Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

King County Water District No. 125

For the period January 1, 2021 through December 31, 2022

Published January 4, 2024

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Office of the Washington State Auditor
Pat McCarthy

January 4, 2024

Board of Commissioners
King County Water District No. 125
Seattle, Washington

Report on Financial Statements

Please find attached our report on King County Water District No. 125'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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King County Water District No. 125
January 1, 2021 through December 31, 2022

Board of Commissioners
King County Water District No. 125
Seattle, 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 King County Water District No. 125, as of and for the years ended December 31, 2022 and 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 28, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

December 28, 2023

INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements

King County Water District No. 125
January 1, 2021 through December 31, 2022

Board of Commissioners
King County Water District No. 125
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of King County Water District No. 125, as of and for the years ended December 31, 2022 and 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 King County Water District No. 125, as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 opinions.

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 opinions. 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 28, 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

Pat McCarthy, State Auditor

Olympia, WA

December 28, 2023

FINANCIAL SECTION

King County Water District No. 125
January 1, 2021 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Introduction

Water District No. 125 of King County (the District) is a municipal corporation governed by an elected, three-member board. The District's primary activity is to provide water service 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, 2022. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

The statement of net position presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. It provides information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (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 fund 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 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, significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Condensed Comparative Statement of Net Position

The following condensed statement of net position presents the assets and deferred outflow of resources of the District and shows the mix of liabilities and deferred inflow of resources and net position used to acquire these assets and deferred outflow of resources:

	2022	2021
Assets		
Current Assets	$ 4,338,412	$ 3,887,424
Noncurrent Assets:		
Other	236,398	638,141
Capital Assets - Net	11,587,214	11,544,566
Total Assets	16,162,024	16,070,131
Deferred Outflow of Resources	248,629	89,416
Liabilities		
Current Liabilities	614,957	672,148
Noncurrent Liabilities:		
Long-Term Debt	251,435	339,962
Other	624,705	723,381
Total Liabilities	1,491,097	1,735,491
Deferred Inflow of Resources	241,629	660,481
Net Position		
Net Investment in Capital Assets	11,247,252	11,116,077
Restricted for Net Pension Asset	243,044	112,675
Unrestricted	3,187,631	2,534,823
Total Net Position	$ 14,677,927	$ 13,763,575

Analysis of the Condensed Comparative Statement of Net Position

Assets

Current assets include cash and cash equivalents held in the maintenance fund and can be used for day-to-day operations. The balance of cash & cash equivalents increased in 2022 by $351,487. Cash balances vary from year to year based on income from operations, expenses, construction costs, borrowings and debt service payments. Current assets also include customer accounts receivable, accrued utility revenue, inventories and prepayments. Customer accounts receivables and accrued revenue decreased by $46,318 due to fluctuations in the timing of customer payments. Additionally, working with customers the District arranged to collect on delinquent accounts that had collection suspended as a result of the District's COVID-19 collection policies. Inventory saw an increase of $57,416 as the District continues to complete a meter replacement program in the following year.

Noncurrent assets consist of a pension asset from PERS 2 & 3 in addition to net capital assets, which includes land, construction in progress, utility plant, equipment and intangible assets, less accumulated depreciation. PERS 2 & 3 has allocated the District a pension asset of $236,398, a reduction of $401,743 from the prior year. Net capital assets increased by $42,648 in 2022 due to capital spending of $587,610 offset by depreciation and amortization expense of $544,962. A new construction in progress project was initiated in 2022, for replacement of a water main at S. 128th St. As of December 31st, 2022 the District has expended $464,162 for this project.

Deferred Outflow of Resources

Deferred outflows increased by $159,213 in 2022, primarily due to an increase in the deferred pension outflows of the pension plan as a whole. Deferred outflows related to OPEB did not change significantly in 2022.

Liabilities

Current liabilities include accounts payable, the current portion of long-term debt, accrued expenses, accrued interest payable on debt and deposits. Current liabilities decreased by $57,191 in 2022, primarily due to a decrease in accounts payable of $60,830.

Noncurrent liabilities include the long-term portion of Public Works Trust Fund loans, the net pension liability, the total OPEB liability and compensated absences. Noncurrent liabilities decreased by $187,203 in 2022, primarily due to a $182,980 decrease in the OPEB Liability. This is in addition to the normal principal payments on Public Works Trust Fund loans.

Deferred Inflow of Resources

Deferred inflow of resources consists of pension deferred inflows of $241,629 which decreased by $418,852 in 2022. The decrease in deferred inflows is due to changes in assumptions used to calculate the liability.

Analysis of the Condensed Comparative Statement of Net Position (continued)

Net Position
Net position consists of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Net position increased by $914,352 in 2022, reflecting the fact that total revenues and capital contributions exceeded total expenses. 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 is a positive sign of the District's financial strength.

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

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

	2022	2021
Revenues		
Water Operating Revenues	$ 3,916,741	$ 3,800,417
Nonoperating Revenues	(39,392)	(8,089)
Total Revenues	3,877,349	3,792,328
Expenses		
Operating Expenses	3,117,963	3,239,395
Depreciation & Amortization	544,962	530,673
Nonoperating Expenses	6,197	7,298
Total Expenses	3,669,122	3,777,366
Change in Net Position before Capital Contributions	208,227	14,962
Capital Contributions	706,125	1,178,305
Change in Net Position	914,352	1,193,267
Total Net Position, January 1	13,763,575	12,570,308
Total Net Position, December 31	$ 14,677,927	$ 13,763,575

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

Revenues
Water operating revenues increased by $116,324 in 2022 as a result of the District serving more customers in 2022. Nonoperating revenues, which consist of interest income from investments, decreased by $31,303 as compared to 2021 due to changes in the interest rates and fluctuations in interest income on funds invested in the King County investment pool combined with fair value adjustments to investment pool balances.

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

Expenses

Operating expenses decreased by $121,432 in 2022 due to decreased administrative and general, water, transmission and distribution expenses along with a decrease in employee pension and benefit costs. OPEB costs are $(184,082) for 2022, caused by the reporting of changes in the OPEB Liability as a result of fluctuations in the assumptions and future expectations of the liability. Water and transmission expenses decreased by $123,341 primarily due to the decrease in maintenance, labor and material as a result of the District's continued improvement of its meters, hydrants and water mains and services.

Nonoperating expenses consist of interest expense on long-term debt. Interest expense decreased by $1,101 in 2022, primarily due to decreasing principal balances on long-term debt.

Capital Contributions

Capital contributions decreased by $472,180 in 2022 to a total of $706,125. This varies from year to year depending on the level of developer activity occurring within the District.

Change in Net Position

Net position increased by $914,352 in 2022, reflecting the fact that despite total revenues exceeding total expenses by $208,227, the revenue from contributed capital positively impacted the District's growth.

Analysis of Overall Financial Condition

The District's overall financial condition improved in 2022, with an increase in net position, adequate liquid assets and continued positive operating cash flow. The District saw a relative increase in contributed property from the finished development of residential and commercial properties within the District's service area, leading to an increase in customers served in future years.

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 $42,648 in 2022. Capital spending in 2022 consisted mainly of replacement projects. Over the next five years it is anticipated that capital spending will be around $450,000 per year. The areas of major emphasis in the capital budget include various main replacement and main improvement projects. See Note 3.

Capital Assets (continued)

Capital assets activity for the years ended December 31, 2022 & 2021 was as follows:

	Balance 12/31/22	Balance 12/31/21	Change
Land	$ 550,680	$ 550,680	$ -
Construction in Progress	479,162	15,000	464,162
Plant	17,756,639	17,728,347	28,292
Equipment	1,044,994	949,838	95,156
Intangibles	1,061,825	1,061,825	-
Accumulated Depreciation	(9,306,086)	(8,761,124)	(544,962)
Total Capital Assets, Net	$ 11,587,214	$ 11,544,566	$ 42,648

Long-Term Debt

At December 31, 2022, the District had total Public Works Trust Fund loans outstanding of $339,962. The total long-term debt of the District decreased by $88,527 during 2022 due to principal payments made on Public Works Trust Fund Loans. See Note 5.

Introduction

Water District No. 125 of King County (the District) is a municipal corporation governed by an elected, three-member board. The District's primary activity is to provide water service 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 presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. It provides information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (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 fund 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 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, significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Condensed Comparative Statement of Net Position

The following condensed statement of net position presents the assets and deferred outflow of resources of the District and shows the mix of liabilities and deferred inflow of resources and net position used to acquire these assets and deferred outflow of resources:

	2021	2020
Assets		
Current Assets	$ 3,887,424	$ 3,303,552
Noncurrent Assets:		
Other	638,141	-
Capital Assets - Net	11,544,566	11,135,762
Total Assets	16,070,131	14,439,314
Deferred Outflow of Resources	89,416	104,552
Liabilities		
Current Liabilities	672,148	482,089
Noncurrent Liabilities:		
Long-Term Debt	339,962	428,489
Other	723,381	985,022
Total Liabilities	1,735,491	1,895,600
Deferred Inflow of Resources	660,481	77,958
Net Position		
Net Investment in Capital Assets	11,116,077	10,618,746
Restricted for Net Pension Asset	112,675	-
Unrestricted	2,534,823	1,951,562
Total Net Position	$ 13,763,575	$ 12,570,308

Analysis of the Condensed Comparative Statement of Net Position

Assets

Current assets include cash and cash equivalents held in the maintenance fund and can be used for day-to-day operations. The balance of cash & cash equivalents increased in 2021 by $606,192. Cash balances vary from year to year based on income from operations, expenses, construction costs, borrowings and debt service payments. Current assets also include customer accounts receivable, accrued utility revenue, inventories and prepayments. Customer accounts receivables and accrued revenue decreased by $11,945 due to fluctuations in the timing of customer payments. Inventory saw a decrease of $13,503 as the District continues to complete a meter replacement program in the following year.

Noncurrent assets consist of a pension asset from PERS 2 & 3 in addition to net capital assets, which includes land, construction in progress, utility plant, equipment and intangible assets, less accumulated depreciation. Due to a favorable year, PERS 2 & 3 has allocated the District a pension asset of $638,141. Net capital assets increased by $408,804 in 2021 due to capital spending of $118,845 and donated systems of $820,632, offset by depreciation expense of $530,673. A new construction in progress project was initiated in 2021, for property to be purchased from the City of Seattle. As of December 31st, 2021 the District has authorized $15,000 toward the acquisition.

Deferred Outflow of Resources

Deferred outflows related to pensions decreased by $15,136 in 2021, primarily due to a decrease in the deferred pension outflows of the pension plan as a whole. Deferred outflows related to OPEB did not change significantly in 2021.

Liabilities

Current liabilities include accounts payable, the current portion of long-term debt, accrued expenses, accrued interest payable on debt and deposits. Current liabilities increased by $190,059 in 2021, primarily due to an increase in accounts payable of $152,639.

Noncurrent liabilities include the long-term portion of Public Works Trust Fund loans, the net pension liability, the total OPEB liability and compensated absences. Noncurrent liabilities decreased by $350,168 in 2021, primarily due to a $202,323 decrease in the net pension liability as a result of a decrease in the net pension liability of the Public Employees' Retirement System (PERS) pension plan as a whole. This is in addition to the normal principal payments on Public Works Trust Fund loans.

Deferred Inflow of Resources

Deferred inflow of resources consists of pension deferred inflows of $660,481 which increased by $582,523 in 2021. The increase in deferred inflows is due to changes in assumptions used to calculate the liability.

Analysis of the Condensed Comparative Statement of Net Position (continued)

Net Position

Net position consists of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Net position increased by $1,193,267 in 2021, reflecting the fact that total revenues and capital contributions exceeded total expenses. 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 is a positive sign of the District's financial strength.

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

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

	2021	2020
Revenues		
Water Operating Revenues	$ 3,800,417	$ 3,703,601
Nonoperating Revenues	(8,089)	37,981
Total Revenues	3,792,328	3,741,582
Expenses		
Operating Expenses	3,239,395	3,473,004
Depreciation & Amortization	530,673	485,092
Nonoperating Expenses	7,298	8,399
Total Expenses	3,777,366	3,966,495
Change in Net Position before Capital Contributions	14,962	(224,913)
Capital Contributions	1,178,305	708,457
Change in Net Position	1,193,267	483,544
Total Net Position, January 1	12,570,308	12,086,764
Total Net Position, December 31	$ 13,763,575	$ 12,570,308

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

Revenues

Water operating revenues increased by $96,816 in 2021 as a result of the District serving more customers in 2021. Nonoperating revenues, which consist of interest income from investments, decreased by $46,070 as compared to 2020 due to changes in the interest rates and fluctuations in interest income on funds invested in the King County investment pool combined with fair value adjustments to investment pool balances.

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

Expenses

Operating expenses decreased by $233,609 in 2021 due to decreased administrative and general, water, transmission and distribution expenses along with a decrease in employee pension and benefit costs. Employee pension and benefits costs are $(157,473) for 2021, caused by the reporting of a net pension asset to reflect that PERS plan 2/3 is fully funded for the first time. Water and transmission expenses increased by $49,367 primarily due to the increase in maintenance, labor and material as a result of the District's continued improvement of its meters, hydrants and water mains and services.

Nonoperating expenses consist of interest expense on long-term debt. Interest expense decreased by $1,101 in 2021, primarily due to decreasing principal balances on long-term debt.

Capital Contributions

Capital contributions increased by $469,848 in 2021 to a total of $1,178,305, primarily due to an increase in property deeded to the District by developers. This varies from year to year depending on the level of developer activity occurring within the District.

Change in Net Position

Net position increased by $1,193,267 in 2021, reflecting the fact that despite total revenues exceeding total expenses by a minimal $14,962, the increase in contributed capital assets positively impacted the District's growth.

Analysis of Overall Financial Condition

The District's overall financial condition improved in 2021, with an increase in net position, adequate liquid assets and continued positive operating cash flow. The District saw a marked increase in contributed property from the finished development of residential and commercial properties within the District's service area, leading to an increase in customers served in future years.

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 $408,804 in 2021. Capital spending in 2021 consisted mainly of replacement projects. Over the next five years it is anticipated that capital spending will be around $450,000 per year. The areas of major emphasis in the capital budget include various main replacement and main improvement projects. See Note 3.

Capital Assets (continued)

Capital assets activity for the years ended December 31, 2021 & 2020 was as follows:

	Balance 12/31/21	Balance 12/31/20	Change
Land	$ 550,680	$ 550,680	$ -
Construction in Progress	15,000	-	15,000
Plant	17,728,347	16,883,914	844,433
Equipment	949,838	872,748	77,090
Intangibles	1,061,825	1,058,871	2,954
Accumulated Depreciation	(8,761,124)	(8,230,451)	(530,673)
Total Capital Assets, Net	$ 11,544,566	$ 11,135,762	$ 408,804

Long-Term Debt

At December 31, 2021, the District had total Public Works Trust Fund loans outstanding of $428,489. The total long-term debt of the District decreased by $88,527 during 2021 due to principal payments made on Public Works Trust Fund Loans. See Note 5.

The District does not plan to issue new debt in 2022.

Water District No. 125 of King County
Statement of Net Position
December 31, 2022

ASSETS	
Current Assets	
Cash & Cash Equivalents	$ 3,201,422
Accrued Interest Receivable	6,353
Receivables:	
Customer Accounts Receivable	362,270
Accrued Utility Revenue	291,938
Developer Accounts Receivable	24,829
Restricted Assets:	
Cash & Cash Equivalents	145,605
Inventories	159,270
Prepayments	146,725
Total Current Assets	4,338,412
Noncurrent Assets	
Net Pension Asset	236,398
Capital Assets Not Being Depreciated:	
Land	550,680
Construction in Progress	479,162
Capital Assets Being Depreciated:	
Plant	17,756,639
Equipment	1,044,994
Intangibles	1,061,825
Less Accumulated Depreciation	(9,306,086)
Total Capital Assets	11,587,214
Total Noncurrent Assets	11,823,612
Total Assets	16,162,024
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	241,930
Deferred Outflow Related to OPEB	6,699
Total Deferred Outflows	$ 248,629

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Net Position
December 31, 2022

LIABILITIES	
Current Liabilities	
Accounts Payable - Maintenance	$ 298,803
Public Works Trust Fund Loans (Current Portion)	88,527
Interest Payable - PWTF Loans	2,824
Accrued Wages	3,111
Accrued Taxes	21,055
Due to Developers	34,384
Meter Deposits	7,250
Total OPEB Liability (Current Portion)	13,398
Payable from Restricted Assets:	
Developer Performance Bonds Payable	145,605
Total Current Liabilities	614,957
Noncurrent Liabilities	
Public Works Trust Fund Loans (Less Current Portion)	251,435
Net Pension Liability	135,710
Total OPEB Liability (Less Current Portion)	375,629
Compensated Absences	113,366
Total Noncurrent Liabilities	876,140
Total Liabilities	1,491,097
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	241,629
NET POSITION	
Net Investment in Capital Assets	11,247,252
Restricted for Net Pension Asset	243,044
Unrestricted	3,187,631
Total Net Position	$ 14,677,927

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Net Position
December 31, 2021

ASSETS	
Current Assets	
Cash & Cash Equivalents	$ 2,849,940
Accrued Interest Receivable	1,233
Receivables:	
Customer Accounts Receivable	441,869
Accrued Utility Revenue	258,657
Developer Accounts Receivable	10,479
Restricted Assets:	
Cash & Cash Equivalents	145,600
Inventories	101,854
Prepayments	77,792
Total Current Assets	3,887,424
Noncurrent Assets	
Net Pension Asset	638,141
Capital Assets Not Being Depreciated:	
Land	550,680
Construction in Progress	15,000
Capital Assets Being Depreciated:	
Plant	17,728,347
Equipment	949,838
Intangibles	1,061,825
Less Accumulated Depreciation	(8,761,124)
Total Capital Assets	11,544,566
Total Noncurrent Assets	12,182,707
Total Assets	16,070,131
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	81,614
Deferred Outflow Related to OPEB	7,802
Total Deferred Outflows	$ 89,416

Water District No. 125 of King County
Statement of Net Position
December 31, 2021

LIABILITIES		
Current Liabilities		
Accounts Payable - Maintenance	$	359,633
Public Works Trust Fund Loans (Current Portion)		88,527
Interest Payable - PWTF Loans		3,374
Accrued Wages		2,660
Accrued Taxes		19,586
Due to Developers		33,915
Meter Deposits		3,250
Total OPEB Liability (Current Portion)		15,603
Payable from Restricted Assets:		
Developer Performance Bonds Payable		145,600
Total Current Liabilities		672,148
Noncurrent Liabilities		
Public Works Trust Fund Loans (Less Current Portion)		339,962
Net Pension Liability		60,927
Total OPEB Liability (Less Current Portion)		558,609
Compensated Absences		103,845
Total Noncurrent Liabilities		1,063,343
Total Liabilities		1,735,491
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		660,481
NET POSITION		
Net Investment in Capital Assets		11,116,077
Restricted for Net Pension Asset		112,675
Unrestricted		2,534,823
Total Net Position	$	13,763,575

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended December 31, 2022

Operating Revenues	
Water Sales	$ 3,842,639
Penalties and Miscellaneous	74,102
Total Operating Revenues	3,916,741
Operating Expenses	
Water Costs	1,264,549
Transmission and Distribution	730,439
Customer Accounts	96,691
Administrative and General	1,001,376
Street Lighting Cost	24,908
Depreciation	515,099
Amortization	29,863
Total Operating Expenses	3,662,925
Operating Income (Loss)	253,816
Nonoperating Revenues (Expenses)	
Investment Income	(39,392)
Interest Expense	(6,197)
Total Nonoperating Revenues (Expenses)	(45,589)
Income (Loss) Before Contributions	208,227
Capital Contributions	706,125
Change in Net Position	914,352
Total Net Position - January 1	13,763,575
Total Net Position - December 31	$ 14,677,927

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended December 31, 2021

Operating Revenues	
Water Sales	$ 3,760,266
Penalties and Miscellaneous	40,151
Total Operating Revenues	3,800,417
Operating Expenses	
Water Costs	1,302,602
Transmission and Distribution	815,727
Customer Accounts	89,042
Administrative and General	1,007,120
Street Lighting Cost	24,904
Depreciation	500,933
Amortization	29,740
Total Operating Expenses	3,770,068
Operating Income (Loss)	30,349
Nonoperating Revenues (Expenses)	
Investment Income	(8,089)
Interest Expense	(7,298)
Total Nonoperating Revenues (Expenses)	(15,387)
Income (Loss) Before Contributions	14,962
Capital Contributions	1,178,305
Change in Net Position	1,193,267
Total Net Position - January 1	12,570,308
Total Net Position - December 31	$ 13,763,575

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows From Operating Activities	
Cash Received from Customers	$ 3,963,059
Cash Paid to Suppliers	(3,042,013)
Cash Paid to Employees	(538,412)
Net Cash Provided by Operating Activities	382,634
Cash Flows From Capital & Related Financing Activities	
Acquisition & Construction of Capital Assets	(587,602)
Cash Contributions in Aid of Construction	696,241
Principal Payments on Public Works Trust Fund Loans	(88,527)
Interest Paid on Public Works Trust Fund Loans	(6,747)
Net Cash Provided (Used) by Capital & Related Financing Activities	13,365
Cash Flows From Investing Activities	
Interest Received on Investments	35,802
Adjustment to Fair Value of Investments	(80,314)
Net Cash (Used) by Investing Activities	(44,512)
Net Increase (Decrease) in Cash & Cash Equivalents	351,487
Cash and Cash Equivalents - January 1	2,995,540
Cash and Cash Equivalents - December 31	$ 3,347,027
Noncash Investing, Capital & Financing Activities	
Contribution of Capital Assets from Developers	$ -

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Cash Flows
Year Ended December 31, 2022

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ 253,816
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	515,099
Amortization	29,863
Change in Assets, Deferred Outflows of Resources, Liabilities & Deferred Inflows of Resources	
(Increase) Decrease in Customer Accounts Receivable	79,599
(Increase) Decrease in Accrued Utility Revenue	(33,281)
(Increase) Decrease in Inventories	(57,416)
(Increase) Decrease in Prepayments	(68,933)
(Increase) Decrease in Net Pension Asset	401,743
(Increase) Decrease in Deferred Outflows Related to Pensions	(160,316)
(Increase) Decrease in Deferred Outflows Related to OPEB	1,103
Increase (Decrease) in Accounts Payable - Maintenance	(60,830)
Increase (Decrease) in Accrued Wages	451
Increase (Decrease) in Accrued Taxes	1,469
Increase (Decrease) in Net Pension Liability	74,783
Increase (Decrease) in OPEB Liability	(185,185)
Increase (Decrease) in Compensated Absences	9,521
Increase (Decrease) in Deferred Inflows Related to Pensions	(418,852)
Total Adjustments	128,818
Net Cash Provided by Operating Activities	$ 382,634

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Cash Flows
Year Ended December 31, 2021

Cash Flows From Operating Activities	
Cash Received from Customers	$ 3,812,362
Cash Paid to Suppliers	(2,893,898)
Cash Paid to Employees	(487,862)
Net Cash Provided by Operating Activities	430,602
Cash Flows From Capital & Related Financing Activities	
Acquisition & Construction of Capital Assets	(102,260)
Cash Contributions in Aid of Construction	382,068
Principal Payments on Public Works Trust Fund Loans	(88,527)
Interest Paid on Public Works Trust Fund Loans	(7,848)
Net Cash Provided (Used) by Capital & Related Financing Activities	183,433
Cash Flows From Investing Activities	
Interest Received on Investments	16,399
Adjustment to Fair Value of Investments	(24,242)
Net Cash (Used) by Investing Activities	(7,843)
Net Increase (Decrease) in Cash & Cash Equivalents	606,192
Cash and Cash Equivalents - January 1	2,389,348
Cash and Cash Equivalents - December 31	$ 2,995,540
Noncash Investing, Capital & Financing Activities	
Contribution of Capital Assets from Developers	$ 820,632

The accompanying notes are an integral part of this statement

Water District No. 125 of King County
Statement of Cash Flows
Year Ended December 31, 2021

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ 30,349
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	500,933
Amortization	29,740
Change in Assets, Deferred Outflows of Resources, Liabilities & Deferred Inflows of Resources	
(Increase) Decrease in Customer Accounts Receivable	14,577
(Increase) Decrease in Accrued Utility Revenue	(2,632)
(Increase) Decrease in Inventories	13,503
(Increase) Decrease in Prepayments	(1,852)
(Increase) Decrease in Net Pension Asset	(638,141)
(Increase) Decrease in Deferred Outflows Related to Pensions	12,793
(Increase) Decrease in Deferred Outflows Related to OPEB	2,343
Increase (Decrease) in Accounts Payable - Maintenance	152,639
Increase (Decrease) in Accrued Wages	(136)
Increase (Decrease) in Accrued Taxes	293
Increase (Decrease) in Net Pension Liability	(202,323)
Increase (Decrease) in OPEB Liability	(72,445)
Increase (Decrease) in Compensated Absences	8,438
Increase (Decrease) in Deferred Inflows Related to Pensions	582,523
Total Adjustments	400,253
Net Cash Provided by Operating Activities	$ 430,602

The accompanying notes are an integral part of this statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Water District No. 125 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

Water District No. 125 is a municipal corporation governed by an elected, three-member board. The District's primary activity is to provide water service to residential and commercial customers within the District's boundaries. All water sold by the District is purchased from the City of Seattle, Washington and other water districts. 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 water utilities as prescribed by the National Association of Regulatory Utility Commissioners.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Unbilled utility service receivables are recorded at year end. Capital asset costs are capitalized.

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. At December 31, 2022 the treasurer was holding $3,192,972 in short-term residual investments of surplus cash. This amount is classified on the balance sheet 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.

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 developers' cost. Depreciation is calculated on the straight-line method. Upon retirement of an asset, the cost of the asset and the related accumulated depreciation are removed from the property accounts and the gain or loss is reflected in the statement of revenues, expenses and changes in fund net position.

Estimated useful lives are as follows:

Plant	10 to 40 years
Equipment	5 to 40 years
Intangibles	10 to 46 years

Repairs and maintenance are expensed as incurred, while major renewals, replacements and betterments are capitalized.

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, 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:

		12/31/22
Developer Performance Bonds	$	145,605

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 power to record liens for its receivables and, generally, does not experience significant uncollectible amounts.

g. Inventories

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

h. Investments

Investments are recorded at fair value. See Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. An employee may accumulate a maximum of 2 years accrued vacation leave. Vacation time accumulated in excess of the maximum limit shall be forfeited. After completion of six months of service, full time employees shall accrue 1 compensatory day per month. 4 hours will be credited to the employee's compensatory account, and 4 hours will be cashed out and rolled over to the VEBA account on a monthly basis. At the end of each calendar year, any accrued but unused compensatory days up to 6 days will be cashed out and rolled over to the employee's HRA VEBA account at the employee's then current rate of pay.

There shall be no cap on contributions of compensatory days to the employee's VEBA account. After completing 6 months of service, full time employees shall accrue 1 day of sick leave per month. An employee may accumulate sick leave up to 120 days. Upon separation of employment, sick leave accrued but not used shall be cashed out at the employee's then current rate of pay vested as per their duration of service. Further, upon PERS retirement, sick leave accrued but not used shall be cashed out at the employee's then current rate of pay. See note 5.

j. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflow of resources and deferred inflow 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 (if any) 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. 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Subsequent Events

Management has evaluated subsequent events through May 26, 2023, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District's cash and investment balances at December 31, 2022 are listed below.

	2022
Petty Cash	$ 650
Bank Deposit Accounts	153,405
Investment in King County Investment Pool	3,192,972
Total Cash & Investments	$ 3,347,027

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 laws, 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, 2022, the District had the following investments:

Investment Type	Fair Value	Effective Duration
King County Investment Pool	$ 3,192,972	0.99 Years

Impaired Investments. As of December 31, 2022, 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 $250 and the District's fair value of these investments is $140.

Interest Rate Risk. As of December 31, 2022, the Pool's average duration was .99 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk. As of December 31, 2022, 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 note (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.

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, 2022, 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, 2022 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 550,680	$ -	$ -	$ 550,680
Construction in Progress	15,000	464,162	-	479,162
Total capital assets not being depreciated	565,680	464,162	-	1,029,842
Capital assets being depreciated:				
Plant	17,728,347	28,292	-	17,756,639
Equipment	949,838	95,156	-	1,044,994
Intangibles	1,061,825	-	-	1,061,825
Total capital assets being depreciated	19,740,010	123,448	-	19,863,458
Less Accumulated Depreciation	8,761,124	544,962	-	9,306,086
Total capital assets being depreciated, net	10,978,886	(421,514)	-	10,557,372
TOTAL CAPITAL ASSETS, NET	$ 11,544,566	$ 42,648	$ -	$ 11,587,214

The District has implemented GASB Statement No. 89, Accounting for the Interest Cost Incurred before the End of a Construction Period, effective January 1, 2018. According to the provisions of GASB Statement No. 89, interest cost during the construction period of utility plant is no longer capitalized.

The District capitalizes employee wage and benefit costs in connection with construction of utility plant.

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

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total $537,590. The District will not be required to incur any future financing.

	Project Authorization	Expended to 12/31/22	Committed	Anticipated Future Financing
Glacier Park	$ 15,000	$ 15,000	$ -	$ -
S. 128th St.	522,590	464,162	58,428	-
Totals	$ 537,590	$ 479,162	$ 58,428	$ -

NOTE 5 - LONG-TERM DEBT AND LIABILITIES

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:

	2022
2004 loan - payable at $4,566 annually through the year 2024, plus interest at ½% per annum Original debt: $101,150 for Zone 2 Source and Water main Improvement Project.	$ 9,132
2005 loan - payable at $57,645 annually through the year 2025, plus interest at ½% per annum Original debt: $1,088,850 for Zone 2 Source and Water main Improvement Project	172,935
2008 loan - payable at $26,316 annually through the year 2028, plus interest at 3% per annum Original debt: $500,000 for Water Supply Replacement Project.	157,895
	$ 339,962

NOTE 5 - LONG-TERM DEBT AND LIABILITIES (Continued)

Public Works Trust Fund Loans (Continued)

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

Year Ended December 31	Principal	Interest	Total
2023	$ 88,527	$ 5,647	$ 94,174
2024	88,527	4,547	93,074
2025	83,961	3,446	87,407
2026	26,316	2,368	28,684
2027	26,316	1,579	27,895
2028	26,315	790	27,105
	$ 339,962	$ 18,377	$ 358,339

Changes in Long-Term Liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Balance 1/1/22	Additions	Reductions	Balance 12/31/22	Due in One Year
Public Works Trust Fund Loans	$ 428,489	$ -	$ (88,527)	$ 339,962	$ 88,527
Net Pension Liability	60,927	74,783	-	135,710	-
Total OPEB Liability	574,212	-	(185,185)	389,027	13,398
Compensated Absences	103,845	9,521	-	113,366	-
Totals	$1,167,473	$ 84,304	$ (273,712)	$ 978,065	$ 101,925

NOTE 6 - PENSION PLAN

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 135,710
Pension assets	$ 236,398
Deferred outflows of resources	$ 241,930
Deferred inflows of resources	$ 241,629
Pension expense/expenditures	$ (16,972)

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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

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

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

NOTE 6 - PENSION PLAN (Continued)

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.

NOTE 6 - PENSION PLAN (Continued)

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:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January - August 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
September - December 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

NOTE 6 - PENSION PLAN (Continued)

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:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
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
Total	**10.25%**	**6.36%**
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
Total	**10.39%**	**6.36%**

NOTE 6 - PENSION PLAN (Continued)

The District's actual contributions to the plan were $31,810 to PERS Plan 1 and $53,862 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**: 7.0%

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 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.

NOTE 6 - PENSION PLAN (Continued)

- OSA updated the economic assumptions based on the 2021 action of the PFC. The investment return assumption was reduced from 7.5% 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% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

NOTE 6 - PENSION PLAN (Continued)

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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$181,307	$135,710	$95,915
PERS 2/3	$278,389	$(236,398)	$(659,328)

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 reported its proportionate share of the net pension assets and net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 135,710
PERS 2/3	$(236,398)

NOTE 6 - PENSION PLAN (Continued)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.004989%	.004874%	(.000115%)
PERS 2/3	.006406%	.006374%	(.000032%)

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*.

Pension Expense

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

	Pension Expense
PERS 1	$ 59,537
PERS 2/3	$ (76,509)
TOTAL	$ (16,972)

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 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	$ -	$ (22,491)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 16,146	$ -
TOTAL	$ 16,146	$ (22,491)

NOTE 6 - PENSION PLAN (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 58,574	$ (5,351)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$(174,771)
Changes of assumptions	$131,759	$ (34,499)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 8,441	$ (4,517)
Contributions subsequent to the measurement date	$ 27,010	$ -
TOTAL	$225,784	$(219,138)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 58,574	$ (5,351)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$(197,262)
Changes of assumptions	$131,759	$ (34,499)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 8,441	$ (4,517)
Contributions subsequent to the measurement date	$ 43,156	$ -
TOTAL	$241,930	$(241,629)

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, 2023. 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
2023	$ (9,518)
2024	$ (8,645)
2025	$(10,844)
2026	$ 6,516
2027	$ -
Thereafter	$ -

Year ended December 31:	PERS 2 & 3
2023	$(52,625)
2024	$(45,843)
2025	$(57,247)
2026	$ 79,905
2027	$ 27,720
Thereafter	$ 27,727

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, 2022:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	$389,027
OPEB assets	$ -
Deferred outflows of resources	$ 6,699
Deferred inflows of resources	$ -
OPEB expense/expenditures	$ (170,888)

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, 2022, 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	10
Total	14

Assumptions and Other Inputs

The District's total OPEB liability was measured as of June 30, 2022 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.

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	2.16%
Discount Rate - End of Measurement Yr	3.54%
Projected Salary Changes	3.50% + Service-Based Increases
Healthcare Trend Rates	Initial Rate ranges from about 2 - 11%, reaching an ultimate rate of approximately 4.3% in 2075.

Mortality Rates:	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
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 by medical plan. For additional details on the healthcare trend rates, see OSA's PEBB OPEB Healthcare Trend Assumptions webpage.

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

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	$328,035	$389,027	$469,181

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.

	1% Decrease	**Current Discount Rate**	**1% Increase**
Total OPEB Liability	$457,748	$389,027	$334,564

Changes in the Total OPEB Liability

Total OPEB Liability - January 1, 2022	$ 574,212
Service Cost	$ 32,903
Interest	$ 12,960
Changes in Experience Data & Assumptions	$(216,751)
Benefit Payments	$ (14,297)
Total OPEB Liability - December 31, 2022	$ 389,027

The District recognized OPEB expense for the year ended December 31, 2022 as follows:

Service Cost	$ 32,903
Interest Cost	$ 12,960
Changes in Experience Data & Assumptions	$(216,751)
Changes in Benefit Terms	$ -
Total OPEB Expense	$(170,888)

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

At December 31, 2022, 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	$6,699	$ -
TOTAL	$6,699	$ -

Deferred outflows of resources of $6,699 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, 2023.

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 8 - RISK MANAGEMENT (Continued)

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

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	$1,000 - $25,000 and See (C) below	$25,000	$275,000,000
Flood	See (A) below	See (A) below	$20,000,000
Earthquake	See (B) below	See (B) below	$100,000,000 ($75,000,000 shared by all members, $25,000,000 dedicated to Alderwood)
Terrorism	$1,000 - $25,000	$25,000 Primary layer	$700,000,000 Primary layer
Boiler & Machinery	$1,000 - $350,000 depending on object	$25,000 - $350,000 depending on object	$100,000,000
Auto - Physical Damage	$1,000-$25,000	$25,000	Replacement Value Coverage
Liability:			
Commercial General Liability	$1,000 - $25,000	$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			

NOTE 8 - 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 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, 2020, 2021 and 2022, the District had no claims in excess of their insurance coverage.

NOTE 9 - JOINT FACILITIES

a. Water District No. 125 is a 25% participant in a joint reservoir operated by Skyway Water and Sewer District. The District paid 25% of the cost of construction and, thereby, acquired a leasehold interest of 25% of the reservoir capacity for 50 years beginning November 1, 1996. The cost of acquiring this leasehold interest is being amortized over 46 years beginning November 1, 2001. The District shares the costs of operating and maintaining the reservoir. Its share of these costs was $3,405 for 2022 as the District is billed biannually. Information about all aspects of this contract is available in the District office.

NOTE 9 - JOINT FACILITIES (Continued)

b. Water District No. 125 is a participant in a joint reservoir operated by Water District No. 20. On April 11, 2002 the District executed a new agreement which expires December 31, 2022. Under the agreement, the District purchases a portion of its water from Water District No. 20 and shares in the costs of operating and maintaining the reservoir. Its share of these costs was approximately $73,027 for 2022. Information about all aspects of this contract is available in the District office.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

a. Water Supply Contract
On March 28, 2002, the District entered into a full requirements water supply contract with the City of Seattle. The contract runs through December 31, 2061. The city agrees to supply 100% of the District's water requirements, and the District agrees to purchase 100% of its wholesale water from the city, with the exception of water purchased from other Districts under existing intertie agreements.

New rates and facilities charges, determined by Seattle, become effective annually. Information about these charges and other aspects of the contract is available in the District office.

b. Water Delivery and Sub-Metering Agreement
On April 16, 2004, effective January 1, 2004, the District entered into a Water Delivery and Sub-Metering Agreement between itself and the City of Seattle, Skyway Water and Sewer District, and the Cascade Water Alliance, which amends the water supply contract mentioned in Note 9(a), above. This agreement provides for the District to receive Seattle water through an interconnection with Skyway. Seattle will bill the District for this water and Skyway will bill the District for the capital costs and operation & maintenance costs associated with the flow and metering of the water.

This agreement expires December 31, 2053 but can be terminated by any party with one year's written notice to the other parties.

A copy of the contract is available in the District office.

c. Joint Administration Building
On August 14, 2005, the District entered into an agreement with Valley View Sewer District for the construction and operation of a joint administration building on property owned by Water District No. 125. The District's share of operating and maintenance expenses was $22,144 in 2022. The building was completed and occupied in 2007. The Districts are tenants in common, each having a 50% interest in the shared parcel and are operating under a condominium agreement.

Details of the agreements are available in the District office.

NOTE 11 - 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 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 were implemented throughout 2021 and continued into 2022. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The District implemented temporary billing and collection policies effective March 26, 2020. During the state declaration of emergency, 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 accrued a balance outside of these fees in lieu of being suspended. These temporary billing and collection policies were terminated as of May 31, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Water District No. 125 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

Water District No. 125 is a municipal corporation governed by an elected, three-member board. The District's primary activity is to provide water service to residential and commercial customers within the District's boundaries. All water sold by the District is purchased from the City of Seattle, Washington and other water districts. 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 water utilities as prescribed by the National Association of Regulatory Utility Commissioners.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Unbilled utility service receivables are recorded at year end. Capital asset costs are capitalized.

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. At December 31, 2021 the treasurer was holding $2,841,490 in short-term residual investments of surplus cash. This amount is classified on the balance sheet 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.

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 developers' cost. Depreciation is calculated on the straight-line method. Upon retirement of an asset, the cost of the asset and the related accumulated depreciation are removed from the property accounts and the gain or loss is reflected in the statement of revenues, expenses and changes in fund net position.

Estimated useful lives are as follows:

Plant	10 to 40 years
Equipment	5 to 40 years
Intangibles	10 to 46 years

Repairs and maintenance are expensed as incurred, while major renewals, replacements and betterments are capitalized.

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, 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:

		12/31/21
Developer Performance Bonds	$	145,600

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 power to record liens for its receivables and, generally, does not experience significant uncollectible amounts.

g. Inventories

Inventory of materials is recorded at cost on the first-in/first-out basis, and a physical inventory is taken at the end of each calendar year.

h. Investments

Investments are recorded at fair value. See Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. An employee may accumulate a maximum of 2 years accrued vacation leave. Vacation time accumulated in excess of the maximum limit shall be forfeited. After completion of six months of service, full time employees shall accrue 1 compensatory day per month. 4 hours will be credited to the employee's compensatory account, and 4 hours will be cashed out and rolled over to the VEBA account on a monthly basis. At the end of each calendar year, any accrued but unused compensatory days up to 6 days will be cashed out and rolled over to the employee's HRA VEBA account at the employee's then current rate of pay.

There shall be no cap on contributions of compensatory days to the employee's VEBA account. After completing 6 months of service, full time employees shall accrue 1 day of sick leave per month. An employee may accumulate sick leave up to 120 days. Upon separation of employment, sick leave accrued but not used shall be cashed out at the employee's then current rate of pay vested as per their duration of service. Further, upon PERS retirement, sick leave accrued but not used shall be cashed out at the employee's then current rate of pay. See note 5.

j. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflow of resources and deferred inflow 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 (if any) 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. 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Subsequent Events

Management has evaluated subsequent events through May 26, 2022, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	2021
Petty Cash	$ 650
Bank Deposit Accounts	153,400
Investment in King County Investment Pool	2,841,490
Total Cash & Investments	$ 2,995,540

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 investment laws, 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:

Investment Type	Fair Value	Effective Duration
King County Investment Pool	$ 2,841,490	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 $293 and the District's fair value of these investments is $185.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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 note (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.

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:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 550,680	$ -	$ -	$ 550,680
Construction in Progress	-	15,000	-	15,000
Total capital assets not being depreciated	550,680	15,000	-	565,680
Capital assets being depreciated:				
Plant	16,883,914	844,433	-	17,728,347
Equipment	872,748	77,090	-	949,838
Intangibles	1,058,871	2,954	-	1,061,825
Total capital assets being depreciated	18,815,533	924,477	-	19,740,010
Less Accumulated Depreciation	8,230,451	530,673	-	8,761,124
Total capital assets being depreciated, net	10,585,082	393,804	-	10,978,886
TOTAL CAPITAL ASSETS, NET	$ 11,135,762	$ 408,804	$ -	$ 11,544,566

The District has implemented GASB Statement No. 89, Accounting for the Interest Cost Incurred before the End of a Construction Period, effective January 1, 2018. According to the provisions of GASB Statement No. 89, interest cost during the construction period of utility plant is no longer capitalized.

The District capitalizes employee wage and benefit costs in connection with construction of utility plant.

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

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total $15,000. The District will not be required to incur any future financing.

	Project Authorization	Expended to 12/31/21	Committed	Anticipated Future Financing
Glacier Park	$ 15,000	$ 15,000	$ -	$ -
Totals	$ 15,000	$ 15,000	$ -	$ -

NOTE 5 - LONG-TERM DEBT AND LIABILITIES

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:

	2021
2004 loan - payable at $4,566 annually through the year 2024, plus interest at ½% per annum Original debt: $101,150 for Zone 2 Source and Water main Improvement Project.	$ 13,698
2005 loan - payable at $57,645 annually through the year 2025, plus interest at ½% per annum Original debt: $1,088,850 for Zone 2 Source and Water main Improvement Project	230,580
2008 loan - payable at $26,316 annually through the year 2028, plus interest at 3% per annum Original debt: $500,000 for Water Supply Replacement Project.	184,211
	$ 428,489

NOTE 5 - LONG-TERM DEBT AND LIABILITIES (Continued)

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:

Year Ended December 31	Principal	Interest	Total
2022	$ 88,527	$ 6,748	$ 95,275
2023	88,527	5,647	94,174
2024	88,527	4,547	93,074
2025	83,961	3,446	87,407
2026	26,316	2,368	28,684
2027 - 2028	52,631	2,368	54,999
	$ 428,489	$ 25,124	$ 453,613

Changes in Long-Term Liabilities

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

	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Due in One Year
Public Works Trust Fund Loans	$ 517,016	$ -	$ (88,527)	$ 428,489	$ 88,527
Net Pension Liability	263,250	-	(202,323)	60,927	-
Total OPEB Liability	646,657	-	(72,445)	574,212	15,603
Compensated Absences	95,407	8,438	-	103,845	-
Totals	$1,522,330	$ 8,438	$ (363,295)	$1,167,473	$ 104,130

NOTE 6 - PENSION PLAN

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 60,927
Pension assets	$ 638,141
Deferred outflows of resources	$ 81,614
Deferred inflows of resources	$ 660,481
Pension expense/expenditures	$(157,473)

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 (CAFR) that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

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

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

NOTE 6 - PENSION PLAN (Continued)

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.

NOTE 6 - PENSION PLAN (Continued)

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%**

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.

NOTE 6 - PENSION PLAN (Continued)

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:

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%**

NOTE 6 - PENSION PLAN (Continued)

The District's actual contributions to the plan were $32,910 to PERS Plan 1 and $54,765 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 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-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.

NOTE 6 - PENSION PLAN (Continued)

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

NOTE 6 - PENSION PLAN (Continued)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$103,792	$60,927	$23,544
PERS 2/3	$(181,794)	$(638,141)	$(1,013,942)

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 assets and net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 60,927
PERS 2/3	$(638,141)

NOTE 6 - PENSION PLAN (Continued)

At June 30, 2021, the District reported its proportionate share of the net pension liabilities was as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	.005059%	.004989%	(.000070%)
PERS 2/3	.006618%	.006406%	(.000212%)

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	$ (13,902)
PERS 2/3	$ (143,571)
TOTAL	$ (157,473)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 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	$ -	$ (67,609)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 14,208	$ -
TOTAL	$ 14,208	$ (67,609)

NOTE 6 - PENSION PLAN (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$30,994	$ (7,823)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$(533,336)
Changes of assumptions	$ 932	$ (45,318)
Changes in proportion and differences between contributions and proportionate share of contributions	$11,129	$ (6,395)
Contributions subsequent to the measurement date	$24,351	$ -
TOTAL	$67,406	$(592,872)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$30,994	$ (7,823)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$(600,945)
Changes of assumptions	$ 932	$ (45,318)
Changes in proportion and differences between contributions and proportionate share of contributions	$11,129	$ (6,395)
Contributions subsequent to the measurement date	$38,559	$ -
TOTAL	$81,614	$(660,481)

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	$(17,910)
2023	$(16,412)
2024	$(15,518)
2025	$(17,769)
2026	$ -
Thereafter	$ -

Year ended December 31:	PERS 2 & 3
2022	$(144,702)
2023	$(135,120)
2024	$(128,308)
2025	$(139,764)
2026	$ (1,918)
Thereafter	$ (5)

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	$574,212
OPEB assets	$ -
Deferred outflows of resources	$ 7,802
Deferred inflows of resources	$ -
OPEB expense/expenditures	$ (56,438)

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	5
Inactive employees entitled to but not yet receiving benefits	-
Active employees	11
Total	16

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.

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	3.50% + Service-Based Increases
Healthcare Trend Rates	Initial Rate ranges from about 2 - 11%, reaching an ultimate rate of approximately 4.3% in 2075.

Mortality Rates:	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
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 by medical plan. For additional details on the healthcare trend rates, see Office of the State Actuary's 2020 PEBB OPEB Actuarial Valuation Report.

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

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	$475,918	$574,212	$705,126

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.

	1% Decrease	**Current Discount Rate**	**1% Increase**
Total OPEB Liability	$686,662	$574,212	$486,113

Changes in the Total OPEB Liability

Total OPEB Liability - January 1, 2021	$ 646,657
Service Cost	$ 32,984
Interest	$ 14,844
Changes in Experience Data & Assumptions	$(104,266)
Benefit Payments	$ (16,007)
Total OPEB Liability - December 31, 2021	$ 574,212

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

Service Cost	$ 32,984
Interest Cost	$ 14,844
Changes in Experience Data & Assumptions	$(104,266)
Changes in Benefit Terms	$ -
Total OPEB Expense	$ (56,438)

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

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	$7,802	$ -
TOTAL	$7,802	$ -

Deferred outflows of resources of $7,802 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, 2022.

NOTE 8 - RISK MANAGEMENT

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

NOTE 8 - RISK MANAGEMENT (Continued)

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

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

NOTE 8 - 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 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 9 - JOINT FACILITIES

a. Water District No. 125 is a 25% participant in a joint reservoir operated by Skyway Water and Sewer District. The District paid 25% of the cost of construction and, thereby, acquired a lease of 25% of the reservoir capacity for 50 years beginning November 1, 1996. The cost of acquiring this leasehold interest is being amortized over 46 years beginning November 1, 2001. The District shares the costs of operating and maintaining the reservoir. Its share of these costs was $2,660 for 2021 as the District is billed biannually. Information about all aspects of this contract is available in the District office.

NOTE 9 - JOINT FACILITIES (Continued)

b. Water District No. 125 is a participant in a joint reservoir operated by Water District No. 20. On April 11, 2002 the District executed a new agreement which expires December 31, 2022. Under the agreement, the District purchases a portion of its water from Water District No. 20 and shares in the costs of operating and maintaining the reservoir. Its share of these costs was approximately $153,202 for 2021. Information about all aspects of this contract is available in the District office.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

a. Water Supply Contract
On March 28, 2002, the District entered into a full requirements water supply contract with the City of Seattle. The contract runs through December 31, 2061. The city agrees to supply 100% of the District's water requirements, and the District agrees to purchase 100% of its wholesale water from the city, with the exception of water purchased from other Districts under existing intertie agreements.

New rates and facilities charges, determined by Seattle, become effective annually. Information about these charges and other aspects of the contract is available in the District office.

b. Water Delivery and Sub-Metering Agreement
On April 16, 2004, effective January 1, 2004, the District entered into a Water Delivery and Sub-Metering Agreement between itself and the City of Seattle, Skyway Water and Sewer District, and the Cascade Water Alliance, which amends the water supply contract mentioned in Note 9(a), above. This agreement provides for the District to receive Seattle water through an interconnection with Skyway. Seattle will bill the District for this water and Skyway will bill the District for the capital costs and operation & maintenance costs associated with the flow and metering of the water.

This agreement expires December 31, 2053 but can be terminated by any party with one year's written notice to the other parties.

A copy of the contract is available in the District office.

c. Joint Administration Building
On August 14, 2005, the District entered into an agreement with Valley View Sewer District for the construction and operation of a joint administration building on property owned by Water District No. 125. The District's share of operating and maintenance expenses was $26,533 in 2021. The building was completed and occupied in 2007. The Districts are tenants in common, each having a 50% interest in the shared parcel and are operating under a condominium agreement.

Details of the agreements are available in the District office.

NOTE 11 - 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 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 implemented temporary billing and collection policies effective March 26, 2020. During the state declaration of emergency, 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. The District reinstated the original shut off and late fee policies in December of 2021. Customer accounts accrued a balance outside of these fees being suspended.

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

SCHEDULE I

Water District No. 125 of King County
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2022
Last 10 Fiscal Years

PERS 1		2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.004874%	0.004989%	0.005059%	0.005065%	0.004926%	0.004683%	0.004867%	0.005044%
Employer's proportionate share of the net pension liability	$	135,710	60,927	178,610	194,767	219,997	222,212	261,381	263,848
TOTAL	$	135,710	60,927	178,610	194,767	219,997	222,212	261,381	263,848
Covered payroll	$	804,738	766,139	769,962	710,165	654,500	590,561	578,914	578,153
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	16.86%	7.95%	23.20%	27.43%	33.61%	37.63%	45.15%	45.64%
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%

PERS 2/3		2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.006374%	0.006406%	0.006618%	0.006535%	0.006352%	0.006024%	0.006244%	0.006516%
Employer's proportionate share of the net pension liability	$	-236,398	-638,141	84,640	63,477	108,455	209,305	314,380	232,820
TOTAL	$	-236,398	-638,141	84,640	63,477	108,455	209,305	314,380	232,820
Covered payroll	$	804,738	766,139	769,962	710,165	654,500	590,561	578,914	578,153
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-29.38%	-83.29%	10.99%	8.94%	16.57%	35.44%	54.31%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

SCHEDULE I

Water District No. 125 of King County
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2021

Last 10 Fiscal Years

PERS 1		2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.004989%	0.005059%	0.005065%	0.004926%	0.004683%	0.004867%	0.005044%
Employer's proportionate share of the net pension liability	$	60,927	178,610	194,767	219,997	222,212	261,381	263,848
TOTAL	$	60,927	178,610	194,767	219,997	222,212	261,381	263,848
Covered payroll	$	766,139	769,962	710,165	654,500	590,561	578,914	578,153
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	7.95%	23.20%	27.43%	33.61%	37.63%	45.15%	45.64%
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		2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.006406%	0.006618%	0.006535%	0.006352%	0.006024%	0.006244%	0.006516%
Employer's proportionate share of the net pension liability	$	-638,141	84,640	63,477	108,455	209,305	314,380	232,820
TOTAL	$	-638,141	84,640	63,477	108,455	209,305	314,380	232,820
Covered payroll	$	766,139	769,962	710,165	654,500	590,561	578,914	578,153
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-83.29%	10.99%	8.94%	16.57%	35.44%	54.31%	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%

SCHEDULE II

Water District No. 125 of King County
Schedule of Employer Contributions
Year Ended December 31, 2022
Last 10 Fiscal Years

PERS 1		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	31,810	32,910	37,524	36,431	34,921	29,788	27,377	23,183
Contributions in relation to the statutorily or contractually required contributions	$	31,810	32,910	37,524	36,431	34,921	29,788	27,377	23,183
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered payroll	$	846,888	766,547	782,562	736,568	689,590	607,777	573,944	589,152
Contributions as a percentage of covered payroll	%	3.76%	4.29%	4.80%	4.95%	5.06%	4.90%	4.77%	3.93%

PERS 2/3		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	53,862	54,765	61,979	56,855	51,724	41,817	35,757	29,025
Contributions in relation to the statutorily or contractually required contributions	$	53,862	54,765	61,979	56,855	51,724	41,817	35,757	29,025
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered payroll	$	846,888	766,547	782,562	736,568	689,590	607,777	573,944	589,152
Contributions as a percentage of covered payroll	%	6.36%	7.14%	7.92%	7.72%	7.50%	6.88%	6.23%	4.93%

Notes to Supplementary Schedules I and II

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

SCHEDULE II

Water District No. 125 of King County
Schedule of Employer Contributions
Year Ended December 31, 2021
Last 10 Fiscal Years

PERS 1		2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	32,910	37,524	36,431	34,921	29,788	27,377	23,183
Contributions in relation to the statutorily or contractually required contributions	$	32,910	37,524	36,431	34,921	29,788	27,377	23,183
Contribution deficiency (excess)	$	0	0	0	0	0	0	0
Covered payroll	$	766,547	782,562	736,568	689,590	607,777	573,944	589,152
Contributions as a percentage of covered payroll	%	4.29%	4.80%	4.95%	5.06%	4.90%	4.77%	3.93%

PERS 2/3		2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	54,765	61,979	56,855	51,724	41,817	35,757	29,025
Contributions in relation to the statutorily or contractually required contributions	$	54,765	61,979	56,855	51,724	41,817	35,757	29,025
Contribution deficiency (excess)	$	0	0	0	0	0	0	0
Covered payroll	$	766,547	782,562	736,568	689,590	607,777	573,944	589,152
Contributions as a percentage of covered payroll	%	7.14%	7.92%	7.72%	7.50%	6.88%	6.23%	4.93%

Notes to Supplementary Schedules I and II

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.

SCHEDULE III

Water District No. 125 of King County
Schedule of Changes in Total OPEB Liability and Related Ratios
Public Employees' Benefit Board (PEBB) Health Insurance Plan
Year Ended June 30, 2022
Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 574,212	$ 646,657	$ 424,845	$ 432,225	$ 427,889
Service cost	32,903	32,984	17,269	16,671	22,585
Interest	12,960	14,844	15,184	16,889	15,892
Changes in benefit terms	-	-	-	-	0
Differences between expected and actual experience	(216,751)	(104,266)	206,046	(15,708)	(20,871)
Changes of assumptions					0
Benefit payments	(14,297)	(16,007)	(16,687)	(25,232)	(13,270)
Other changes	-	-	-	-	0
Total OPEB liability - ending	389,027	574,212	646,657	424,845	432,225
Covered-employee payroll	846,888	766,547	782,562	736,568	689,590
Total OPEB liability as a % of covered payroll	45.94%	74.91%	82.63%	57.68%	62.68%

Notes to Supplementary Schedules I and II

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.

SCHEDULE III

Water District No. 125 of King County
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
Total OPEB liability - beginning	$ 646,657	$ 424,845	$ 432,225	$ 427,889
Service cost	32,984	17,269	16,671	22,585
Interest	14,844	15,184	16,889	15,892
Changes in benefit terms	-	-	-	0
Differences between expected and actual experience	(104,266)	206,046	(15,708)	(20,871)
Changes of assumptions				0
Benefit payments	(16,007)	(16,687)	(25,232)	(13,270)
Other changes	-	-	-	0
Total OPEB liability - ending	574,212	646,657	424,845	432,225
Covered-employee payroll	766,547	782,562	736,568	689,590
Total OPEB liability as a % of covered payroll	74.91%	82.63%	57.68%	62.68%

Notes to Supplementary Schedules I and II

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.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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