



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Lakewood Water District

For the period January 1, 2022 through December 31, 2022

*Published September 29, 2023*

Report No. 1033360



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

September 29, 2023

Board of Commissioners  
Lakewood Water District  
Lakewood, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Lakewood Water District's financial statements and compliance with federal laws and regulations.

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

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Lakewood Water District January 1, 2022 through December 31, 2022

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Lakewood Water District are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
97.039	Hazard Mitigation Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

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

#### **Lakewood Water District January 1, 2022 through December 31, 2022**

Board of Commissioners  
Lakewood Water District  
Lakewood, 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 Lakewood Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 26, 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 26, 2023

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Lakewood Water District January 1, 2022 through December 31, 2022**

Board of Commissioners  
Lakewood Water District  
Lakewood, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Lakewood Water District, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on



compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 26, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Lakewood Water District January 1, 2022 through December 31, 2022**

Board of Commissioners  
Lakewood Water District  
Lakewood, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of the Lakewood Water District, as of and for the year ended December 31, 2022, 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 Lakewood Water District, as of December 31, 2022, 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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 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.

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

Pat McCarthy, State Auditor

Olympia, WA

September 26, 2023

## **FINANCIAL SECTION**

### **Lakewood Water District January 1, 2022 through December 31, 2022**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2022

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2022

Statement of Revenues, Expenses, and Changes in Net Position – 2022

Statement of Cash Flows – 2022

Notes to Financial Statements – 2022

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022



Lakewood Water District  
Management's Discussion and Analysis  
Year Ended December 31, 2022

Our discussion and analysis of Lakewood Water District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Lakewood Water District's overall financial position as of December 31, 2022 remains stable and unchanged from last year. Please read it in conjunction with the District's audited financial statements, which follow this section.

The audited financial statements which follow this section consist of the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position 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 liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's Net Position and changes in them. The District's Net Position is the difference between assets and liabilities. 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 conditions are improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's funding structures to assess the overall financial condition of the District.

The Statement of Cash Flows (presented using the Direct Method) show the changes in cash position for the District for the year. These statements show the amount of cash generated (or depleted) from operations, from non-capital financing activities, from capital and related investing activities, and from investment activities.

Lakewood Water District  
Management's Discussion and Analysis  
Year Ended December 31, 2022

Condensed Comparative Statement of Net Position

<b>ASSETS</b>	2022	2021	CHANGE	% CHANGE
Cash and Equivalent	2,589,260	2,039,714	549,546	26.94%
Other Current Assets	3,945,835	2,742,349	1,203,486	43.89%
Total Current Assets	6,535,095	4,782,063	1,753,033	36.66%
Restricted Assets	8,595,625	14,007,255	(5,411,630)	-38.63%
Net Pension Assets	1,075,658	2,543,298	(1,467,640)	-57.71%
Utility Plant (Net)	135,598,955	124,683,801	10,915,155	8.75%
Total Assets	151,805,334	146,016,416	5,788,918	3.96%
Deferred Outflows of Resources	1,087,527	463,649	623,878	134.56%
<b>LIABILITIES</b>				
Current Liabilities	4,443,593	4,456,213	(12,620)	-0.28%
Long-Term liabilities	57,422,604	59,005,060	(1,582,456)	-2.68%
Total Liabilities	61,866,197	63,461,273	(1,595,076)	-2.51%
Deferred Inflows of Resources	1,163,541	2,677,126	(1,513,585)	-56.54%
Net Investment in Capital Assets	77,402,570	71,134,686	6,267,884	8.81%
Restricted Assets	8,813,862	7,143,961	1,669,901	23.38%
Unrestricted Net Assets	3,646,690	2,063,019	1,583,671	76.76%
Total Net Position	89,863,122	80,341,666	9,521,456	11.85%

Analysis of the Condensed Comparative Statement of Net Position

Assets – The District's current assets increased by 36.66% from 2021 to 2022. The District saw an increase in its operating cash balances in part due the increase in rates that occurred in 2022. We also saw an increase in receivable balances in 2022 by \$1,263,396. This combines an increase in water accounts receivable outstanding balances as well as increases in miscellaneous receivables mostly coming from grant receivables for funds spent and earned.

Lakewood Water District  
Management's Discussion and Analysis  
Year Ended December 31, 2022

In 2022, restricted assets had a decrease of \$5,411,630 primarily from spending bond proceeds from the 2021 bond issue.

Pension Assets - The District saw a decrease in its pension asset for the Washington State Department of Retirement Systems' (DRS) Public Employee Retirement System (PERS) 2/3. The District reports a net pension asset of \$1,075,658 in 2022 as compared to \$2,543,298 in 2021.

Capital Assets – The Utility Plant accounts increased by \$10,915,155 in 2022 from 2021. There were two primary capital spending emphases in 2022 which include the completion of the Scotts Treatment Facility for Iron and Manganese with a Granulated Active Carbon (GAC) Treatment Facility on the same site, the Steilacoom Tank Seismic Retrofit and Tank Painting, the Spanaway Wholesale Transmission Main and the District's Mains Replacement and Rehabilitation (R&R) Program. The District's R&R Program intends to replace the District's aging infrastructure which include the replacement of old mains. In 2022, the completed or nearly completed projects included water main replacement at Gravelly Lake Drive (Washington to Nyanza), 39<sup>th</sup> Ave Phase 4 and 112<sup>th</sup> Street (Pacific Hwy to South Tacoma Way).

The 2022 capital budget was \$14,093,506 which was a decrease of \$1,288,331 compared to the 2021 budget. The 2022 capital budget includes \$4,631,550 for the R&R program, \$9,461,956 for Water Treatment, Storage and Pumping projects which include pump and motor replacements, the Steilacoom Tank Seismic Retrofitting, the Spanaway Transmission Main construction, the Scotts Iron and Manganese Treatment Facility as well as the GAC Treatment System.

For 2023, the District has a capital budget of \$11,475,774 which is primarily driven by the continued work for the District's Scott's Water Treatment Facility accounting for \$266,000, pumping and engineering projects accounting for \$3,362,100, and general facilities and other projects for \$1,605,424. Additionally, the District budgeted for \$6,242,250 for the R&R program for 2023.

Liabilities – Current liabilities decreased by \$12,620 from year-end 2021.

Long-term Liabilities – Longer term liabilities decreased by \$1,582,456. This is a result of the District making the semi-annual bond payments for outstanding debt.

Deferred Outflows and Inflow – With implementation of GASB 68 there is recognition of Deferred outflows \$1,087,527 and Deferred inflows of \$1,163,541.

Net Position – Net Position increased by \$9,521,456. See Management's discussion on the 2022 income statement.

Lakewood Water District  
Management's Discussion and Analysis  
Year Ended December 31, 2022

Condensed Comparative Statement of Revenues, Expenses & Changes Net Position

	2022	2021	CHANGE	% CHANGE
OPERATING REVENUES				
Water Revenues	16,092,472	14,955,687	1,136,785	7.60%
Other Operating Revenues	579,818	642,352	(62,535)	-9.74%
Total Operating Revenues	16,672,290	15,598,039	1,074,251	6.89%
OPERATING EXPENSES				
Operating Expenses	7,709,738	6,563,750	1,145,988	17.46%
Depreciation	3,386,779	3,216,026	170,753	5.31%
Total Operating Expense	11,096,518	9,779,776	1,316,741	13.46%
Net Operating Income	5,575,773	5,818,263	(242,491)	-4.17%
Other Revenue/(Expenses)	(1,814,951)	(1,951,949)	136,998	-7.02%
Net Income Before Capital Contributions	3,760,821	3,866,314	(105,493)	-2.73%
Capital Contributions	5,760,635	2,534,670	3,225,965	127.27%
Change in Net Position	9,521,456	6,400,984	3,120,472	
Total Net Position, January 1	80,341,666	73,940,682		
Total Net Position, December 31	89,863,123	80,341,666	9,521,456	11.85%

Comparative Analysis of Changes in Revenue and Expenses

In 2022, the District experienced a net income before Capital Contributions of \$3,760,821, a decrease of \$105,493 from 2021. The decrease can be primarily attributed to increased operating expenses as well as an increased total for depreciation expense for 2022. The total change in Net Position in 2022 was \$9,521,456 which is higher than 2021's \$6,400,984. This results from higher capital contributions for 2022 which were higher by \$3,225,965 as compared to 2021.

Lakewood Water District  
Management's Discussion and Analysis  
Year Ended December 31, 2022

Operating revenues increased by \$1,074,251. This is a result of increased rates for 2022 both for its retail and wholesale customers. The District saw an increase in consumption higher than what was projected in the budget and also 2020's consumption. In 2022, the District continued to realize and recognized wholesale revenues. Wholesale revenues recognized \$5,435,023 in 2022.

Operating Expenses increased \$1,145,988 or 17.46%. The primary increase was caused by operating and maintenance costs incurred in the normal course of operation for 2022. Additionally, the District's depreciation expense increased by \$170,753 or 5.31% due to the completion of capital assets budgeted in prior years.

Non-operating revenues/(expenses) in 2022 decreased by \$136,998 (decrease in expenses). Interest expense increased by \$155,844 in Fiscal Year 2022. However, this was offset by an increase in interest income resulting from high interest rates in the latter months of 2022. These factors resulted in the decrease of non-operating expenses for 2022.

Capital Assets – Utility Plant

Capital Assets consist of land, construction work in progress, and capital assets such as infrastructure (mains, services, etc), buildings, furniture, and equipment. The assets are recorded at historical cost. Depreciation expense for assets other than land is then recorded each year according to the straight-line method over the estimated useful lives of the assets (3 to 100 years). A corresponding contra-asset account depicts the accumulated depreciation.

Starting in 2014, the District launched a major 50 year replacement and rehabilitation program (R&R) that will replace over 180 miles of our 261 miles of transmission pipe in our system. This program will represent approximately \$3.4 million of our capital program outlays and will be escalated 3% each year. The R&R Program for 2023 is budgeted for \$6,242,250. In 2023, the District has a capital budget of \$11,475,774 which are driven by the continued work for the District's Scott's Water Treatment Facility, pumping and engineering projects, and general facilities and other projects.

Lakewood Water District  
Management's Discussion and Analysis  
Year Ended December 31, 2022

Debt Administration – Long Term Debt

	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 1/1/2022	Amount Issued in 2022	Amount Redeemed in 2022	Ending Outstanding Debt 12/31/2022
<b>Water Revenue Bonds</b>						
<b>Payable</b>						
Water Revenue Bond - 2012	2012	2022	400,000	-	400,000	-
Water Revenue Bond - 2014	2014	2033	8,800,000	-	250,000	8,550,000
Water Revenue Bond – 2017	2017	2042	7,140,000	-	-	7,140,000
Water Revenue Bond – 2019A	2019	2048	18,580,000	-	340,000	18,240,000
Water Revenue Bond – 2019B	2019	2048	9,805,000	-	-	9,805,000
Water Revenue Bond – 2021A	2021	2051	8,655,000	-	160,000	8,495,000
Water Revenue Bond – 2021B	2021	2024	1,065,000	-	475,000	590,000
<b>Total Revenue Bonds Payable</b>			<b>54,445,000</b>	<b>-</b>	<b>1,625,000</b>	<b>52,820,000</b>
<b>Public Works Trust Fund Loans</b>						
<b>Payable</b>						
PWTF #2	2002	2022	62,838	-	62,838	-
PWTF #4	2011	2031	421,052	-	42,105	378,948
PWTF #5	2012	2033	449,842	-	40,895	408,947
<b>Total PWTF Loans Payable</b>			<b>933,732</b>	<b>-</b>	<b>145,838</b>	<b>787,895</b>
<b>TOTAL</b>			<b>55,378,732</b>	<b>-</b>	<b>1,770,838</b>	<b>53,607,894</b>

The Water Revenue Bonds are secured by, and payable solely from the net operating revenues of the District, as defined in the revenue bond covenants. The District is required to establish, maintain, and collect rates and charges for water service (and for all other utility services that may be provided by the System) that will yield net revenues equal to at least 1.25 times the average annual debt service. The District has adopted a more stringent internal policy of maintaining 2.0 ratio of net revenue to bond debt service. In 2015, management produced Financial Policies for the District that were presented to the Board of Commissioners. The Board agreed with Financial Policies and approved using

Lakewood Water District  
Management's Discussion and Analysis  
Year Ended December 31, 2022

the Financial Policies as a guideline for management on financial directions and decisions at the District.

Other Operational Information

<u>District Operating Statistics</u>	<u>2022</u>	<u>2021</u>
Service Connections (domestic)	17,193	17,135
Water Used, MGD Average	12.5	13.3
Peak Day Use, MGD	24.0	24.0
Equivalent Resident Units	29,419	29,312

<u>Bi-Monthly Retail Water Rates</u>	<u>2022</u>	<u>2021</u>
Base Rate (0-800 cubic feet)	\$8.88	\$8.30
801-2,000 cubic feet (per ccf)	\$1.88	\$1.76
Over 2,000 cubic feet (per ccf)	\$2.56	\$2.39

<u>Bi-Monthly R&amp;R Fixed Fee based on meter size</u>	<u>2022</u>	<u>2021</u>
5/8"	\$ 31.21	\$ 29.44
1"	\$ 34.32	\$ 32.38
1.5"	\$ 43.68	\$ 41.21
2"	\$ 56.17	\$ 52.99
3"	\$ 90.50	\$ 85.38
4"	\$ 343.28	\$ 323.85
6"	\$ 436.90	\$ 412.17
8"	\$ 905.02	\$ 853.79
10"	\$ 1,185.89	\$ 1,118.76
12"	\$ 1404.33	\$ 1,324.84

LAKEWOOD WATER DISTRICT  
Statement of Net Position  
December 31, 2022

<i>Assets</i>	2022
<u>Current Assets</u>	
Cash	\$ 2,589,260
Accounts Receivable	2,230,638
Inventory	474,393
Prepayments	411,330
Other Current and Accrued Assets	829,475
 Restricted Assets:	
Revenue Bond Fund	
Cash	\$ 739,944
Construction and Replacement Fund	
Cash	7,855,681
 Total Current Assets	<u>\$ 15,130,720</u>
 <u>Non Current Assets</u>	
Utility Plant in Service	\$ 157,417,661
Land And Water Rights	5,761,743
Other Utility Plant	132,213
Construction Work in Progress	18,410,184
Less:Accumulated Depreciation	<u>(46,122,845)</u>
Net Utility Plant	\$ 135,598,955
 Net Pension Asset	\$ 1,075,658
 Total Non-Current Assets	<u>\$ 136,674,613</u>
 Total Assets	<u><u>\$ 151,805,334</u></u>
 <i>Deferred Outflows of Resources</i>	
Deferred Outflows Related to Pensions	\$ 1,087,527
Total Deferred Outflows of Resources	<u><u>\$ 1,087,527</u></u>

The accompanying notes are an integral part of this Financial Statement.



LAKEWOOD WATER DISTRICT  
Statement of Net Position  
December 31, 2022

2022

*Liabilities*

Current Liabilities

Accounts Payable	\$ 1,340,635
Customer Deposits	91,529
Compensated Absences	276,627
Other Current and Accrued Liabilities	798,570

Payables from Restricted Assets:

Revenue Bond Outstanding	\$ 1,660,000
Public Work Trust Fund Loans	83,000
Interest Payable	193,232

Total Current Liabilities	\$ 4,443,593
---------------------------	--------------

NonCurrent and Other Liabilities

Revenue Bond Outstanding	\$ 51,160,000
Public Work Trust Fund Loans	704,895
Debt Premium	4,588,491
Compensated Absences	348,388
Net Pension Liability	620,830

Total NonCurrent Liabilities	\$ 57,422,604
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Total Liabilities	\$ 61,866,197
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*Deferred Inflows of Resources*

Deferred Inflows Related to Pensions	\$ 1,163,541
Total Deferred Inflows of Resources	\$ 1,163,541

*Net Position*

Net Investment in Capital Assets	77,402,570
Restricted for:	
Capital Purposes	7,770,988
Net Pension Asset	1,042,874
Unrestricted	3,646,690

Total Net Position	\$ 89,863,122
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The accompanying notes are an integral part of this Financial Statement.

LAKEWOOD WATER DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ending December 31, 2022

	2022
<u>OPERATING REVENUES</u>	
Customer Sales and Service Fees	\$ 16,092,472
Water Tanks Rents	<u>579,818</u>
Total Operating Revenues	\$ 16,672,290
<u>OPERATING EXPENSES</u>	
Operations	5,208,127
Maintenance	1,992,863
Depreciation	3,386,779
Taxes Other than Income Taxes	<u>508,748</u>
Total Operating Expenses	<u>\$ 11,096,518</u>
Net Operating Income	\$ 5,575,773
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Expense	\$ (2,041,624)
Other expense	(2,289)
Gains (Losses) on Capital Assets Disposition	1,236
Interest Income	189,729
Other Income	<u>37,998</u>
Total Non-Operating Revenues (Expenses)	<u>\$ (1,814,951)</u>
Net Income Before Contributions	\$ 3,760,821
Capital Contributions	5,760,635
Changes in Net Position	<u>\$ 9,521,456</u>
Total Net Position, January 1	\$ 80,341,666
Total Net Position, December 31	<u><u>\$ 89,863,123</u></u>

The accompanying notes are integral part of this Financial Statement.

LAKEWOOD WATER DISTRICT  
Statement of Cash Flows  
Year Ended December 31, 2022

	2022
<u>Cash Flows From Operating Activities</u>	
Cash Received From Customers	\$ 16,413,142
Cash Paid to Suppliers	(4,449,369)
Cash Paid to Employees	<u>(4,311,170)</u>
Net Cash Provided by Operating Activities	<u>\$ 7,652,603</u>
<u>Cash Flows From Noncapital Related Financing Activities</u>	
Transfer of Funds	<u>\$ -</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Acquisition and Construction of Capital Assets	(13,631,871)
Payment of Bond Principal	(1,597,162)
Payment of Public Work Trust Fund	(145,838)
Interest Paid	(2,237,082)
Cash Contributions in Aid of Construction	<u>4,907,537</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>\$ (12,704,416)</u>
<u>Cash Flows From Investing Activities</u>	
Interest Received on Investments	<u>189,729</u>
Net Cash Provided by Investing Activities	<u>\$ 189,729</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	
Net Cash Activities from Above	(4,862,084)
Cash & Cash Equivalents - January 1, 2022	\$ 16,046,968
Cash & Cash Equivalents - December 31, 2022	\$ 11,184,884

The accompanying notes are integral part of this Financial Statement.

LAKEWOOD WATER DISTRICT  
Statement of Cash Flows  
Year Ended December 31, 2022

Reconciliation of Net Operating  
Income to Net Cash Provided by  
Operating Activities

Operating income	5,575,773
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and Amortization expense	3,606,757
Changes in assets and liabilities:	
Increase in Investments	
(Increase) decrease in accounts receivable	(1,263,397)
(Increase) decrease in inventory	(147,039)
(Increase) decrease in prepayment	321,437
Increase in deferred expenses	
(Increase) decrease in other assets	(114,488)
Decrease in deferred assets	
(Decrease) increase in accounts payable	(316,411)
(Decrease) increase in customer deposits	(9,232)
(Decrease) increase in accrued current liabilities	303,098
(Decrease) increase in compensated absences	(12,072)
Changes related to pension amounts	(291,823)
	-----
Total Adjustments	\$ 2,076,830
	-----
Net Cash Flow from Operating Activities	<u>\$ 7,652,603</u>

The accompanying notes are integral part of this Financial Statement.

LAKEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2022

These notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lakewood Water District conform to generally accepted accounting principles as applicable to proprietary funds of governmental units (in most respects). The Governmental Accounting Standards Board (GASB), 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:

a. Reporting Entity

The Lakewood Water District is a municipal corporation governed by an elected three member Board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Lakewood Water District has no component units.

b. Basis of Accounting and Presentation

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

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital assets purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

Unbilled utility service receivables are recorded at year-end. Operating income includes fees and charges. Interest income, interest expense, and other income are treated as non-operating revenues/(expenses). Gains and losses from the disposal of utility plant assets are treated as non-operating revenues/(expenses).

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers cash and highly liquid investments with maturity of three months or less as cash equivalents. Cash and Cash Equivalents as of December 31, 2022 are comprised of:

Current Asset - Cash	\$2,589,260
Bond Reserve - Cash	\$ 739,944
Construction & Replacement – Cash	<u>\$ 7,855,681</u>
Total	\$11,184,885

The District has savings accounts with the Washington State Local Government Investment Pool. The Washington State Local Government Investment Pool (LGIP) is operated in a manner consistent with SEC's 2a-7 of the investment act of 1940, and is unrated.

d. Utility Plant and Depreciation

See Note 3.

e. Restricted Funds

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including debt service, rehabilitation and replacement activities and also capital and construction activities. The District's statement of net position reports \$8,595,625 of restricted cash, of which \$8,595,625 is restricted by enabling legislation. Restricted funds at December 31, 2022 were as follows:

Rehabilitation & Replacement:	\$ 3,874,297
Capital & Construction:	3,896,691
Debt Service:	739,944
Joint Facilities	<u>84,693</u>
Total	\$ 8,595,625

f. Receivables

All water accounts receivable are collectible. Therefore, no reserve for bad debt losses have been provided.

g. Inventories

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

h. Investments

See Note 2.

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave.

The District recognizes vacation benefits only when earned. This practice conforms to generally accepted accounting principles. At December 31, 2022 the recorded liability for vacation pay was \$276,627. Sick leave may accumulate up to 720 hours. At December 31, 2022, the recorded liability for sick pay was \$348,388. Accumulated sick leave is payable only at retirement eligibility (up to 480 hours at 100% and 240 hours at 50%).

h. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

See Note 5 – Pension Plans for details

## NOTE 2 - DEPOSITS AND INVESTMENTS

The District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The District has a 3 member investment committee to provide oversight for investments. The District does not have a specific policy that addresses a specific type of custodial risk that the District is exposed to for investments and deposits.

As of December 31, 2022, Lakewood Water District funds were held primarily in checking and savings accounts. Additionally, funds are held with the Washington State Local Government Investment Pool which had a balance of \$10,359,708 on December 31, 2022.

As of December 31, 2022, Lakewood Water District did not have any investments.

## NOTE 3 - UTILITY PLANT AND DEPRECIATION

In December 2015, the Board of Commissioners approved a new Fixed Asset policy. The policy addressed the practices and policies that the District follows, a summary of the policy follows. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Capital assets are defined by the District as assets with initial individual costs of more than \$5,000 and an estimated useful life in excess of one year. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Utility plant in service is recorded at cost. Donations by developers and customers are recorded at the contract price and donor cost (acquisition value - the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date – in accordance with GASB 72).

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, 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 non-operating revenue/(expense).



Depreciation is computed on the “straight-line” method with useful lives of 5 to 100 years. Initial depreciation on utility plant is recorded in the month after it is added to utility plant. The change in the useful life is supported by documentation from industry standard setters, American Water Works Association (AWWA) and American Ductile Iron Manufacturers (ADIM).

The District’s significant asset categories useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Transmission Mains	100
Tanks	60
Water Treatment Equipment	5
Meters	20
Buildings	25

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

The following is a summary of the capital assets as of December 31, 2022:

	<b>BEGINNING</b>			<b>ENDING</b>
	<b>BALANCE</b>	<b>INCREASE</b>	<b>DECREASE</b>	<b>BALANCE</b>
<u>Utility Plant Not Being Depreciated</u>				
Land and Water rights	\$5,761,743	\$ -	-	\$5,761,743
Other Utility Plant	132,213	-	-	132,213
CWIP	9,093,007	\$13,583,073	\$4,265,896	\$18,410,184
Total Utility Plant Not Being Depreciated	\$14,986,963	\$13,583,073	\$4,265,896	\$24,304,140
 <u>Utility Plant Being Depreciated</u>				
Plant	\$141,941,922	\$ 4,829,385	\$90,127	146,681,180
Equipment	10,581,109	155,372	-	10,736,481
Total Utility Plant Being Depreciated	\$152,523,031	4,984,758	\$90,127	\$ 157,417,661
 Total Accumulated Depreciation	\$42,826,194	\$3,386,779	\$90,127	\$ 46,122,846
Total Utility Plant Depreciated, Net	\$109,696,837	\$1,597,979	-	\$ 111,294,815
Total Utility Plant, Net	\$124,683,801	\$15,181,052	4,265,896	\$135,598,956

#### NOTE 4 - LONG-TERM DEBT.

The District issued \$7,145,000 of revenue bonds on April 3, 2006 for the purpose of carrying out part of the Comprehensive Plan, including, but not limited to, financing the purchase of water rights, a tank replacement, a transmission main, and other system improvements. In fiscal year 2016, the District refunded a substantial portion of the bonds (\$4,080,000 in principal balance) to attain financial and economic savings. As a result, a portion of the 2006 Revenue Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. Furthermore, in Fiscal Year 2019, the District issued two sets of bonds which resulted in the defeasance of the remaining portion of the bond that was not refunded. The District's refunded debt, in the amount of \$4,133,479, has an interest rate of 1.8 percent. This resulted in a reduction of total debt service payments over 10 years by \$466,149 and an economic gain (difference between the present values of the debt services on the old and new debt) of \$416,730. On August 2021, the District refunded these 2016 refunded bonds in the amount of \$1,065,000 with an interest rate of 1.32 percent. This resulted in a reduction of total debt service payments over 3 years by \$654 and an economic gain (difference between the present values of the debt services on the old and new debt) of \$8,905.81. As of December 31, 2022, the 2021B refunded bond balance is \$590,000.

The District issued \$9,900,000 of revenue bonds on March 31, 2014 for the purpose of carrying out part of the Comprehensive Plan, including, but not limited to, financing the water main replacement program, AMI water meter purchases, and other system improvements. The bonds bear interest rates from 2.00 to 5.00 percent and will be redeemed over the next twenty years from water revenue sales. Principal was deferred for the first two years of the bonds. The balance as of December 31, 2022 of these revenue bonds outstanding was \$8,550,000.

The District issued \$7,140,000 of revenue bonds on July 27, 2017 for the purpose of carrying out part of the Comprehensive Plan, including, but not limited to, financing the water main replacement program and other system improvements. The bonds bear interest rates from 3.38 to 4.00 percent and will be redeemed over the next twenty years from water revenue sales. Principal payments are deferred until 2034. The balance as of December 31, 2022 of these revenue bonds outstanding was \$7,140,000.

The District issued an \$18,895,000 Water Revenue Private Activity AMT Bonds on July 9, 2019 for the purpose of carrying out the District Wholesale Transmission Main Extension Project that would deliver wholesale water to the District's partners in 2020. The bonds bear interest rates from 4.00 to 5.00 percent and will be redeemed over the next twenty-five years from water revenue sales – specifically, the wholesale water

revenues. Principal payments are deferred until 2021. The balance as of December 31, 2022 of these revenue bonds outstanding was \$18,240,000.

Additionally, the District issued a second set of bonds in the amount of \$9,805,000 Water Revenue Bonds on July 9, 2019 for the purpose of carrying out part of the Comprehensive Plan, including, but not limited to, financing the water main replacement program and other system improvements. The bonds were also issued pursuant to Resolution No. B-1452. The bonds bear interest rates from 3.00 to 4.00 percent and will be redeemed over the next thirty years from water revenue sales. Principal payments are deferred until 2044. The balance as of December 31, 2022 of these revenue bonds outstanding was \$9,805,000.

The District issued two sets of bonds in August 12, 2021. The first set of bonds (2021A) in the amount of \$8,655,000 was issued for the purpose of paying part of the costs of acquiring and constructing improvements and betterments to the District's water system described in its comprehensive plan as well as pay the costs of the issuance and sale of the bonds. The bonds were issued pursuant to Resolution No. B-1469. The bonds bear interest rates from 2.00 to 3.00 percent and will be redeemed over the next thirty years from water revenue sales. The balance as of December 31, 2022 of these revenue bonds outstanding was \$8,495,000.

The second set of bonds (2021B) issued on August 12, 2021 for the purpose of paying the cost of refunding the District's outstanding Water Revenue Refunding Bond, 2016. The 2016 Refunded Bonds have been satisfied and have a zero balance as of December 31, 2021. The 2021B have an outstanding balance of \$590,000 (as mentioned above under the 2006 and 2016 refunded bonds).

In 2011 the District was awarded a loan by the PWTB for the purpose of financing the Wholesale Booster Pump Station. Terms of the fourth loan authorize a borrowing not to exceed \$800,000 with payments over a period of 20 years at an interest rate of half percent per annum.

In 2012 the District was awarded a loan by the PWTB for the purpose of financing the Springbrook Water Main Replacement. Terms of the fifth loan authorize a borrowing not to exceed \$777,000 with payments over a period of 20 years at an interest rate of half percent per annum.

The balance as of December 31, 2022 of the combined Public Works Trust Fund loans was \$787,895.

The annual requirements to amortize all bonded debt and Public Work Trust Fund loans outstanding as of December 31, 2022, including interest, are as follows:

Years Ended December 31, 2022:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	1,743,000	2,173,447	3,916,447
2024	1,643,000	2,118,660	3,761,660
2025	1,698,000	2,060,717	3,758,717
2026	1,513,000	1,998,110	3,511,110
2027	1,578,000	1,932,652	3,510,652
2028-2032	8,927,895	8,567,474	17,495,368
2033-2037	8,980,000	6,595,900	15,575,900
2038-2042	10,490,000	4,699,300	15,189,300
2043-2047	12,945,000	2,249,081	15,194,081
2048-2052	4,090,000	250,819	4,340,819
Total	53,607,895	32,646,160	86,254,055

During the year ending December 31, 2022, the following changes occurred in long-term liabilities.

	<b>Beginning Outstanding Debt 1/1/2022</b>	<b>Amount Issued in 2022</b>	<b>Amount Redeemed in 2022</b>	<b>Ending Outstanding Debt 12/31/2022</b>	<b>Amount Due in 2023</b>
<b>Revenue Payable</b>					
Revenue Bond-2012	400,000	0	400,000	0	0
Revenue Bond-2014	8,800,000	0	250,000	8,550,000	250,000
Revenue Bond-2017	7,140,000	0	0	7,140,000	0
Revenue Bond-2019A	18,580,000	0	340,000	18,240,000	770,000
Revenue Bond-2019B	9,805,000	0	0	9,805,000	0
Revenue Bond-2021A	8,655,000	0	160,000	8,495,000	160,000
Revenue Bond-2021B	1,065,000	0	475,000	590,000	480,000
<b>Total Revenue Bonds</b>	<b>54,445,000</b>	<b>-</b>	<b>1,625,000</b>	<b>52,820,000</b>	<b>1,660,000</b>

	Beginning Outstanding Debt 1/1/2022	Amount Issued in 2022	Amount Redeemed in 2022	Ending Outstanding Debt 12/31/2022	Amount Due in 2023
<b>Public Works Trust Fund Loans Payable</b>					
Public Works Trust #2	62,838	0	62,838	0	0
Public Works Trust #4	421,052	0	42,105	378,948	42,105
Public Works Trust #5	449,842	0	40,895	408,947	40,895
<b>Total PWTF Loans</b>	<b>933,732</b>	<b>0</b>	<b>145,838</b>	<b>787,895</b>	<b>83,000</b>

The District as of December 31, 2022 has \$739,944 for bond payment reserves. These represent sinking funds and reserve requirements as contained in the various indentures.

In accordance with generally accepted accounting principles for regulated businesses, the District implemented GASB 65 in 2013 that required the expensing of all debt financing costs.

There are a number of other limitations and restrictions contained in the various bond indentures. The District is in compliance with all significant limitations and restrictions.

#### NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	(620,830)
Pension assets	1,075,658
Deferred outflows of resources	1,087,527
Deferred inflows of resources	(1,163,541)
Pension expense/expenditures	(46,488)

#### **State Sponsored Pension Plans**

Substantially all 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

Or the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### **Public Employees' Retirement System (PERS)**

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

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

### **Contributions**

The **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 2022 were as follows:

<b>PERS Plan 1</b>			
<b>Actual</b>	<b>Contribution</b>	<b>Employer</b>	<b>Employee*</b>
<b>Rates</b>			
January – August 2022			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		3.71%	
Administrative Fee		0.18%	
<b>Total</b>		<b>10.25%</b>	<b>6.00%</b>
September – December 2022			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		3.85%	
Administrative Fee		0.18%	
<b>Total</b>		<b>10.39%</b>	<b>6.00%</b>

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

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent

annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>



\* For employees participating in JBM, the contribution rate was 15.90%.

The District's actual PERS plan contributions were \$119,549 to PERS Plan 1 and \$202,843 to PERS Plan 2/3 for the year ended December 31, 2022.

## **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors

of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

## **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%. 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 7.0% 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 7.0 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

## **Estimated Rates of Return by Asset Class**

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.5 %
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	<b>100%</b>	

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

The table below presents the District's proportionate share\* of the net pension liability calculated using the discount rate of 7 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 percent) or 1-percentage point higher (8 percent) than the current rate.

<b>Net Pension Liability / (Asset)</b>	<b>1% Decrease (6%)</b>	<b>Current Discount Rate (7%)</b>	<b>1% Increase (8%)</b>
PERS 1	829,421	620,830	438,780
PERS 2/3	1,266,728	(1,075,658)	(3,000,076)

### **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, 2022, the District's reported its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	620,830
PERS 2/3	(1,075,658)

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

	<b>Proportionate Share 6/30/21</b>	<b>Proportionate Share 6/30/22</b>	<b>Change in Proportion</b>
PERS 1	0.019884%	0.022297%	0.002413%
PERS 2/3	0.025531%	0.029003%	0.003472%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

## Pension Expense

For the year ended December 31, 2022, the District recognized pension expense as follows:

	Pension Expense
PERS 1	333,838
PERS 2/3	(380,325)
TOTAL	(46,488)

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, 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	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(102,890)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	59,660	-
TOTAL	59,660	(102,890)

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	266,523	(24,350)
Net difference between projected and actual investment earnings on pension plan investments	-	(795,242)
Changes of assumptions	599,531	(156,979)
Changes in proportion and differences between contributions and proportionate share of contributions	61,637	(84,081)
Contributions subsequent to the measurement date	100,177	-
<b>TOTAL</b>	<b>1,027,867</b>	<b>(1,060,651)</b>

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2023	(43,541)
2024	(39,546)
2025	(49,610)
2026	29,807
2027	-
Thereafter	-

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2023	(248,509)
2024	(208,060)
2025	(271,403)
2026	355,631
2027	119,960
Thereafter	119,420

## NOTE 6 - RISK MANAGEMENT

The District is not self-insured for either property and liability risk or health insurance. (Reference Schedule 21)

The District's property and liability insurance is purchased through Brown & Brown Insurance. The program insurance carrier is Philadelphia Insurance Company. A summary of the types of coverage and deductible amounts are as follows:

Type of Coverage	Deductible
=====	=====
Property	\$ 1,000
Commercial General Liability	\$ 1,000
Automobile	\$ 1,000
Boiler & Machinery	\$ 1,000
Equipment Floater	\$ 1,000
Employee Theft	\$ 10,000
Theft of Money	\$ 10,000
Cyber Liability	\$ 10,000
Directors & Officers	\$ 5,500
Excess Liability	\$ 10,000

The District's health insurance is purchased through our broker, OneDigital. The healthcare insurance carrier is Regence Blue Shield and Delta Dental of Washington. The District has had no settlements that has exceeded insurance coverage's in the past four years

## NOTE 7 – ASSET RETIREMENT OBLIGATIONS (ARO)

As of December 31, 2022, the District owns, operates and maintains 32 wells. Under state law, wells are required to decommission upon their abandonment. The District's wells are maintained in good condition through preventative maintenance and rehabilitation. The District does not expect the decommissioning and abandonment of any wells in the foreseeable picture. The District does not have any asset retirement obligations identified and recognized.

**REQUIRED SUPPLEMENTARY INFORMATION - PERS 1 (UAAL)**

LAKEWOOD WATER DISTRICT  
Schedule of Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System Plan 1 (PERS 1)  
As of June 30, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	% 0.022297%	0.019884%	0.019939%	0.020257%	0.021063%	0.017144%	0.019843%	0.018984%
Employer's proportionate share of the net pension liability	\$ 620,830	242,830	703,954	778,954	940,681	813,496	1,065,663	993,040
State's proportionate share of the net pension liability (asset) associated with the employer	\$							
TOTAL	\$ 620,830	242,830	703,954	778,954	940,681	813,496	1,065,663	993,040
Covered payroll	\$ 3,299,411	3,346,103	3,035,837	2,840,531	2,606,770	2,364,713	2,203,212	2,191,514
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 18.82%	7.26%	23.19%	27.42%	36.09%	34.40%	48.37%	45.31%
Plan fiduciary net position as a percentage of the total pension liability	% 76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

**Notes to Schedule:**

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



# REQUIRED SUPPLEMENTARY INFORMATION - PERS 2/3

## LAKESIDE WATER DISTRICT Schedule of Proportionate Share of the Net Pension Liability Public Employees' Retirement System Plan 2 & 3 (PERS 2/3) As of June 30, 2022 Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.029003%	0.025531%	0.026100%	0.026137%	0.026941%	0.025397%	0.024526%
Employer's proportionate share of the net pension liability (asset)	\$	(1,075,658)	(2,543,298)	333,804	253,879	459,994	1,278,719	876,328
State's proportionate share of the net pension liability (asset) associated with the employer	\$							
TOTAL	\$	(1,075,658)	(2,543,298)	333,804	253,879	459,994	1,278,719	876,328
Covered payroll	\$	3,299,411	3,346,103	3,035,837	2,840,531	2,606,770	2,203,212	2,191,514
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-32.60%	-76.01%	11.00%	8.94%	17.65%	58.04%	39.99%
Plan fiduciary net position as a percentage of the total pension liability	%	106.73%	120.29%	97.22%	97.77%	95.77%	85.82%	89.20%

### Notes to Schedule:

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

**REQUIRED SUPPLEMENTARY INFORMATION - PERS 1 (UAAL)**

LAKEWOOD WATER DISTRICT  
Schedule of Employer Contributions  
Public Employees' Retirement System Plan 1 (PERS 1)  
For the year ended December 31, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 119,549	144,001	154,368	145,686	139,402	119,690	108,794	97,035
Contributions in relation to the statutorily or contractually required contributions	\$ (119,549)	(144,001)	(154,368)	(145,686)	(139,402)	(119,690)	(108,794)	(97,035)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0
Covered payroll	\$ 3,189,344	3,358,296	3,216,944	2,947,489	2,753,212	2,441,725	2,280,785	2,217,223
Contributions as a percentage of covered payroll %	3.75%	4.29%	4.80%	4.94%	5.06%	4.90%	4.77%	4.38%

**Notes to Schedule:**

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

**REQUIRED SUPPLEMENTARY INFORMATION - PERS 2/3**

LAKEWOOD WATER DISTRICT  
Schedule of Employer Contributions  
Public Employees' Retirement System Plan 2/3 (PERS 2/3)  
For the year ended December 31, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 202,843	239,689	254,782	227,619	206,490	167,724	142,092	124,533
Contributions in relation to the statutorily or contractually required contributions	\$ (202,843)	(239,689)	(254,782)	(227,619)	(206,490)	(167,724)	(142,092)	(124,533)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0
Covered payroll	\$ 3,189,344	3,358,296	3,216,944	2,947,489	2,753,212	2,441,725	2,280,785	2,217,223
Contributions as a percentage of covered payroll	% 6.36%	7.14%	7.92%	7.72%	7.50%	6.87%	6.23%	5.62%

**Notes to Schedule:**

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

**Lakewood Water District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington Military Department)	Hazard Mitigation Grant	97.039	D21-012 / DR- 4249-04	248,746	-	248,746	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington Military Department)	Hazard Mitigation Grant	97.039	D21-014 / 5182- 22-R	720,737	-	720,737	-	
<b>Total ALN 97.039:</b>				<b>969,483</b>	<b>-</b>	<b>969,483</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>969,483</b>	<b>-</b>	<b>969,483</b>	<b>-</b>	

Lakewood Water District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## 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.

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