	226,849,333
TOTAL NON-CURRENT AND CAPITAL ASSETS	243,179,245
TOTAL ASSETS	287,246,350
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	333,319
Deferred outflows related to OPEB	24,781
TOTAL DEFERRED OUTFLOWS OF RESOURCES	358,100

See accompanying notes to the financial statements

SOOS CREEK WATER AND SEWER DISTRICT

STATEMENT OF NET POSITION
December 31, 2021

	2021
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	3,212,066
Current portion of accrued vacation and sick leave	42,609
Deposits of developers and customers - Note 6	143,616
Contract retainage - Note 7	228,940
Current portion OPEB liability	49,563
TOTAL CURRENT LIABILITIES	3,676,794
NON-CURRENT LIABILITIES	
Accrued vacation and sick leave	344,745
Net pension liability - Note 10	282,484
Total OPEB liability, net of current portion - Note 13	2,348,970
TOTAL NON-CURRENT LIABILITIES	2,976,199
TOTAL LIABILITIES	6,652,993
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,910,656
TOTAL DEFERRED INFLOWS OF RESOURCES	2,910,656
NET POSITION	
Investment in capital assets	226,849,333
Restricted	209,792
Unrestricted	50,981,676
TOTAL NET POSITION	$ 278,040,801

See accompanying notes to the financial statements

SOOS CREEK WATER AND SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended December 31, 2021

	2021
OPERATING REVENUES	
Sewer	$ 33,473,980
Water	10,812,629
Street lights	268,457
Miscellaneous service, rental and permit revenue	1,532,497
TOTAL OPERATING REVENUES	46,087,563
OPERATING EXPENSES	
Sewage treatment	21,922,742
Water purchased for resale	3,891,400
Street light power	262,930
Maintenance	5,550,777
Business and accounting	1,990,593
Administration	1,619,537
Business and payroll taxes	1,944,605
Depreciation	7,887,878
TOTAL OPERATING EXPENSES	45,070,462
OPERATING INCOME (LOSS)	1,017,101
NON-OPERATING REVENUES (EXPENSES)	
Investment interest	(422,279)
Interest paid on debt	(2)
Loss on abandonment of utility plant	(52,712)
TOTAL NON-OP REVENUES (EXPENSES)	(474,993)
INCOME (LOSS) BEFORE CONTRIBUTIONS	542,108
Contributions in aid of construction	7,165,056
CHANGE IN NET POSITION	7,707,164
NET POSITION, JANUARY 1	270,333,637
NET POSITION, DECEMBER 31	$ 278,040,801

See accompanying notes to the financial statements

SOOS CREEK WATER AND SEWER DISTRICT

STATEMENT OF CASH FLOWS
Year ended December 31, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 45,501,446
Payments to suppliers	(32,832,610)
Payments to employees	(5,593,557)
NET CASH FROM OPERATING ACTIVITIES	7,075,279
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(3,664,281)
Principal and interest paid on loans	(63,992)
Cash contributed in aid of construction	3,735,728
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	7,455
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of investments	(15,000,000)
Fair market value gain/loss on investments	(170,142)
Interest on investments	77,179
NET CASH FROM INVESTING ACTIVITIES	(15,092,963)
NET CHANGE IN CASH BALANCE	(8,010,229)
CASH BALANCE AT BEGINNING OF YEAR	41,596,332
CASH BALANCE AT END OF YEAR	$ 33,586,103
CASH BALANCE AT END OF YEAR CONSIST OF:	
Restricted	11,517
Unrestricted	33,574,586
TOTAL CASH BALANCE	$ 33,586,103

See accompanying notes to the financial statements

SOOS CREEK WATER AND SEWER DISTRICT

STATEMENT OF CASH FLOWS
Year ended December 31, 2021

	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	$ 1,017,101
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation expense	7,887,878
Pension expense	(641,210)
OPEB expense	(280,450)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(586,117)
(Increase) decrease in inventory	163,179
(Increase) decrease in prepaid expenses	(34,688)
Increase (decrease) in accounts payable	(593,113)
Increase (decrease) in accrued vacation and sick leave	(34,714)
Increase (decrease) in deposits of developers and customers	(10,617)
Increase (decrease) in contract retainage	188,030
TOTAL ADJUSTMENTS	6,058,178
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,075,279
NON-CASH CAPITAL FINANCING ACTIVITIES:	
Developer contributed capital	$ 3,429,328

See accompanying notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Soos Creek Water and Sewer District (the District) is to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who are responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units except for interest and penalties earned on utility local improvement district assessments which are recorded as received. This practice is not in accordance with generally accepted accounting principles but does not result in a material difference. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity

The District is a municipal corporation formed in King County, State of Washington, governed by an elected five-member board. The District's primary activity is to provide water and sewer services to residential and commercial customers within the District's boundaries. The District has no component units.

Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW Chapter 43.09. The District uses the BARS System of Accounts for governmental units.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, except that accrued assessment interest is not reflected therein. The District's financial statements include the financial position and results of all operations that the District manages.

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues result from providing services related to the District's water and sewer systems. Operating expenses include costs associated with providing District services, general and administrative expenses, and depreciation on assets. All revenues and expenses not meeting these definitions are classified as non-operating.

Cash and Cash Equivalents

The District presents its cash flow statements using the direct method. For purposes of the statements of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. For more information, see Note 3, Deposits and Investments.

Cash and cash equivalents at the balance sheet date consisted of the following:

	2021
Cash in bank	$ 12,006,199
Cash in bank lockbox facility	114,748
Deposits in transit	51,713
Petty Cash	3,400
Cash in Washington State Local Government Investment Pool	21,389,757
Cash in King County Investment Pool - Capital Improvement Fund	10,782
Cash in King County Investment Pool - Revenue Bond Fund	735
Cash in King County Investment Pool	8,769
Total	$ 33,586,103

Accounts Receivable

Unbilled utility service receivables are recorded at year-end. The District takes advantage of its authority to file liens against properties with delinquent utility balances. Such liens are recorded at the King County Recorder's Office and are maintained until balances are paid in full. Interest is assessed until these accounts are paid. For this reason, the District does not provide an allowance for doubtful accounts, all accounts are considered collectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

The following amounts were due the District at December 31:

	2021
Utilities	$8,714,140
Developers	221,449
Other	122,416
Total	$9,058,005

Inventories

Inventories are valued at the average acquisition cost, which approximates market value. The District conducts an annual physical inventory count. Inventories consisted of the following as of December 31:

	2021
Materials and supplies	$ 237,538
Small tools	159,817
Total	$ 397,355

Utility Plant and Depreciation

Utility plant in service and other capital assets are stated at cost where the historical cost is known. Where historical cost is not known, assets are recorded at the District engineer's estimated cost. Donations by developers and customers are recorded at acquisition cost.

Expenditures for maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Renewals and betterments that materially extend the life of the assets are capitalized. At the time property is sold, retired or otherwise disposed of, 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 five to fifty years. Initial depreciation on utility plant is recorded in the year subsequent to purchase. Depreciation expense for the year ended December 31, 2021 was $7,887,878. Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs related to projects ultimately constructed are transferred to utility plant; charges related to abandoned projects are expensed.

Assets	Useful Life
Sewer collection mains & pipes	50 years
Water transmission mains & pipes	50 years
Pumping stations & reservoirs	20 to 50 years
Buildings	20 to 50 years
Machinery, equipment, & other	5 to 7 years
Technology	15 years

Capitalization of Expenses

The District incurs engineering, legal, and other expenses in connection with the design and construction of utility plant. These costs are capitalized and recorded as a cost of utility plant. Expenditures for capital assets that exceed $5,000, including capital leases and repairs that extend useful lives in excess of one year are capitalized. Total interest costs incurred for the year ending December 31, 2021 was $0; there was no capitalized interest in 2021.

Income and Property Taxes

The District is a municipal corporation and as such is exempt from income and property taxes.

Miscellaneous Operating Revenue

Miscellaneous operating revenue is comprised of miscellaneous service, rental and permit revenue.

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave benefits as earned. Sick leave is accrued at 50% of the amount due, as that portion would be paid on termination. The liabilities for unpaid vacation and sick leave benefits at December 31, 2021 was $387,354, of which $42,609 is considered a current liability.

Vacation

Each full-time employee receives vacation benefits as follows:

Years of Continuous Service	Monthly Vacation Credit	Equivalent Annual Vacation Earned
First year	1 day	12 working days
After two years	1.083 days	13 working days
After three years	1.167 days	14 working days
After five years	1.25 days	15 working days
After ten years	1.50 days	18 working days
After fifteen years	1.67 days	20 working days
After twenty years	1.75 days	21 working days
After twenty-five years	1.833 days	22 working days

During the first year of employment, an employee is not entitled to take any vacation. If an employee's employment with the District terminates prior to completing one year of employment, the employee is not entitled to any prorated vacation pay. During the second and subsequent years of employment, vacation will accrue and be eligible on a continuing basis each month. An employee may not accumulate more than 1.5 times his/her annual vacation days. At the end of the year, or at the time of termination or retirement, vacation accruals will be adjusted accordingly. Each December 31st all vacation accruals in excess of the allowable amount are dropped.

Sick Leave

Each fulltime regular employee of the District accrues sick leave benefits at the rate of one day per calendar month, beginning with the first calendar month following the commencement of employment. The sick leave accruing each month is credited to the employee at the end of that month. The amount of accumulated sick leave is limited to 520 hours.
Upon retirement, an employee receives 50% of any remaining unused accumulated sick leave at the employee's then current rate of pay, less the last two years accruals.

Upon the death of an employee who leaves a surviving spouse or surviving minor child, the surviving spouse or surviving minor child, but not both, is entitled to 50% of the employee's unused accumulated sick leave at the employee's then current rate of pay.

An employee who voluntarily terminates and is not on probation at the time of termination, receives 50% of the employee's unused accumulated sick leave at the employee's then current rate of pay. An employee terminated by the District without cause receives 50% of the employee's unused accumulated sick leave at the employee's then current rate of pay; terminated with cause receives no sick leave accrual.

Restricted Resources

When resources meeting more than one of the net position classifications are comingled in an account, if the expense meets the constraints of the classification, the assumed order of spending is restricted first, then unrestricted.

Pensions

For purposes of measuring the net pension liability, deferred outflows and 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.

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset and the related deferred outflows and deferred inflows.

NOTE 2 - RESTRICTED ASSETS

The King County Treasurer's Office maintains cash, investments, and bond funds. For more information, see Note 3, Deposits and Investments.

Revenue Bond Funds

In accordance with bond resolutions and certain related agreements, several restricted funds were established. Assets held in these funds are restricted for specific uses, including debt service and other special reserve requirements. Restricted bond funds included the following as of December 31, 2021:

	2021
Bond fund cash	$ 735
Total	$ 735

These restricted funds are for redemption of revenue bonds and related interest costs. Restricted bond fund assets shown as of December 31, 2021 included the following investments:

	2021
King County Investment Pool	$ 735
Total	$ 735

Assessments Receivable

Assessment levies are recorded as filed with the King County Treasurer for Utility Local Improvement District (ULID) projects; payments are deposited to the revenue bond fund. The following sewer assessments were outstanding as of December 31, 2021:

	2021
ULID No. 107	11,863
Total	$ 11,863

Special Funds

In accordance with District resolutions to conform with current law, separate restricted funds are required. Assets held in these funds are restricted for specific uses, including construction and replacement of utility plant. Restricted funds included the following special funds as of December 31, 2021:

	2021
Capital Improvement Fund	
King County Investment Pool	$ 10,782
	$ 10,782

Restricted and special fund assets shown on the Statement of Net Position included the following investments:

	2021
King County Investment Pool	
Revenue Bond Fund	$ 735
Capital Improvement Fund	10,782
	$ 11,517

NOTE 3 - DEPOSITS AND INVESTMENTS

The District's cash, cash equivalents and investments consist of cash on hand or demand deposits held by banking institutions and pooled investments managed by the Office of the State Treasurer and the King County Treasury Division. The District uses the Office of the State Treasurer (OST) and, King County, to maintain cash and investments. In accordance with state investment laws, the District has entered into a formal inter-local agreement with the OST and King County to have funds not required for immediate expenditure be invested in the Local

Government Investment Pool (LGIP), the Separately Managed Account (SMA) with OST and the King County Investment Pool (Pool).

Both the OST and the King County Treasury Division pools and invests all short-term cash surpluses not otherwise invested by individual funds of the State/County. Earnings from these pooled investments are allocated to the District based upon the District's proportionate share in the pooled investments. For the purpose of reporting cash and cash equivalents in the Statement of Cash Flows, the District records the cash on hand, demand deposits and pooled investments managed by OST and the King County Treasury Division as cash and cash equivalents as is reflected in the Statement of Net Position.

The Revised Code of Washington allows OST and King County to invest its surplus funds in US Treasuries and Agency securities, certificates of deposits, commercial paper, bankers' acceptances, and repurchase agreements secured by eligible securities. All investments are stated at fair value. The change in fair value of investments is reflected in the Statement of Revenues, Expenses and Changes in Net Position as investment revenue. King County reports that its pool's effective duration is 1.24 years as of December 31, 2021. The LGIP reports that its pool's effective duration is 34 days as of December 31, 2021. Due to its highly liquid nature from the District's perspective, the pool is considered a cash-equivalent. The King County Investment Pool held certain assets that are considered impaired as of December 31, 2021. The ultimate disposition of these impaired assets is not expected to be significantly different than the market valuation provided by King County as of December 31, 2021.

The District uses demand deposits with commercial banks. These deposits are entirely insured. While the District does not have a formal policy regarding custodial credit risk, the District does not assume any custodial credit risk as all of its cash equivalents are held in either in the state's LGIP or the King County Investment Pool, which is not an investment evidenced by securities.

As of December 31, 2021, the District held the following cash and cash equivalents. The amounts reported for the King County Pool are reported at fair value in accordance with GASB Statement No. 31. The amounts reported for the state's LGIP is reported at amortized cost, also according to GASB Statement No. 31.

The District uses the valuations provided by King County and OST. As such, it does not employ separate valuations. Since the King County Pool and the state's LGIP is essentially a cash equivalent, the use of the five approved methods under GASB Statements 40 and 59 are not applicable.

As of December 31, 2021, the District had the following investments:

Description	Maturities	Fair Value
US Treasury T-Bills	2022	$ 749,279
Investments-Current		749,279
US Treasury T-Notes	2023-2026	6,554,101
Bullet - FHLB and FFCB	2023-2024	992,580
Agency-FRN and FHLB	2024	500,004
Callable - FHLB	2026	982,806
Supra-Bullet - Various	2023-2026	4,024,925
Supra-FRN - IFC	2024	499,884
Investments-Non Current		13,554,300
Total Investments		$ 14,303,579

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets. These valuation inputs are considered most reliable.
Level 2 inputs are quoted prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other observables. These valuation inputs are considered to be reliable.
Level 3 inputs are significant unobservable inputs and are considered to be the least reliable.

The District relies on the King County Pool and the LGIP to value its investments using the valuation inputs described above. The OST also provides market values for the District's SMA account. The District holds no investments that require valuation using levels 2 or 3 inputs.

Impaired Investments. As of Dec. 31, 2021, all impaired commercial paper investments in the King County Pool have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principal (maximum risk of loss) on December 31, 2021 was $26,504; the fair value of these investments on December 31, 2021 was $16,768.

Interest Rate Risk. As of December 31, 2021, the Pool's average duration was 1.24 years and the LGIP reported a duration of 34 days as of December 31, 2021. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool and LGIP must have a final maturity, or weighted average life, no longer than five years. While the Pool's and LGIP's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology. The investments managed by the OST SMA account mature from 2022 to 2026 and as such have interest rate risk. It is the intention of the District to hold these investments to maturity, so annual changes in market valuation due to market rate changes in interest rates should be minimal.

Credit Risk. As of Dec. 31, 2021, the District's investment in the Pool and LGIP was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool and LGIP policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office. For the OST's SMA account for investments, almost all securities owned are from the US Government.

Custodial Credit Risk. The risk associated with the failure of a depository financial institution is custodial credit risk. In the event of a depository financial institutions' failure, it is the risk that the District would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The District minimizes custodial credit risk by following the restrictions set forth in state law.

NOTE 4 – UTILITY PLANT

Major costs for capital assets, including major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are expensed when incurred. Utility plant in service is recorded at cost. Donations by developers are recorded at the donor cost.

Utility plant activity for the year ended December 31, 2021, was as follows:

	Balance Dec. 31, 2020	Increase	Decrease	Balance Dec. 31, 2021
Utility plant not being depreciated:				
Land & land rights	$ 2,501,454	$ -	$ -	$ 2,501,454
Intangible property rights	1,800,707	17,150	-	1,817,857
Construction in progress	8,591,175	609,175	2,939,716	6,260,634
Total	12,893,336	626,325	2,939,716	10,579,945
Utility plant being depreciated:				
Sewer collection mains & pipes	202,890,987	3,373,368	28,218	206,236,137
Water transmission mains & pipes	76,395,759	4,526,364	282,824	80,639,299
Pumping stations & reservoirs	51,818,821	-	-	51,818,821
Buildings	8,172,029	-	-	8,172,029
Machinery, equipment, & other	15,612,681	1,442,168	-	17,054,849
Total	354,890,277	9,341,900	311,042	363,921,135
Less accumulated depreciation:				
Sewer collection mains & pipes	75,424,891	4,004,652	6,062	79,423,481
Water transmission mains & pipes	26,794,406	1,472,952	252,268	28,015,090
Pumping stations & reservoirs	21,916,935	1,577,077	-	23,494,012
Buildings	2,930,851	175,044	-	3,105,895
Machinery, equipment, & other	12,955,117	675,302	17,150	13,613,269
Total	140,022,200	7,905,027	275,480	147,651,747
Total depreciable assets, net	214,868,077	1,436,873	35,562	216,269,388
Total capital assets, net	$227,761,413	$ 2,063,198	$ 2,975,278	$226,849,333

NOTE 5 - WORK IN PROGRESS

Work in progress represents expenditures to-date on projects authorized by the Board of Commissioners. Costs are accumulated on projects until completed and accepted by the Board. Upon acceptance by the Board, the projects are transferred to Utility Plant.

Work in progress as of December 31, 2021 was composed of the following:

	2021
Water Meter Change-out	$ 3,306,453
Lift Station 24B Removal	178,916
Reservoir #6 Seismic Work	473,091
PRV 2 Replacement	494,965
Lift Station 5B N Forcemain	135,665
District Network Upgrade	569,592
District Office Remodel	222,175
Rock Creek Culvert Crossing	44,197
Shake Alert Pilot	174,510
Boulevard Lanes Ph 2	19,474
LS #48 Phase 1 Alternate Analysis	10,894
HVAC Replacement 2021	17,340
Other projects	613,362
	$ 6,260,634

NOTE 6 - DEPOSITS OF DEVELOPERS AND CUSTOMERS

The District requires developers and customers to deposit funds upon beginning a project to which charges for District services are applied.

The following deposits of developers and customers were on hand as of December 31, 2021:

	2021
Guaranty deposits	$ 3,215
Developer easement deposits	16,755
Main extension deposits	8,595
Prepaid connection charges	14,174
Prepaid sewer area charges	1,015
Customer deposits	99,100
Prepaid water area charges	762
Total	$ 143,616

NOTE 7 – CONTRACT RETAINAGE

The following amounts were due to contractors for District construction contracts as of December 31, 2021:

	2021
BFC Construction	$ 9,291
Northwest Cascade	1,323
SCI Infrastructure	195,430
Bonner Brothers	22,896
	$ 228,940

NOTE 8 - PUBLIC WORKS TRUST FUND LOANS

2021 Public Works Trust Fund Loan

The District entered into an agreement with the Department of Community Development of the State of Washington on August 6, 2021, to obtain a loan of $5,343,625 for the construction of the Tank 6 Seismic Improvements.

The loan bears interest at 0.94% per annum on the outstanding principal balance. The term of the loan is twenty (20) years, with the final payment due July 1, 2041. The loan was being repaid solely from utility revenues. The District had not taken a draw on this loan as of December 31, 2021.

2001 Public Works Trust Fund Loan

The District entered into an agreement with the Department of Community Development of the State of Washington on May 4, 2001, to obtain a loan of $1,224,484 for the construction of the Meridiana Sewer Extension and Water Main Project. The loan was paid in full in 2021.

The loan bears interest at one-half of one percent (0.5%) per annum on the outstanding principal balance. The term of the loan is twenty (20) years, with the final payment due July 1, 2021. The loan was being repaid solely from utility revenues. The first loan repayment under the agreement was due July 1, 2000, and subsequent installments were due on July 1 of each year during the term of the loan.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Balance Dec. 31, 2020	Additions	Reductions	Balance Dec. 31, 2021	Due Within One Year
Public Works Trust Fund Loans	63,992	-	63,992	-	-
Compensated Absences	422,068		34,714	387,354	42,609
Net Pension Liability	1,190,920	-	908,436	282,484	-
Total OPEB Liability	2,730,384	-	331,851	2,398,533	49,563
Total Long-term Liabilities	$ 4,407,364	$ -	$ 1,338,993	$ 3,068,371	$ 92,172

NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2021:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(282,484)
Pension assets		2,763,749
Deferred outflows of resources		333,319
Deferred inflows of resources		(2,910,656)
Pension expense/expenditures		(641,210)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1			
Actual Contribution Rates:		Employer	Employee
January – June 2021:			
PERS Plan 1		7.92%	6.00%
PERS Plan 1 UAAL		4.87%	
Administrative Fee		0.18%	
	Total	12.97%	6.00%
July – December 2021:			
PERS Plan 1		10.07%	6.00%
PERS Plan 1 UAAL		0.00%	
Administrative Fee		0.18%	
	Total	10.25%	6.00%

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

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

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

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan. As of December 31, 2021, the District had one employee in PERS Plan 3.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer	Employee
January – June 2021:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.97%	7.90%
July – December 2021:		
PERS Plan 1	6.36%	7.90%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	10.25%	7.90%

The District's actual PERS plan contributions were $151,921 to Plan 1 and $234,034 to Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates in the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for each 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of NPL

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.40%	Current Discount Rate	1% Increase 8.40%
PERS 1	$ 481,227	$ 282,484	$ 109,159
PERS 2/3	$ (787,338)	$ (2,763,749)	$ (4,391,324)

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, 2021, the District reported a total pension liability of $282,484 for PERS 1 and a pension asset of $2,763,749 for its proportionate share of the net pension assets and liabilities as follows:

	Liability (or Asset)
PERS 1	$ 282,484
PERS 2/3	$ (2,763,749)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.023452%	0.023131%	-0.000321%
PERS 2/3	0.028378%	0.027744%	-0.000634%

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 both plans.

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2021, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ (59,570)
PERS 2/3	(581,640)
TOTAL	$ (641,210)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(313,462)
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	62,423	0
TOTAL	$ 62,423	$ (313,462)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	134,231	(33,881)
Net difference between projected and actual investment earnings on pension plan investments	0	(2,309,846)
Changes of assumptions	4,039	(196,272)
Changes in proportion and differences between contributions and proportionate share of contributions	26,749	(57,195)
Contributions subsequent to the measurement date	105,877	0
TOTAL	$ 270,896	$(2,597,194)

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31		PERS 1
2022	$	(83,036)
2023		(76,091)
2024		(71,947)
2025		(82,387)
2026		0
Thereafter		0

Year ended December 31		PERS 2/3
2022	$	(634,594)
2023		(593,093)
2024		(574,717)
2025		(614,040)
2026		(13,385)
Thereafter		(2,346)

NOTE 11 –HEALTHCARE REIMBURSEMENT ACCOUNT

Description of the Plan

The District adopted a healthcare reimbursement account VEBA plan (HRA/VEBA) effective January 1, 2001. The intention of the District is that the HRA/VEBA qualify as a tax-exempt trust as authorized by Internal Revenue Code section 501(c)(9). The HRA/VEBA is a pre- and post-retirement, tax-exempt, medical expense reimbursement account.

Contributions

The HRA/VEBA accounts are funded in two ways, through annual sick leave cash-outs and through medical and dental benefits equalization.

Sick Leave Cash-outs. In January of each year, annual net sick leave (annual hours earned less hours used) is deposited to the employees' HRA/VEBA accounts. The number of sick leave hours and the employees' rate of pay are as of December 1 of the prior year. The HRA/VEBA deposit schedule for fulltime employees is as follows:

Accumulated Sick Leave as of December 1	Deposit to HRA/VEBA Account
0 to 167 hours	0
168 to 300 hours	25% of annual net sick leave (24 hours max)
301 to 520 hours	50% of annual net sick leave (48 hours max)
> 520 hours	100% of sick leave accrual over 520 hours

The deposit schedule for regular part-time employees would be on a pro-rated basis.

Benefits Equalization. The District determined that it was prudent to pay all employees the same medical and dental insurance benefit regardless of marital and/or family status. Those employees that waive medical and/or dental insurance coverage offered by the District for spouses and/or children receive an amount equal to the difference between full coverage (employee, spouse, and children) and their elected coverage. This difference is deposited monthly into the employees' HRA/VEBA accounts.

The District's 2021 contributions to the employees' HRA/VEBA accounts totaled $585,931. Employees are always 100% vested in their HRA/VEBA accounts.

NOTE 12 – RISK MANAGEMENT

Property and Liability Insurance

Soos Creek Water & Sewer District is a member of the Enduris Washington (Pool). 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. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

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 overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
Liability:				
Comprehensive General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000
Terrorism Liability[2]	Per Occurrence Pool Aggregate	$500,000 $1 million	$0 Fully funded by Pool	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay[3]

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
(3) Members pay a 20% co-pay of costs up to a maximum of $100,000. By meeting established guidelines, the co-pay may be waived.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Property (2):				
Buildings and Contents	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Boiler and Machinery (3)	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) (4)	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit (5):				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5%; $500,000 maximum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million/ Pool member $200 million	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/Pool member $1.2 billion/APIP $1.4 billion/APIP	$0
Automobile Physical Damage(6)	Per Occurrence	$25,000; $100,000 for Emergency Vehicles	$800 million	$250 - $1,000
Crime Blanket (7)	Per Occurrence	$50,000	$1 million	$1,000
Named Position (8)	Per Occurrence	$50,000	$1 million	$1,000
Cyber (9)	Each Claim APIP Aggregate	$100,000	$2 million $25 million	20% Copay
Identity Fraud Expense Reimbursement (10)	Member Aggregate	$0	$25,000	$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
(3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
(4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to $500,000 of coverage with a $2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
(5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
(6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
(7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of $2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from $5,000 to $1 million.
(8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between $5,000 and $1 million.
(9) Cyber coverage is included under the Pool’s Property program. Members are subject to a 20% co-pay per loss and the Pool’s SIR is tiered between $50,000 and $100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is $2 million, with various declared sub-limits.
(10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a $25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Unemployment Compensation Self-insurance

The District is self-insured for unemployment compensation exposure. Claims are administered by the Washington State Department of Employment Security and are subsequently reimbursed by the District. Actual costs are paid by the District as incurred.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75, *Accounting and Financial Reporting for Employers for Postemployment Benefits other than Pensions* for the year 2021:

Aggregate OPEB Amounts – All Plans		
OPEB liabilities	$	2,398,533
OPEB assets		-
Deferred outflows of resources		24,781
Deferred inflows of resources		-
OPEB expense/expenditures		(280,450)

In addition to pension benefits as described in Note 10, the District, through its participation in the Health Care Authority (HCA) health insurance plans, also has postemployment liability arising out of the cost of providing health care insurance to retired District employees.

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life and long-term disability.

The relationship between PEBB OPEB plan and its member employers (of which the District is), their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit ongoing basis. Nevertheless, the actuarial assumption used in valuations presented here assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported using the economic resources measurement focus and the accrual basis of accounting by the District. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan include the State of Washington (general government and higher education institutions, and component units), 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments. The plan is also available to retirees of the remaining 227 K-12 schools, charter schools, and ESDs.

Membership in the PEBB plan for the District consisted of the following:

Summary of Plan Participants
As of December 31, 2021

Active employees	45
Retirees receiving benefits	7
Retirees not receiving benefits	4
Total active employees and retirees	56

The PEBB OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. The District's PEBB members are all covered in PERS.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit rate subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2020, the average weighted implicit subsidy was valued at $372 per adult unit per month. In calendar year 2021, the average weighted implicit subsidy is projected to be $384 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2021 the explicit subsidy was up to $183 per member per month, and it will remain 183 per member per month in calendar year 2022.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits. The benefits are funded on a pay-as-you-go basis. The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows:

Required Premium*	
Medical	$ 1,120
Dental	81
Life	4
Long-term disability	2
Total	$ 1,207
Employer contribution	$ 1,041
Employee contribution	166
Total	$ 1,207

*Per 2020 PEBB Financial Projection Model 8.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY 2020 which includes projected claims cost at the time of this reporting.

Actuarial Assumptions. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2021
Actuarial measurement date	6/30/2021
Actuarial cost method	Entry Age
Amortization method	Recognized Immediately
Asset Valuation method	N/A - No assets

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate*	
Beginning of Measurement Year	2.21%
End of Measurement Year	2.16%
Projected salary changes	3.50% plus service-based salary increases
Healthcare Trend Rates**	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.30% in 2075.
Mortality Rates	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 year
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.75%
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

* Source: Bond Buyer General Obligation 20-Bond Municipal Index

**Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, pleae see Office of the State Actuary's 2020 PEBB OPEB Actuarial Valuation Report.

In projecting the growth of the explicit subsidy, after 2022 when the cap is $183, it is assumed to grow at the health care trend rates. The state Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Total OPEB Liability. As of December 31, 2021, the District reported a total OPEB liability of $2,398,533.

Changes in Total OPEB Liability. The following table presents the change in total OPEB liability as of December 31, 2021, reporting date:

Changes in Total OPEB Liability	
Total OPEB Liability- Beginning	$2,730,384
Changes for the year:	
Service cost	122,591
Interest	62,486
Changes in benefit terms	-
Change in experience data and assumptions	(465,527)
Benefit payments	(51,401)
Other	-
Net Changes in Total OPEB Liability	(331,851)
Total OPEB Liability- Ending	$2,398,533

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the District as an employer calculated using the discount rate of 2.21 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percent point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Discount Rate	$ 2,869,939	$ 2,398,533	$ 2,024,994

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the District as an employer, calculated using the health care trend rates of 2-11 percent decreasing to 4.30 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent) or 1 percentage point higher (3-12 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Healthcare Trend Rate	$ 1,993,006	$ 2,398,533	$ 2,921,302

NOTE 14 – COVID-19 PANDEMIC

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 (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included 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. The Governor declared construction workers for water and sewer as essential workers, and this was critical for the District to help lessen the impact of the economic slowdown on the District and its developers during the pandemic.

Since the District has not been allowed to hold a public hearing, a comprehensive plan amendment that is needed to serve a new 3,000-unit development is on hold. In addition, executive orders related to the pandemic have restricted the District from imposing late fees, liens and performing shutoffs for overdue bills. This event has had an impact on our revenues and cash flow and as of December 31, 2021, receivables are up $1,421,011 and other operating revenue is down $1,502,266.

These measures have been in place for two years now, and the full extent of the financial impact on the District is still unknown currently. In January 2022, the District has resumed imposing late fees, liens and performing shutoff for overdue bills. The District is also accepting payment plans from those customers in arrears due to COVID.

END OF NOTES

A copy of this report is available at the District, 14616 SE 192nd Street, Renton, WA 98058-9420.

SOOS CREEK WATER AND SEWER DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2021

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset) PERS 1	0.025858%	0.026164%	0.026624%	0.026059%	0.024190%	0.023452%	0.023131%
Employer's proportionate share of the net pension liability	$1,352,614	$1,405,130	$1,263,330	$1,163,804	$ 930,191	$ 827,982	$ 282,484
Covered payroll	$2,736,198	$2,905,951	$3,093,465	$3,261,909	$3,313,986	$3,402,789	$ 3,409,616
Employer's proportionate share of the net pension liability as a percentage of covered employee	49.43%	48.35%	40.84%	35.68%	28.07%	24.33%	8.28%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%

Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset) PERS 2/3	0.028787%	0.028859%	0.029743%	0.028812%	0.029220%	0.028378%	0.027744%
Employer's proportionate share of the net pension liability	$1,028,576	$1,453,028	$1,033,427	$ 491,939	$ 283,826	$ 362,938	$(2,763,749)
Covered payroll	$2,554,319	$2,716,839	$2,905,619	$3,124,656	$3,224,675	$3,313,478	$ 3,318,277
Employer's proportionate share of the net pension liability as a percentage of covered employee	40.27%	53.48%	35.57%	15.74%	8.80%	10.95%	-83.29%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%

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

SOOS CREEK WATER AND SEWER DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2021

Schedule of Employer Contributions
PERS 1
As of December 31
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	$ 79,968	$ 154,838	$ 165,931	$ 175,162	$ 171,716	$ 174,447	$ 151,921
Contributions in relation to the statutorily or contractually required contributions	$ (79,968)	$ (154,838)	$ (165,931)	$ (175,162)	$ (171,716)	$ (174,447)	$ (151,921)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$2,811,781	$2,997,403	$3,093,465	$3,261,909	$3,313,986	$3,585,633	$ 3,309,554
Contributions as a percentage of covered employee payroll	2.84%	5.17%	5.36%	5.37%	5.18%	4.87%	4.59%

Schedule of Employer Contributions
PERS 2/3
As of December 31
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	$ 197,296	$ 174,877	$ 198,315	$ 234,270	$ 247,921	$ 281,171	$ 234,035
Contributions in relation to the statutorily or contractually required contributions	$ (197,296)	$ (174,877)	$ (198,315)	$ (234,270)	$ (247,921)	$ (281,171)	$ (234,035)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$2,626,286	$2,807,009	$2,905,619	$3,124,656	$3,224,675	$3,495,904	$ 3,217,925
Contributions as a percentage of covered employee payroll	7.51%	6.23%	6.83%	7.50%	7.69%	8.04%	7.27%

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

SOOS CREEK WATER AND SEWER DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2021

Schedule of Changes in Total OPEB Liability and Related Ratios

	2018	2019	2020	2021
Total OPEB Liability				
Service cost	$ 90,891	$ 77,153	$ 82,576	$ 122,591
Interest	73,541	79,861	74,596	62,486
Changes in benefit terms	-	-	-	-
Change in experiene data and assumptions*	(113,029)	(43,829)	550,678	(465,527)
Benefit payments	(7,289)	(49,716)	(51,984)	(51,401)
Other	-	-	-	-
Net Changes in Total OPEB Liability	44,114	63,469	655,866	(331,851)
Total OPEB Liability- Beginning	$1,966,935	$2,011,049	$2,074,518	$2,730,384
Total OPEB Liability- Ending	$2,011,049	$2,074,518	$2,730,384	$2,398,533
Covered payroll	$3,345,558	$3,406,573	$3,545,965	$3,533,965
Total OPEB liability as a percentage of covered-employee payroll	60.11%	60.90%	77.00%	67.87%

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

Source: Washington State Office of the State Actuary

Notes to Required Supplementary Information

The Public Employees' Benefits Board OPEB plan does not have assets in trust or equivalent arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amount reported include changes to the discount rate, health care trend rates, salary projections, and participation changes.

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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