



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Lake Meridian Water District

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

Published January 2, 2024

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

January 2, 2024

Board of Commissioners
Lake Meridian Water District
Kent, Washington

Report on Financial Statements

Please find attached our report on the Lake Meridian Water 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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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*

Lake Meridian Water District January 1, 2021 through December 31, 2021

Board of Commissioners
Lake Meridian Water District
Kent, 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 Lake Meridian Water 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 December 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

December 26, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Lake Meridian Water District January 1, 2021 through December 31, 2021

Board of Commissioners
Lake Meridian Water District
Kent, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Lake Meridian Water 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 Lake Meridian Water 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 December 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.



Pat McCarthy, State Auditor

Olympia, WA

December 26, 2023

FINANCIAL SECTION

Lake Meridian Water 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 Fund Net Position – 2021

Statement of Cash Flows – 2021

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021

Schedule of Changes to Total OPEB Liability and Related Ratios – 2021

Lake Meridian Water District
Management's Discussion and Analysis
Year Ended December 31, 2021

Introduction

Lake Meridian Water District is a municipal corporation governed by an elected three-member board. The District's primary activity is to provide water services to residential and commercial customers within the District's boundaries.

Brief Discussion of the Basic Financial Statements

The District's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses & Changes in Fund Net Position, a Statement of Cash Flows, and Notes to the Financial Statements. The financial statements are prepared using the accrual basis of accounting and conform to generally accepted accounting principles as applicable to proprietary funds of governments. The intent of the management's discussion and analysis is to provide highlights of the District's financial activities for the year ended December 31, 2021. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

The statement of net position provides a record, or snap shot, of the total assets and deferred outflows of resources and total liabilities and deferred inflows of resources of the District at the close of the year. It provides information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to a future period (deferred outflows), obligations to District creditors (liabilities), and the acquisition of resources that are applicable to a future reporting period (deferred inflows). It provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

The notes to the financial statements provide useful information regarding the District's significant accounting policies, explain significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Lake Meridian Water District
Management's Discussion and Analysis
Year Ended December 31, 2021

Condensed Comparative Statement of Net Position

The following condensed statements of net position present an overview of the District's financial position as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current Assets	\$ 10,450,910	\$ 9,619,003
Noncurrent Assets:		
Capital Assets - Net	25,954,001	25,362,248
Other	<u>687,152</u>	<u>-</u>
Total Assets	<u>\$ 37,092,063</u>	<u>\$ 34,981,251</u>
 <u>Deferred Outflows of Resources</u>	 <u>\$ 117,814</u>	 <u>\$ 116,164</u>
 <u>Liabilities</u>		
Current Liabilities	\$ 884,421	\$ 831,210
Noncurrent Liabilities:		
Long-Term Debt	1,809,984	1,950,464
Other	<u>878,383</u>	<u>1,304,135</u>
Total Liabilities	<u>\$ 3,572,788</u>	<u>\$ 4,085,809</u>
 <u>Deferred Inflows of Resources</u>	 <u>\$ 752,874</u>	 <u>\$ 89,394</u>
 <u>Net Position</u>		
Net Investment in Capital Assets	\$ 23,747,623	\$ 23,004,155
Restricted for Debt Service	1,276,429	1,279,013
Restricted for Net Pension Asset	769,233	-
Unrestricted	<u>7,090,930</u>	<u>6,639,044</u>
Total Net Position	<u>\$ 32,884,215</u>	<u>\$ 30,922,212</u>

Analysis of the Condensed Comparative Statement of Net Position

Assets

Current assets consist of cash and cash equivalents held in the maintenance, construction and revenue bond funds as well as inventory, prepaid expenses, accrued interest and accounts receivable. Current assets increased by \$831,907 in 2021, mainly due to an increase in cash and cash equivalents. Cash and cash equivalents increased as a result of an increase in revenue due to a 4% rate increase effective June 1, 2021, as well as an increase in capital contributions. Current assets also include customer and developer accounts receivable and accrued utility revenue.

Noncurrent assets include net capital assets, which include land, construction work in progress, utility plant, equipment and intangible assets, less accumulated depreciation. Noncurrent assets also include the net pension asset. Noncurrent assets increased by \$1,278,905 in 2021, primarily due to an increase of \$741,347 in construction in progress and an increase of \$687,152 in the net pension asset.

Lake Meridian Water District
Management's Discussion and Analysis
Year Ended December 31, 2021

Deferred Outflows of Resources

Deferred outflows of resources consist primarily of deferred outflows related to pensions and deferred outflows related to OPEB, neither of which changed significantly in 2021.

Liabilities

Current liabilities include accounts payable, deposits, accrued interest payable on debt, and the current portion of long-term debt. Current liabilities increased by \$53,211 in 2021 primarily due to an increase in contractor's retainage, the current portion of Public Works Trust Fund loans outstanding, and by an increase in accounts payable. Maintenance and construction accounts payable vary from year to year based on the timing of invoices received from vendors and on the capital projects underway at the time.

Noncurrent liabilities include compensated absences and the long-term portion of Public Works Trust Fund loans, revenue bonds outstanding, and water agreements, as well as the net pension liability and the total OPEB liability. Noncurrent liabilities decreased by \$566,232 in 2021. This was primarily due to principal payments of \$270,563 on revenue bonds, as well as a decrease of \$286,572 in the net pension liability due to a decrease in the net pension liability of the pension plan as a whole.

Deferred Inflows of Resources

Deferred inflows related to pensions increased by \$663,480 in 2021, primarily due to differences between projected and actual investment earnings on pension plan investments.

Net Position

Net position consists of total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources. Net position increased by \$1,962,003 in 2021. Over time, increases or decreases in the District's net position are an indicator of the District's overall financial growth. An increase in net position in 2021 is a positive sign of the District's financial strength.

Lake Meridian Water District
Management's Discussion and Analysis
Year Ended December 31, 2021

Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

The following statements of revenues, expenses and changes in fund net position present the annual surplus or deficiency of revenues over expenses (the change in net position):

	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
Water Sales	\$ 4,752,395	\$ 4,434,093
Other Operating Revenue	369,062	315,079
Nonoperating Revenues	<u>(67,154)</u>	<u>348,148</u>
Total Revenues	<u>\$ 5,054,303</u>	<u>\$ 5,097,320</u>
<u>Expenses</u>		
Operating Expenses	\$ 3,330,698	\$ 3,600,714
Depreciation and Amortization	1,324,450	1,308,696
Nonoperating Expenses	<u>67,508</u>	<u>78,950</u>
Total Expenses	<u>\$ 4,722,656</u>	<u>\$ 4,988,360</u>
Change in Net Position before Capital Contributions	\$ 331,647	\$ 108,960
Capital Contributions	<u>1,630,356</u>	<u>341,442</u>
Change in Net Position	\$ 1,962,003	\$ 450,402
<u>Total Net Position, January 1</u>	<u>30,922,212</u>	<u>30,471,810</u>
<u>Total Net Position, December 31</u>	<u>\$ 32,884,215</u>	<u>\$ 30,922,212</u>

Analysis of the Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

Revenues

Water sales increased by \$318,302 in 2021 because of increased consumption caused by a warmer, drier summer, as well as a 4% rate increase effective June 1, 2021. Other operating revenue increased by \$53,983, primarily due to an increase in miscellaneous revenues.

Nonoperating revenues consists of interest earned on investments and the gain on the disposition of assets. Nonoperating revenues decreased by \$415,302 in 2021. The primary reason for the decrease is that the District sold the rental house in 2020 for a large gain. Additionally, there was a decrease in interest income on investments. Interest income varies from year to year depending on the average balances being invested, changes in interest rates, and changes in the fair market value of the District's investments. Interest income was negative primarily due to the adjustment to fair market value at year-end.

Lake Meridian Water District
Management's Discussion and Analysis
Year Ended December 31, 2021

Expenses

Operating expenses decreased by \$270,016 in 2021. Payroll taxes & employee benefits decreased by \$562,347 in 2021 primarily due to the reporting of a net pension asset to reflect that PERS 2/3 is fully funded for the first time. This was offset by an increase in purchased water of \$66,770 and an increase in maintenance expenses of \$181,306.

Nonoperating expenses consist primarily of interest expense on long-term debt. Nonoperating expense decreased by \$11,442 in 2021 due to an overall decrease in total outstanding debt due to principal payments.

Capital Contributions

Capital contributions increased by \$1,288,914 in 2021 primarily due to an increase in capital facilities charges, as well as an increase in property deeded to the District by developers. Property deeded to the District by developers varies from year to year depending on the level of developer activity.

Change in Net Position

Net position increased by \$1,962,003 in 2021, reflecting the fact that total revenues exceeded total expenses.

Analysis of Overall Financial Condition

The District's overall financial condition remained strong in 2021, with increases in net position and adequate liquid assets.

Capital Assets

Capital assets consist of land, construction in progress, utility plant and equipment. The net capital assets of the District, after recording depreciation, increased by \$591,753 in 2021. Capital spending in 2021 consisted of various projects, including well upgrades and a GIS asset management system. Donated systems (infrastructure donated by developers) in the amount of \$749,313 are included in the 2021 change in net capital assets.

Over the next five years it is anticipated that capital spending will be in the range of \$455,000. The areas of major emphasis in the capital budget include the following projects: telemetry upgrades, GIS asset management system, building improvements, and well upgrades.

Lake Meridian Water District
Management's Discussion and Analysis
Year Ended December 31, 2021

Capital assets activity for the year ended December 31, 2021 was as follows:

	<u>Balance</u> <u>12/31/21</u>	<u>Balance</u> <u>12/31/20</u>	<u>Change</u>
Land	\$ 334,613	\$ 334,613	\$ -
Construction in Progress	1,160,776	419,429	741,347
Utility Plant	43,747,891	42,800,483	947,408
Equipment	2,275,754	2,048,307	227,447
Intangibles	4,927,207	4,927,207	-
Accumulated Depreciation	<u>(26,492,240)</u>	<u>(25,167,791)</u>	<u>(1,324,449)</u>
Total Capital Assets, Net	<u>\$ 25,954,001</u>	<u>\$ 25,362,248</u>	<u>\$ 591,753</u>

See Note 3 for more information regarding capital assets.

Long-Term Debt

At December 31, 2021, the District had total Public Works Trust Fund loans outstanding of \$548,733, total revenue bonds outstanding of \$919,182, and principal due on water agreements with other districts in the amount of \$730,507. The total long-term debt of the District decreased by \$140,480 during 2021. The decrease was due to draws on Public Works Trust Fund loans offset by principal payments made on long-term debt.

See Note 5 for more information regarding long-term debt.

Additional Comments

The District implemented a 4% rate increase effective June 1, 2021.

Lake Meridian Water District
Statement of Net Position
December 31, 2021

	<u>2021</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash & Cash Equivalents	\$ 8,001,116
Accrued Interest Receivable	3,454
Receivables: (Net)	
Accounts Receivable - Customers	170,422
Accrued Utility Revenue	712,069
Restricted Assets:	
Cash & Cash Equivalents	1,285,615
Accrued Interest Receivable	531
Inventories	171,913
Prepayments	<u>105,790</u>
Total Current Assets	<u>\$ 10,450,910</u>
<u>Noncurrent Assets</u>	
Capital Assets Not Being Depreciated:	
Land	\$ 334,613
Construction in Progress	1,160,776
Capital Assets Being Depreciated:	
Plant	43,747,891
Machinery & Equipment	2,275,754
Intangibles	4,927,207
Less Accumulated Depreciation	<u>(26,492,240)</u>
Total Capital Assets	25,954,001
Net Pension Asset	<u>687,152</u>
Total Noncurrent Assets	<u>\$ 26,641,153</u>
Total Assets	<u>\$ 37,092,063</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Loss on Refunding	\$ 334
Deferred Outflows Related to Pensions	108,713
Deferred Outflows Related to OPEB	<u>8,767</u>
Total Deferred Outflows of Resources	<u>\$ 117,814</u>

See accompanying notes

Lake Meridian Water District
Statement of Net Position
December 31, 2021

	<u>2021</u>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 314,268
Public Works Trust Fund Loans (Current Portion)	82,179
Accrued Interest - Public Works Trust Fund Loans	1,827
Water Agreement (Current Portion)	38,695
Contractor's Retainage	36,091
Due to Developers	108,272
Total OPEB Liability (Current Portion)	17,532
Payable from Restricted Assets:	
Revenue Bonds Outstanding, Net of Unamortized	
Bond Premium (Current Portion)	275,854
Bond Interest Payable	3,116
Developer Performance Bonds Payable	<u>6,587</u>
Total Current Liabilities	<u>\$ 884,421</u>
<u>Noncurrent Liabilities</u>	
Public Works Trust Fund Loans	
(Less Current Portion)	\$ 466,554
Water Agreement (Less Current Portion)	691,812
Compensated Absences	42,798
Revenue Bonds Outstanding, Net of Unamortized	
Bond Premium (Less Current Portion)	651,618
Net Pension Liability	100,959
Total OPEB Liability (Less Current Portion)	<u>734,626</u>
Total Noncurrent Liabilities	<u>\$ 2,688,367</u>
Total Liabilities	<u>\$ 3,572,788</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows Related to Pensions	<u>\$ 752,874</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 23,747,623
Restricted for Debt Service	1,276,429
Restricted for Net Pension Asset	769,233
Unrestricted	<u>7,090,930</u>
Total Net Position	<u>\$ 32,884,215</u>

See accompanying notes

Lake Meridian Water District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended December 31, 2021

	<u>2021</u>
<u>Operating Revenues</u>	
Metered Water Sales and Street Light Revenues	\$ 4,472,467
Irrigation Water Sales	279,515
Outside Water Sales	413
Penalties	11,151
Miscellaneous Revenue	<u>357,911</u>
Total Operating Revenues	<u>\$ 5,121,457</u>
<u>Operating Expenses</u>	
Maintenance & Operations	\$ 1,846,925
Administrative & General	1,483,773
Depreciation & Amortization	<u>1,324,450</u>
Total Operating Expenses	<u>\$ 4,655,148</u>
Operating Income (Loss)	<u>\$ 466,309</u>
<u>Nonoperating Expenses</u>	
Interest on Investments	\$ 67,154
Bond Interest Expense	40,129
Interest on Public Works Trust Fund Loans	2,896
Interest on Water Agreements	<u>24,483</u>
Total Nonoperating Expenses	<u>\$ 134,662</u>
Income (Loss) Before Contributions	\$ 331,647
Capital Contributions	<u>1,630,356</u>
Change in Net Position	\$ 1,962,003
<u>Total Net Position - January 1</u>	<u>30,922,212</u>
<u>Total Net Position - December 31</u>	<u>\$ 32,884,215</u>

Lake Meridian Water District
Statement of Cash Flows
Year Ended December 31, 2021

	<u>2021</u>
<u>Cash Flows From Operating Activities</u>	
Cash Received From Customers	\$ 5,049,428
Cash Paid to Suppliers	(2,310,743)
Cash Paid to Employees	<u>(1,678,829)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,059,856</u>
<u>Cash Flows From Capital & Related</u>	
<u>Financing Activities</u>	
Acquisition & Construction of Capital Assets	\$ (999,752)
Capital Contributions	886,599
Proceeds from Disposal of Equipment	-
Proceeds from Public Works Trust	
Fund Loans	256,248
Payments of Developer Performance Bonds	-
Principal Payments on Revenue Bonds	(268,731)
Principal Payments on Public Works Trust	
Fund Loans	(69,539)
Principal Payments on Water Agreements	(69,001)
Interest Paid on Revenue Bonds & Public	
Works Trust Fund Loans	(43,644)
Interest Paid on Water Agreements	<u>(24,562)</u>
Net Cash (Used) by Capital	
& Related Financing Activities	<u>\$ (332,382)</u>
<u>Cash Flows From Investing Activities</u>	
Interest Received on Investments	<u>\$ (64,550)</u>
Net Cash Provided by Investing Activities	<u>\$ (64,550)</u>
Net Increase (Decrease) in Cash &	
Cash Equivalents	\$ 662,924
<u>Cash & Cash Equivalents - January 1</u>	<u>8,623,807</u>
<u>Cash & Cash Equivalents - December 31</u>	<u>\$ 9,286,731</u>
<u>Noncash Investing, Capital and Financing Activities</u>	
Contributions of Capital Assets from Developers	<u>\$ 749,313</u>

See accompanying notes

Lake Meridian Water District
Statement of Cash Flows
Year Ended December 31, 2021

2021

Reconciliation of Net Operating Income (Loss)
to Net Cash Provided by Operating Activities

Operating Income (Loss) \$ 466,309

Adjustments to Reconcile Net Operating Income (Loss)
to Net Cash Provided by Operating Activities

Depreciation & Amortization \$ 1,324,450

Change in Assets, Deferred Outflows of Resources,
Liabilities, & Deferred Inflows of Resources

(Increase) Decrease in Accounts Receivable (34,606)

(Increase) Decrease in Inventories (83,387)

(Increase) Decrease in Prepayments (14,117)

(Increase) Decrease in Accrued Utility Revenue (37,423)

(Increase) Decrease in Net Pension Asset (687,152)

(Increase) Decrease in Deferred Outflows

Related to Pensions (1,934)

(Increase) Decrease in Deferred Outflows

Related to OPEB (857)

Increase (Decrease) in Accounts Payable - Maintenance (110,871)

Increase (Decrease) in Compensated Absences 8,132

Increase (Decrease) in Deferred Inflows

Related to Pensions 663,480

Increase (Decrease) in Net Pension Liability (286,572)

Increase (Decrease) in Total OPEB Liability (145,596)

Total Adjustments \$ 593,547

Net Cash Provided by Operating Activities \$ 1,059,856

See accompanying notes

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lake Meridian Water District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. 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 most significant accounting policies of the District:

a. Reporting Entity

Lake Meridian Water District is a municipal corporation governed by an elected, three-member board. The District's primary activity is to provide water services to residential and commercial customers within the District's boundaries. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The 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 and B Water Utilities and the Uniform System of Accounts for Sewer Utilities.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds. Unbilled utility service receivables are recorded at year end.

The District distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales and related services. Operating expenses pertain to the furnishing of those services which include the cost of sales and services, administration expenses and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. The District has all its funds not required for immediate expenditure invested in the King County Investment Pool (Pool). At December 31, 2021, the District was holding short-term residual cash in investments in the Pool. This amount is classified on the Statement of Net Position as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Utility plant in service is recorded at cost. Donations by developers are recorded at the acquisition value. Provision for depreciation is computed on the straight-line method with the following useful lives:

Plant	3 - 50 years
Equipment	2 - 50 years
Intangibles	3 - 100 years

Upon retirement, sale, or other disposition of an asset, the cost of the assets and the related accumulated depreciation are removed from the property accounts and the net gain or loss is reflected in the statement of revenues, expenses and changes in fund net position.

Repairs and maintenance are expensed as incurred, while major renewals, replacements and betterments are capitalized. The District capitalization threshold is \$1,000.

Preliminary planning and design costs incurred for proposed projects are held pending construction of the facility. Costs relating to projects which are ultimately constructed are transferred to capitalized utility plant. Costs relating to those projects abandoned are charged to expense when it is determined that they will not be completed.

See Note 3.

e. Restricted Funds

In accordance with bond resolutions and Public Works Trust Fund loan agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction and debt service requirements. Restricted funds currently include the following:

	<u>12/31/21</u>
Revenue Bond Fund	\$ 414,573
Bond Reserve Funds	864,441
Developer Performance Bond	6,601

Assets and liabilities shown as current in the accompanying statement of net position exclude current maturities on deferred revenue bonds and accrued interest thereon because debt service funds have been set aside for their payment.

f. Receivables

Receivables consist primarily of amounts due from water customers. There may also be amounts due from developers and other districts and municipalities. All receivables are recorded when earned. No allowance for uncollectible accounts is provided since the District has the power to record liens for its receivables and, generally, does not experience significant uncollectible amounts.

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Inventories

Inventory of materials is recorded at cost on the first in first out basis. A physical inventory is taken at the end of each calendar year.

h. Investments

Investments are recorded at market value. See Note 2.

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay accumulated by an employee is payable upon termination of employment. Employees can carry over a maximum of 10 days of vacation pay from one year to the next, except during the employee's last year of service before retirement at which time the employee can carry over 15 days into the last year of employment. Sick leave may accumulate up to 180 days. Each year end, the employees may cash out 50% of their unused sick leave from the current year. The payment is made directly to the employee's medical savings account (VEBA). The remainder goes to the employee's sick leave reserve. Upon termination other than retirement, 50% of the unused portion of the sick leave earned in the current year is payable to the employee or to the employee's VEBA account. Upon retirement, 50% of the employee's unused sick leave, including the amount in the sick leave reserve, is payable to the employee's VEBA account.

j. Pensions

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

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.

k. Subsequent Events

Management has evaluated subsequent events through November 29, 2022, the date the financial statements were available to be issued.

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 2 - DEPOSITS & INVESTMENTS

The District's cash and investment balances at December 31, 2021 are listed below.

	<u>2021</u>
Petty Cash Fund	\$ 500
Bank Deposit Accounts	41,942
Investment in King County Investment Pool	<u>9,244,289</u>
Total Cash & Investments	<u>\$ 9,286,731</u>

The District's deposits in bank accounts 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).

In accordance with State law, the District's governing body has entered into a formal interlocal agreement with the District's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
King County Investment Pool	\$ 9,244,289	1.24 Years

Impaired Investments. As of December 31, 2021, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principal is \$4,799, and the District's fair value of these investments is \$3,036.

Interest Rate Risk. As of December 31, 2021, the Pool's average duration was 1.24 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2021, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate 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 depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 2 - DEPOSITS & INVESTMENTS (Continued)

Investments Measured at Fair Value

The District measures and reports investments at fair market value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2021, the District had the following investments measured at fair value:

- Investments in the King County Investment Pool are valued using quoted market prices (Level 1 inputs)

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 334,613	\$ -	\$ -	\$ 334,613
Construction in Progress	<u>419,429</u>	<u>741,347</u>	<u>-</u>	<u>1,160,776</u>
<u>Total capital assets not being depreciated</u>	<u>754,042</u>	<u>741,347</u>	<u>-</u>	<u>1,495,389</u>
Capital assets being depreciated:				
Plant	42,800,483	947,408	-	43,747,891
Equipment	2,048,307	227,447	-	2,275,754
Intangibles	4,927,207	-	-	4,927,207
Non-Utility	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total capital assets being depreciated</u>	<u>49,775,997</u>	<u>1,174,855</u>	<u>-</u>	<u>50,950,852</u>
<u>Less accumulated depreciation</u>	<u>25,167,791</u>	<u>1,324,449</u>	<u>-</u>	<u>26,492,240</u>
<u>Total capital assets being depreciated, net</u>	<u>24,608,206</u>	<u>(149,594)</u>	<u>-</u>	<u>24,458,612</u>
<u>TOTAL CAPITAL ASSETS, NET</u>	<u>\$ 25,362,248</u>	<u>\$ 591,753</u>	<u>\$ -</u>	<u>\$ 25,954,001</u>

The practice of the District is to use a capitalization threshold of \$1,000.

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total \$21,009,917. Of the committed balance of \$19,849,141, the District will require future financing of \$19,849,141.

	<u>Project Authorization</u>	<u>Expended to 12/31/21</u>	<u>Committed</u>	<u>Required Future Financing</u>
Rate Studies, COSS, etc.	\$ 73,156	\$ 33,155	\$ 40,001	\$ 40,001
Comprehensive Plan	320,023	295,023	25,000	25,000
Well 9 Water Quality	75,000	40,559	34,441	34,441
Well 6 Replacement	2,181,035	466,035	1,715,000	1,715,000
1400 Reservoir Project	18,032,236	177,537	17,854,699	17,854,699
Admin Bldg Improv.	278,467	148,467	130,000	130,000
Admin Cvr'd Meeting Rm.	50,000	-	50,000	50,000
	<u>\$ 21,009,917</u>	<u>\$ 1,160,776</u>	<u>\$ 19,849,141</u>	<u>\$ 19,849,141</u>

NOTE 5 - LONG-TERM DEBT

a. Revenue Bonds

A summary of bonds outstanding at December 31, 2021 is as follows:

	<u>2021</u>
2010 Revenue Bonds, 3.000 - 4.625%, maturing serially through 2030 Original debt: \$3,210,000	\$ 710,000
2012 Revenue Bonds, 2.680%, maturing serially through 2022 Original debt: \$1,849,218	<u>209,182</u>
	\$ 919,182
Unamortized Bond Premium	<u>8,290</u>
	<u>\$ 927,472</u>

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

a. Revenue Bonds (Continued)

Principal and interest on water revenue bonds are payable from and secured by a pledge of net operating revenues and collection of Utility Local Improvement District assessments, including interest thereon. Some of these bonds are callable for advance redemption, at the option of the board.

The annual requirements to amortize all revenue bonds outstanding as of December 31, 2021, including interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 274,182	\$ 33,209	\$ 307,391
2023	70,000	27,538	97,538
2024	70,000	24,563	94,563
2025	75,000	21,481	96,481
2026	80,000	18,038	98,038
2027-2030	<u>350,000</u>	<u>32,837</u>	<u>382,837</u>
	<u>\$ 919,182</u>	<u>\$ 157,666</u>	<u>\$ 1,076,848</u>

b. Public Works Trust Fund Loans

The District has entered into agreements with the Department of Community, Trade and Economic Development of the State of Washington to receive the following Public Works Trust Fund Loans:

2006 loan - payable at \$66,464 annually through the year 2025, plus interest at .5% per annum	<u>12/31/2021</u>
Original debt: \$1,255,427	\$ 265,855
2019 loan - payable at \$8,451 annually through the year 2039, plus interest at 1.69% per annum	
Original debt: \$155,198	152,123
2021 loan - payable at \$7,264 annually through the year 2039, plus interest at 1.58% per annum	
Original debt: \$130,755	<u>130,755</u>
	<u>\$ 548,733</u>

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

b. Public Works Trust Fund Loans (Continued)

The annual requirements to amortize all Public Works Trust Fund loans outstanding as of December 31, 2021, including interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 82,179	\$ 4,424	\$ 86,603
2023	82,179	5,376	87,555
2024	82,179	4,786	86,965
2025	82,179	4,196	86,375
2026	15,715	3,606	19,321
2027-2031	78,577	14,168	92,745
2032-2036	78,577	7,728	86,305
2037-2039	<u>47,148</u>	<u>1,547</u>	<u>48,695</u>
	<u>\$ 548,733</u>	<u>\$ 45,831</u>	<u>\$ 594,564</u>

c. Other Long-Term Debt

In 2016, the District entered into a contract for wholesale supply of water with Covington Water District (Covington). Covington agrees to sell water to the District for a 40 year period ending January 1, 2057. In addition to purchasing water from Covington, in order for the District to pay its equitable share of the cost of Covington's existing and future water supply system necessary to provide water supply to the District, the District will pay a monthly system development charge to Covington for 20 years.

	<u>2021</u>
Covington Water District Agreement - payable at \$5,155.31 monthly through December of 2036, plus interest of 3.25% per annum. Original debt: \$908,912	\$ <u>730,507</u>
	<u>\$ 730,507</u>

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

c. Other Long-Term Debt (Continued)

The following is the principal and interest due on these loans.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 38,695	\$ 23,168	\$ 61,863
2023	39,972	21,892	61,864
2024	41,290	20,574	61,864
2025	42,652	19,211	61,863
2026	44,059	17,804	61,863
2027 - 2031	243,082	66,236	309,318
2032 - 2036	<u>280,757</u>	<u>23,394</u>	<u>304,151</u>
	<u>\$ 730,507</u>	<u>\$ 192,279</u>	<u>\$ 922,786</u>

d. Changes in Long-Term Liabilities

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

	<u>Balance 1/1/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	\$ 1,187,913	\$ -	\$ (268,731)	\$ 919,182	\$ 274,182
Unamortized Bond Premium	10,122	-	(1,832)	8,290	1,672
Public Works Trust Fund Loans	362,024	256,248	(69,539)	548,733	82,179
Water Agreements	799,508	-	(69,001)	730,507	38,695
Compensated Absences	34,666	8,132	-	42,798	-
Net Pension Liability	387,531	-	(286,572)	100,959	-
Total OPEB Liability	<u>897,754</u>	<u>-</u>	<u>(145,596)</u>	<u>752,158</u>	<u>17,532</u>
Totals	<u>\$ 3,679,518</u>	<u>\$ 264,380</u>	<u>\$ (841,271)</u>	<u>\$ 3,102,627</u>	<u>\$ 414,260</u>

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$100,959
Pension assets	\$687,152
Deferred outflows of resources	\$108,713
Deferred inflows of resources	\$752,874
Pension expense/expenditures	\$(183,239)

State Sponsored Pension Plans

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

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

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

Or the DRS ACFR 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.

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN (Continued)

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%
Administrative Fee	0.18%	
Total	10.25%	6.00%

NOTE 6 - PENSION PLAN (Continued)

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 2021 were as follows:

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN (Continued)

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
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 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

The District's actual contributions to the plan were \$61,898 to PERS Plan 1 and \$67,042 to PERS 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%

NOTE 6 - PENSION PLAN (Continued)

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

There were 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.

NOTE 6 - PENSION PLAN (Continued)

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 OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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 Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$171,990	\$100,959	\$39,013
PERS 2/3	\$(195,756)	\$(687,152)	\$(1,091,816)

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN (Continued)

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 its proportionate share of the net pension liabilities (assets) as follows:

	Liability (or Asset)
PERS 1	\$100,959
PERS 2/3	\$(687,152)

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	.008448%	.008267%	(.000181)%
PERS 2/3	.006980%	.006898%	(.000082)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

Pension Expense

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

	Pension Expense
PERS 1	\$(25,009)
PERS 2/3	\$(156,198)
TOTAL	\$(181,207)

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:

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN (Continued)

PERS Plan 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	\$ -	\$(112,031)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$32,941	\$ -
TOTAL	\$32,941	\$(112,031)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$33,374	\$(8,423)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(574,298)
Changes of assumptions	\$1,004	\$ (48,799)
Changes in proportion and differences between contributions and proportionate share of contributions	\$5,047	\$(9,323)
Contributions subsequent to the measurement date	\$36,347	\$ -
TOTAL	\$75,772	\$(640,843)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$33,374	\$(8,423)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(686,329)
Changes of assumptions	\$1,004	\$ (48,799)
Changes in proportion and differences between contributions and proportionate share of contributions	\$5,047	\$(9,323)
Contributions subsequent to the measurement date	\$69,288	\$ -
TOTAL	\$108,713	\$(752,874)

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 6 - PENSION PLAN (Continued)

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	\$(29,677)
2023	\$(27,195)
2024	\$(25,714)
2025	\$(29,445)
2026	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2 & 3
2022	\$(159,113)
2023	\$(148,795)
2024	\$(140,768)
2025	\$(150,804)
2026	\$(2,154)
Thereafter	\$216

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year ended December 31, 2021:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	\$752,158
OPEB assets	\$ -
Deferred outflows of resources	\$8,767
Deferred inflows of resources	\$ -
OPEB expense/expenditures	\$126,544

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Description

The District is a participating employer in the State of Washington's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The plan provides other post-employment benefits (OPEB) through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	13
Total	17

Assumptions and Other Inputs

The District's total OPEB liability was measured as of June 30, 2021 and was determined using the alternative measurement method as of that date. All significant assumptions utilized in the alternative measurement were provided by the Office of the State Actuary.

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Methodology:	
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions:	
Discount Rate - Beginning of Measurement Yr	2.21%
Discount Rate - End of Measurement Yr	2.16%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates	Initial rate ranges from 2-11 reaching an ultimate rate of approx. 4.3% 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%

The source of the discount rate is the Bond Buyer General Obligation 20-Bond Municipal Index. Healthcare trend rate assumptions vary slightly by medical plan. For additional details on the healthcare trend rates, see Office of the State Actuary's 2020 PEBB OPEB Actuarial Valuation Report.

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$631,526	\$752,158	\$909,551

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

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$886,769	\$752,158	\$644,834

Changes in the Total OPEB Liability

Total OPEB Liability - January 1, 2021	\$897,754
Service Cost	\$37,236
Interest	\$20,454
Changes in Experience Data & Assumptions	\$(184,234)
Benefit Payments	\$(19,052)
Total OPEB Liability - December 31, 2021	\$752,158

The District recognized OPEB expense for the year ended December 31, 2021 as follows:

Service Cost	\$37,236
Interest Cost	\$20,454
Changes in Experience Data & Assumptions	\$(184,234)
Changes in Benefit Terms	\$ -
Total OPEB Expense	\$(126,544)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in experience data & assumptions	\$ -	\$ -
Payments subsequent to the measurement date	\$8,767	\$ -
TOTAL	\$8,767	\$ -

Deferred outflows of resources of \$8,767 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021.

NOTE 8 - SUPPLEMENTAL RETIREMENT PLAN

The District has adopted the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust. This plan is a defined contribution money purchase plan, in lieu of participation in the federal Social Security system. The plan covers all full-time employees who have met certain service and minimum age requirements. Under the provisions of the plan, both the District and each participant make contributions to the plan equal to 6.2% of the participant's annual compensation. Participants are vested at 20% after 1 year of service. The vesting percentage increases by 20% for each additional year of service until fully vested after 5 years of service. For 2021, the District and the plan participants each contributed \$70,566 to the plan. No forfeitures were used to pay any plan contributions during 2021. When an employee leaves the District, there is no more liability to the District. There was no outstanding liability to the plan at December 31, 2021.

NOTE 9 - RISK MANAGEMENT

Water and Sewer Risk Management Pool

The District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 72 members. The Pool's fiscal year is November 1st through October 31st.

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

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

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 9 - RISK MANAGEMENT (Continued)

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$25,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$10,000,000 dedicated to Sammamish Plateau)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000 - \$25,000	\$25,000	
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$500,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$10,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$10,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood Zones except Zones A&V; \$250,000 member deductible, per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.			

Lake Meridian Water District
Notes to Financial Statements
December 31, 2021

NOTE 9 - RISK MANAGEMENT (Continued)

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2022, written notice must be in the possession of the Pool by April 30, 2022). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

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

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

For years ending December 31, 2019, 2020, and 2021, the District had no claims in excess of their insurance coverage.

NOTE 10 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 11 - CONTINGENT LIABILITIES

The District's financial statements include all material liabilities. There are no material contingent liabilities to record.

NOTE 12 - COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The District had implemented temporary billing and collection policies effective March 12, 2020. During the time period the state declaration of emergency was in effect, the District suspended utility shut-offs, late charges, and lien interest charges. If the District became aware of a residence which was legally occupied and service was currently locked off, service would be restored in accordance with current restoration protocols. Customer accounts would continue accruing a balance outside of these fees being suspended.

The state of emergency ended October 31, 2022. The full extent of the direct or indirect financial impact on the District is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule IV

Lake Meridian Water District
Schedule of Proportionate Share of the Net Pension Liability
PERS Pension Plan
As of June 30, 2021
Last 10 Fiscal Years

		2021	2020	2019	2018	2017	2016	2015
PERS 1								
Employer's proportion of the net pension liability (asset)	%	0.826700%	0.844800%	0.846400%	0.830000%	0.842200%	0.855000%	0.819700%
Employer's proportionate share of the net pension liability	\$	100,959	298,260	325,471	370,681	399,630	459,175	428,779
TOTAL	\$	100,959	298,260	325,471	370,681	399,630	459,175	428,779
Covered payroll	\$	184,593	179,980	176,213	166,024	173,495	149,177	140,223
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	54.69%	165.72%	184.70%	223.27%	230.34%	307.81%	305.78%
Plan fiduciary net position as a percentage of the total pension liability	%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3								
Employer's proportion of the net pension liability (asset)	%	0.689800%	0.698000%	0.703200%	0.678800%	0.685100%	0.725700%	0.703000%
Employer's proportionate share of the net pension liability	\$	-687,152	89,270	68,305	115,558	238,040	365,384	251,186
TOTAL	\$	-687,152	89,270	68,305	115,558	238,040	365,384	251,186
Covered payroll	\$	903,300	852,741	796,754	713,411	687,443	672,431	623,737
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-76.07%	10.47%	8.57%	16.20%	34.63%	54.34%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

See accompanying notes

REQUIRED SUPPLEMENTARY INFORMATION
Schedule V

Lake Meridian Water District
Schedule of Employer Contributions
PERS Pension Plan
Year Ended December 31, 2021
Last 10 Fiscal Years

PERS 1	2021	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 61,898	63,801	61,723	57,174	53,985	48,935	43,065			
Contributions in relation to the statutorily or contractually required contributions	\$ 61,898	63,801	61,723	57,174	53,985	48,935	43,065			
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0			
Covered payroll	\$ 184,593	179,980	176,213	166,024	173,495	151,367	146,987			
Contributions as a percentage of covered payroll	% 33.53%	35.45%	35.03%	34.44%	31.12%	32.33%	29.30%			
PERS 2/3										
Statutorily or contractually required contributions	\$ 67,042	67,537	61,502	53,784	47,164	42,167	36,394	20XX	20XX	20XX
Contributions in relation to the statutorily or contractually required contributions	\$ 67,042	67,537	61,502	53,784	47,164	42,167	36,394			
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0			
Covered payroll	\$ 903,300	852,741	796,754	713,411	687,443	676,834	646,243			
Contributions as a percentage of covered payroll	% 7.42%	7.92%	7.72%	7.54%	6.86%	6.23%	5.63%			

Notes to Supplementary Schedules IV and V

Note 1

These schedules will be built prospectively until they contain 10 years of data.

Note 2: Changes of Benefit Terms

There were no changes of benefit terms for the pension plans.

Note 3: Changes of Assumptions

Refer to Notes to Financial Statements, Note 6, Actuarial Assumptions.

See accompanying notes

REQUIRED SUPPLEMENTARY INFORMATION
Schedule VI

Lake Meridian Water District
Schedule of Changes in Total OPEB Liability and Related Ratios
Public Employees' Benefit Board (PEBB) Health Insurance Plan
Year Ended June 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	20XX	20XX	20XX	20XX	20XX
Total OPEB liability - beginning	\$897,754	\$666,320	\$716,627	\$ 709,429					
Service cost	37,236	24,232	27,356	29,029					
Interest	20,454	23,916	28,452	26,231					
Changes in benefit terms	0	0	0	0					
Differences between expected and actual experience	0	0	0	0					
Changes of assumptions	(184,234)	197,876	(88,343)	(36,468)					
Benefit payments	(19,052)	(14,590)	(17,772)	(11,594)					
Other changes	0	0	0	0					
Total OPEB liability - ending	752,158	897,754	666,320	716,627					
Covered-employee payroll	955,224	1,057,501	991,319	939,084					
Total OPEB liability as a % of covered payroll	78.74%	84.89%	67.22%	76.31%					

Notes to Supplementary Schedule VI

Note 1

These schedules will be built prospectively until they contain 10 years of data.

Note 2

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

See accompanying notes

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.

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