



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

February 8, 2024

Board of Commissioners
King County Water District No. 49
Seattle, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of King County Water District No. 49 for the fiscal years ended December 31, 2020 and 2019. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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KING COUNTY WATER DISTRICT NO. 49

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019



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**KING COUNTY WATER DISTRICT NO. 49
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	11
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION	13
STATEMENTS OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	16
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS	43
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	44
SCHEDULES OF EMPLOYER CONTRIBUTIONS	45
ADDITIONAL SUPPLEMENTARY INFORMATION	
SCHEDULES OF OPERATING EXPENSES	46
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES	47
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	48



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
King County Water District No. 49
Burien, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of King County Water District No. 49 (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of King County Water District No. 49 as of December 31, 2020 and 2019, and the changes in net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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.



CliftonLarsonAllen LLP

Bellevue, Washington
January 28, 2022

KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

INTRODUCTION

King County Water District No. 49 was organized in 1933 to provide water services to customers residing within the District boundaries. Currently the District has approximately 4,100 meter connections that provide services to more than 16,000 residential and commercial users in parts of Burien and northern Normandy Park.

The mission of the Board of Commissioners and employees of King County Water District No. 49 is to provide high quality water and excellent customer service while effectively managing District infrastructure for a reliable water system today and for future generations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2020 and 2019 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include statements of net position, statements of revenues, expenses, and changes in fund net position, statements of cash flows, and notes to the financial statements.

The statements of net position present 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 a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. 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 statements of revenues, expenses, and changes in fund net position present the results of the District's business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate our profitability and credit worthiness.

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

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

KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital Assets	\$ 19,889,223	\$ 15,217,996	\$ 14,792,999
Other Assets	12,633,769	12,661,417	11,714,082
Total Assets	<u>32,522,992</u>	<u>27,879,413</u>	<u>26,507,081</u>
 Deferred Outflows of Resources	 100,820	 97,264	 78,110
 Long-Term Liabilities	 13,256,714	 10,722,300	 10,642,590
Other Liabilities	1,809,949	715,305	469,684
Total Liabilities	<u>15,066,663</u>	<u>11,437,605</u>	<u>11,112,274</u>
 Deferred Inflows of Resources	 105,637	 164,708	 154,191
 Net Investment in Capital Assets	 10,117,835	 9,464,939	 9,884,217
Restricted Amounts	702,015	555,953	1,165,186
Unrestricted Amounts	<u>6,631,662</u>	<u>6,353,472</u>	<u>4,269,323</u>
 Total Net Position	 <u><u>\$ 17,451,512</u></u>	 <u><u>\$ 16,374,364</u></u>	 <u><u>\$ 15,318,726</u></u>

KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION FOR THE YEAR ENDED DECEMBER 31**

	2020	2019	2018
OPERATING REVENUES			
Water Sales	\$ 4,424,963	\$ 4,305,673	\$ 4,281,644
Penalties and Miscellaneous	53,446	94,961	105,787
Street Lighting	89,742	89,596	89,420
Total Operating Revenues	<u>4,568,151</u>	<u>4,490,230</u>	<u>4,476,851</u>
OPERATING EXPENSES			
Water Cost	1,304,202	1,169,185	1,224,722
Reservoir	14,628	19,949	48,884
Customer Accounts	3,882	33,785	22,230
Transmission and Distribution	373,178	498,405	464,082
Administrative and General	1,332,061	1,268,639	1,013,815
Street Lighting Cost	90,716	90,798	90,371
Depreciation and Amortization	603,006	580,634	576,444
Total Operating Expenses	<u>3,721,673</u>	<u>3,661,395</u>	<u>3,440,548</u>
OPERATING INCOME	846,478	828,835	1,036,303
NONOPERATING REVENUE (EXPENSE)			
Investment Income, Net of Service Fees	220,928	341,036	188,215
Gain (Loss) on Disposal of Assets and Abandoned Projects	(569)	8,507	(14,238)
Interest and Amortization Long-Term Debt	(292,428)	(292,187)	(291,923)
Total Nonoperating Revenue (Expense)	<u>(72,069)</u>	<u>57,356</u>	<u>(117,946)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	774,409	886,191	918,357
Capital Contributions	<u>302,739</u>	<u>169,447</u>	<u>378,012</u>
CHANGE IN NET POSITION	1,077,148	1,055,638	1,296,369
Net Position - January 1	16,374,364	15,318,726	14,097,887
Restatement - Change in Accounting Principle	-	-	(75,530)
Net Position - January 1, as Restated	<u>16,374,364</u>	<u>15,318,726</u>	<u>14,022,357</u>
NET POSITION - DECEMBER 31	<u><u>\$ 17,451,512</u></u>	<u><u>\$ 16,374,364</u></u>	<u><u>\$ 15,318,726</u></u>

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Effective January 1, 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 establishes new accounting and financial reporting requirements for OPEB plans, establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense.

The cumulative impact of implementation of GASB 75 resulted in a \$75,530 reduction of net position as of January 1, 2018 as a result of recognizing the additional OPEB liability required under GASB 75.

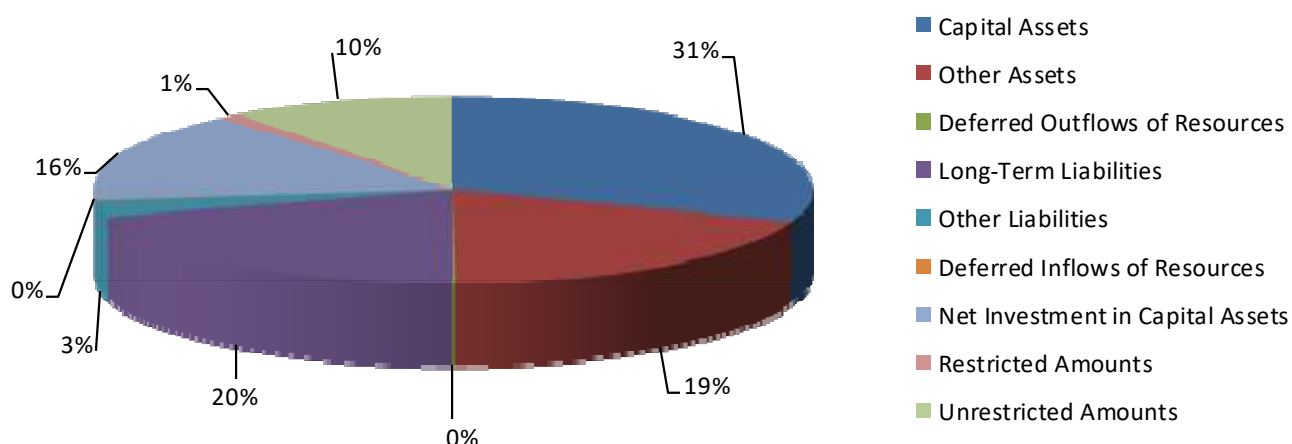
FINANCIAL POSITION

The District's overall financial position continues to be strong and provides sufficient liquidity to support stable, ongoing operations.

The District is financed primarily by long-term debt and equity. Substantial liquid assets are available to fund liabilities and construction. Capital assets increased in 2020 and 2019 due to growth in the customer base and construction activity to upgrade the system.

The following charts indicate the components of financial position.

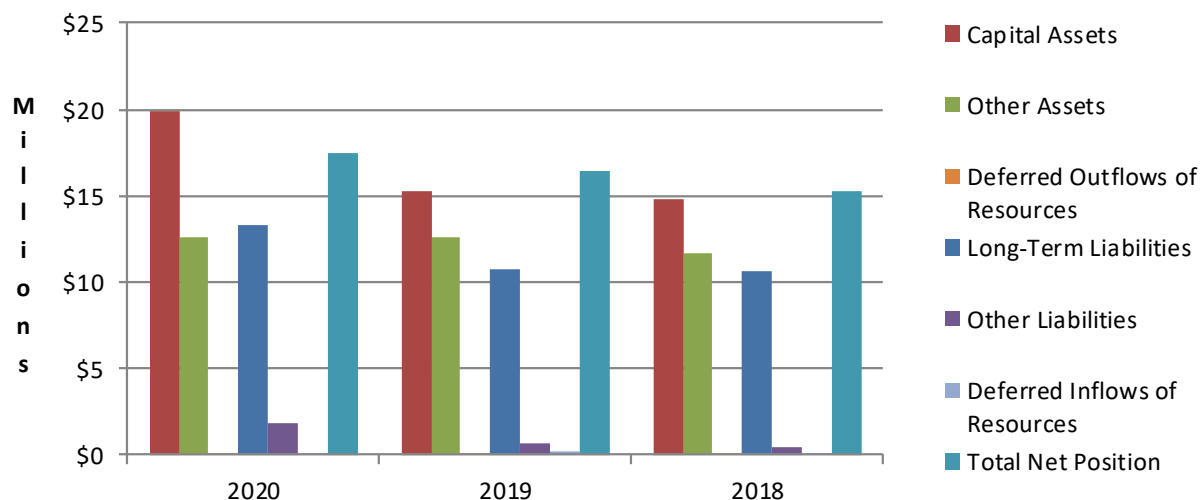
2020 STATEMENT OF NET POSITION



**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

FINANCIAL POSITION (CONTINUED)

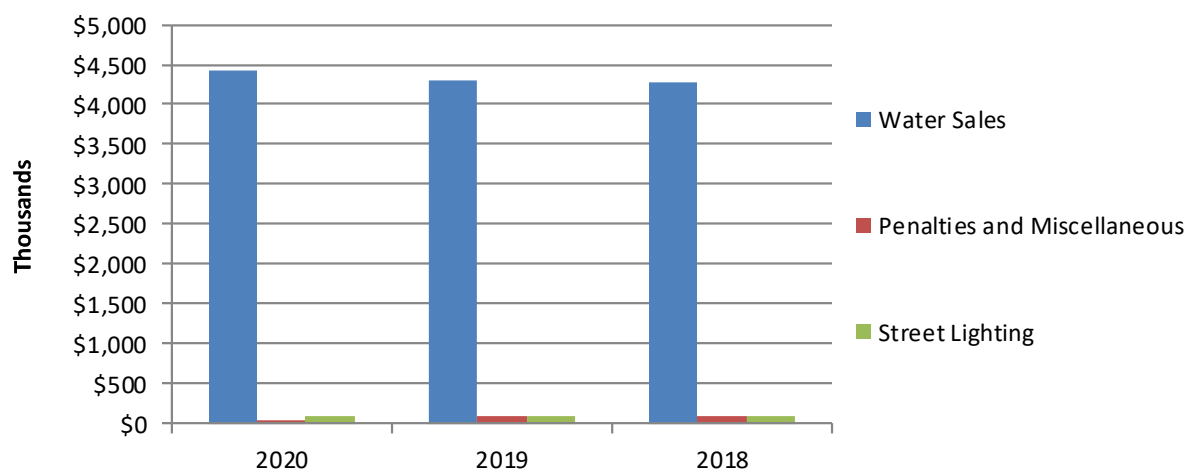
COMPARATIVE STATEMENT OF NET POSITION



RESULTS OF OPERATIONS

Operating revenues are received primarily from water sales and service charges (including street lights). The following chart indicates operating revenue over the last three years.

OPERATING REVENUES



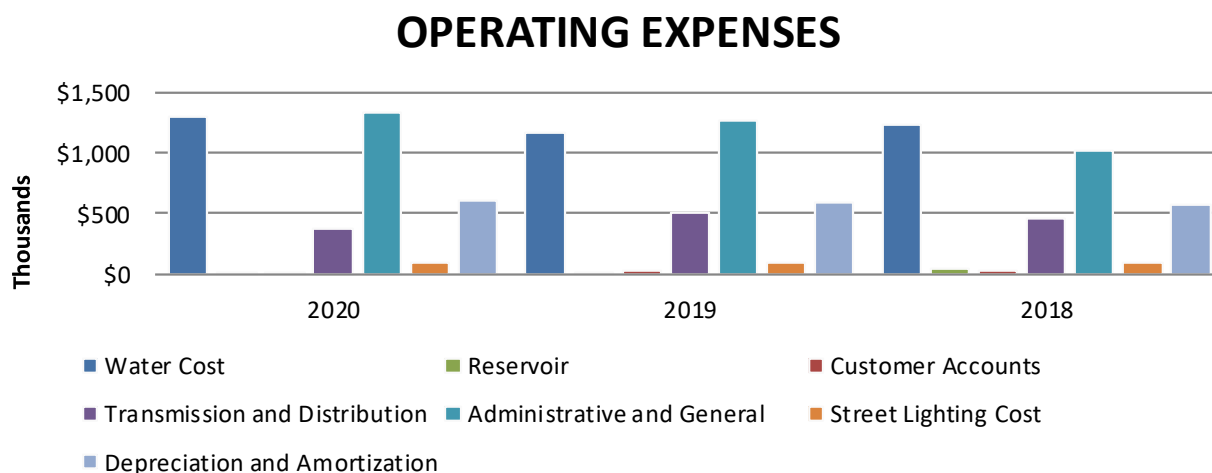
**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

RESULTS OF OPERATIONS (CONTINUED)

Water usage, and corresponding revenues, can vary significantly due to weather conditions. Water revenue in 2020 and 2019 was due to high water consumption due to very dry and hot weather conditions during those summers.

The District increases rates as necessary to meet revenue requirements to support the ongoing operating, maintenance and capital needs of the system.

The following chart indicates operating expenses over the last three years.



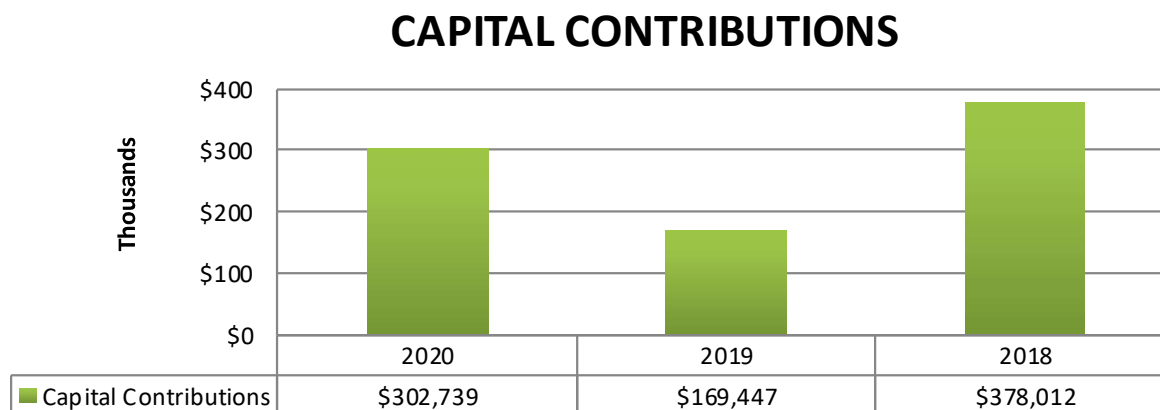
The Districts operating costs in 2020 and 2019 increased primarily due to an increase in administrative and general expenses. Administrative and general expenses increased primarily due to higher personnel costs.

The District has operated at a profit in each of the past three years. The District's philosophy is to provide for all depreciation through rates, based on the principle that current users should pay all costs associated with the water system as it is being used. Operating revenues are augmented by earnings on investments and other nonoperating revenues in excess of other expenses, principally interest on long-term debt.

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

CAPITAL CONTRIBUTIONS

The District collects capital contributions from new customers. These contributions consist of connection charges, ULID assessments and donated systems. The following chart indicates capital contributions over the past three years.



The contributions are indicative of the growth of the District and include donated systems totaling \$128,339, \$84,497 and \$274,682 for the years ended December 31, 2020, 2019, and 2018 respectively.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital assets increased in 2020 and 2019 due to growth in the customer base and construction activity to upgrade the system. Significant capital asset additions included the following:

2020		2019	
Reservoir	\$ 4,422,993	Reservoir	\$ 437,944
2020 CIP PROJECT D-4	619,772	15th Ave SW	358,596
Hydrants	44,027	SCADA Update	24,977
Vehicles	33,044	Vehicles	64,783
Donated Systems	128,339	Donated Systems	84,497

Long-term liabilities increased in 2020 and 2019 primarily due to draws of totaling \$3,122,292 and \$588,168, respectively, on Public Works Trust Fund loans to finance the new reservoir. Additionally, in 2020 the OPEB liability increased by approximately \$83,000 primarily due to changes in assumptions.

See Notes 4, 5, and 6 in the financial statements for detail activity in capital assets and long-term liabilities.

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

ADDITIONAL COMMENTS

The District is currently dependent on Seattle Public Utilities for all of the water the District provides its customers.

The District currently has adequate water supply to grant all requests for water service within its boundaries due to its 60-year partial-supply contract with the City of Seattle.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	\$ 6,555,975	\$ 6,234,138
Customer Accounts Receivable	298,189	195,132
Accrued Unbilled - Revenue	563,702	530,824
Receivable - Developers and Others	133,023	114,689
Interest Receivable	8,145	21,268
Inventories	162,918	138,339
Prepaid Expenses and Deposits	59,117	57,799
Total Unrestricted	<u>7,781,069</u>	<u>7,292,189</u>
Restricted:		
Cash and Cash Equivalents	4,825,422	5,349,437
Interest Receivable	533	1,060
Total Restricted	<u>4,825,955</u>	<u>5,350,497</u>
 Total Current Assets	 12,607,024	 12,642,686
 NONCURRENT ASSETS		
Preliminary Surveys and Investigations	8,471	-
Unamortized Contracts Costs	18,274	18,731
Total	<u>26,745</u>	<u>18,731</u>
 Capital Assets Not Being Depreciated:		
Land	1,808,618	1,808,618
Construction in Progress	5,598,388	1,202,400
Capital Assets Being Depreciated:		
Plant in Service	23,776,799	22,903,070
Less: Accumulated Depreciation	<u>(11,294,582)</u>	<u>(10,696,092)</u>
Net Capital Assets	<u>19,889,223</u>	<u>15,217,996</u>
 Total Noncurrent Assets	 <u>19,915,968</u>	 <u>15,236,727</u>
 Total Assets and Deferred Outflows of Resources	 32,522,992	 27,879,413
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt	6,128	8,331
Deferred Outflows Related to Pensions	91,373	85,761
Deferred Outflows Related to Other Postemployment Benefits	3,319	3,172
Total Deferred Outflows of Resources	<u>100,820</u>	<u>97,264</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 32,623,812</u></u>	 <u><u>\$ 27,976,677</u></u>

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 787,806	\$ 106,724
Accrued Liabilities	14,870	13,514
Accrued Payroll Taxes and Benefits	3,323	3,765
Retainage Payable	273,122	-
Compensated Absences	46,300	69,100
Accrued Interest	97,188	92,857
Long-Term Debt - Current Maturities	587,340	423,052
Total Payable from Unrestricted Assets	<u>1,809,949</u>	<u>709,012</u>
Payable from Restricted Assets:		
Accounts Payable	<u>-</u>	<u>6,293</u>
Total Payable from Restricted Assets	<u>-</u>	<u>6,293</u>
Total Current Liabilities	1,809,949	715,305
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Maturities	12,593,020	10,123,358
Compensated Absences	28,460	382
Net Pension Liability	183,165	229,001
Other Postemployment Benefits Liability	452,069	369,559
Total Noncurrent Liabilities	<u>13,256,714</u>	<u>10,722,300</u>
Total Liabilities	15,066,663	11,437,605
DEFERRED INFLOWS FOR RESOURCES		
Deferred Inflows Related to Pensions	<u>105,637</u>	<u>164,708</u>
Total Liabilities and Deferred Inflows of Resources	15,172,300	11,602,313
NET POSITION		
Net Investment in Capital Assets	10,117,835	9,464,939
Restricted for Debt Service	701,557	555,336
Restricted for Impaired Investments	458	617
Unrestricted	6,631,662	6,353,472
Total Net Position	<u>17,451,512</u>	<u>16,374,364</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 32,623,812</u>	<u>\$ 27,976,677</u>

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water Sales	\$ 4,424,963	\$ 4,305,673
Penalties and Miscellaneous	53,446	94,961
Street Lighting	89,742	89,596
Total Operating Revenues	<u>4,568,151</u>	<u>4,490,230</u>
OPERATING EXPENSES		
Water Cost	1,304,202	1,169,185
Reservoir	14,628	19,949
Customer Accounts	3,882	33,785
Transmission and Distribution	373,178	498,405
Administrative and General	1,332,061	1,268,639
Street Lighting Cost	90,716	90,798
Depreciation and Amortization	603,006	580,634
Total Operating Expenses	<u>3,721,673</u>	<u>3,661,395</u>
OPERATING INCOME	846,478	828,835
NONOPERATING REVENUE (EXPENSE)		
Investment Income, Net of Service Fees	220,928	341,036
Interest and Amortization Long-Term Debt	(292,428)	(292,187)
Gain (Loss) on Disposal of Assets and Abandoned Projects	(569)	8,507
Total Nonoperating Revenue (Expense)	<u>(72,069)</u>	<u>57,356</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	774,409	886,191
Capital Contributions	<u>302,739</u>	<u>169,447</u>
CHANGE IN NET POSITION	1,077,148	1,055,638
Net Position - Beginning of Year	<u>16,374,364</u>	<u>15,318,726</u>
NET POSITION - END OF YEAR	<u><u>\$ 17,451,512</u></u>	<u><u>\$ 16,374,364</u></u>

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 4,413,882	\$ 4,444,381
Cash Paid to Vendors	(1,860,308)	(2,146,144)
Cash Paid to and for Employees and Commissioners	<u>(1,069,426)</u>	<u>(1,006,332)</u>
Net Cash Provided by Operating Activities	1,484,148	1,291,905
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Expenditures for Plant in Service and Construction	(4,443,360)	(941,361)
Capital Contributions	174,400	84,950
Proceeds from Issuance of Long-Term Debt	3,122,292	588,168
Payments on Long-Term Debt	(423,052)	(158,052)
Interest Paid on Long-Term Debt	<u>(351,184)</u>	<u>(355,358)</u>
Net Cash Used by Capital and Related Financing Activities	(1,920,904)	(781,653)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	<u>234,578</u>	<u>337,560</u>
Net Cash Provided by Investing Activities	<u>234,578</u>	<u>337,560</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(202,178)	847,812
Cash and Cash Equivalents - Beginning of Year	<u>11,583,575</u>	<u>10,735,763</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 11,381,397</u></u>	<u><u>\$ 11,583,575</u></u>
CASH AND CASH EQUIVALENTS BALANCE IS COMPRISED OF THE FOLLOWING AT DECEMBER 31:		
Cash - Unrestricted	\$ 6,555,975	\$ 6,234,138
Cash - Restricted	<u>4,825,422</u>	<u>5,349,437</u>
Total	<u><u>\$ 11,381,397</u></u>	<u><u>\$ 11,583,575</u></u>

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 846,478	\$ 828,835
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	603,006	580,634
SPU Contract Costs Amortization	457	457
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(103,057)	(1,387)
Accrued Unbilled - Revenue	(32,878)	(10,532)
Other Accounts Receivable	(18,334)	(33,930)
Inventories	(24,579)	(46,711)
Prepayments	(1,318)	(3,944)
Deferred Outflows of Resources Related to Pensions	(5,612)	(21,561)
Deferred Outflows Related to Other Postemployment Benefits	(147)	(95)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	236,337	14,102
Accrued Liabilities	914	47
Compensated Absences	5,278	(6,841)
Other Postemployment Benefits Liability	82,510	17,392
Net Pension Liability	(45,836)	(35,078)
Deferred Inflows of Resources Related to Pensions	(59,071)	10,517
Net Cash Provided by Operating Activities	<u>\$ 1,484,148</u>	<u>\$ 1,291,905</u>
SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	<u>\$ 128,339</u>	<u>\$ 84,497</u>

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business, Nature of Operations, and Reporting Entity

King County Water District No. 49 (the District), a municipal corporation organized under the laws of the state of Washington is 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, which encompass parts of Burien, SeaTac, and Normandy Park, Washington. All water sold by the District is purchased from the city of Seattle, Washington under a purveyor's contract. The District has no component units.

Basis of Presentation and Accounting

These financial statements are prepared utilizing the economic resources measurement focus and full accrual basis of accounting. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Newly Implemented Accounting Standards

The District implemented GASB 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* which improves the consistency in the information that is disclosed in the notes related to debt, including direct borrowings and direct placements. The implementation of this standard had no impact on the statement of net position or net income and had a minimal impact in the debt related footnotes.

Cash and Cash Equivalents

The District considers investments in the King County Investment Pool to be cash equivalents. These investments are stated at the fair value of the Pool's underlying assets.

Accounts Receivable

The District utilizes the allowance method of accounting for doubtful accounts. However, all accounts receivable are considered fully collectible since nonpayment of an account can result in a lien assessment filed against the property. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Inventory

Inventory consists of materials and supplies available for future use and is stated at the lower of cost, using the first-in, first-out (FIFO) method or net realizable value.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost and include the capitalized portion of District employees' wages and related overhead costs. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. For water systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at acquisition value, which is determined by the contributing party's costs, contract price or appraised value. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant	5 to 40 Years
Machinery and Equipment	3 to 10 Years
Intangibles	10 Years

Pensions

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, contributions to the OPEB plan subsequent to the June 30 measurement date, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. The deferred loss on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Losses on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. OPEB and pension plan contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability and net pension liability, respectively, in the following year. Deferred outflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the District's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave benefit amounts as earned. District employees accumulate vacation and sick leave hours, subject to certain restrictions, for subsequent use or payment upon termination, retirement, or death.

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of assets restricted by external creditors (such as through debt covenants), grantors, contributors or others reduced by related liabilities and deferred inflows of resources.

Unrestricted Net Position – This component of net position consists of all net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net resources are available based on management's discretion.

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues result from providing products in connection with the District's water system. Operating expenses include the costs associated with providing the District's products, general and administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Contributions

Grants, ULID assessments, and contributions in aid of construction from property owners are recorded as capital contribution revenue.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 2 DEPOSITS AND INVESTMENTS

Deposits

Cash on hand at December 31, 2020 and 2019 was \$704 and \$470, respectively. The District's bank balances as of December 31, 2020 and 2019 were \$5,000 and \$5,000, respectively.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are 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).

Investments

In accordance with state law, the District's governing body has entered into a formal interlocal agreement with the District's ex officio treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). Investments in the Pool are stated at the fair value of the Pool's underlying assets. The stated value per share is \$1. The King County Executive Finance Committee provides oversight of the Pool.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

	<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
<u>2020</u>			
	King County Investment Pool:		
	Main Pool	\$ 11,375,235	1.20 Years
	Impaired Pool	458	
<u>2019</u>			
	King County Investment Pool:		
	Main Pool	\$ 11,577,488	0.92 Years
	Impaired Pool	617	

Impaired Investments

As of December 31, 2020 and 2019, 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. As of December 31, 2019, the Impaired Pool also held the residual investments in one commercial paper asset that was part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal was \$735 and \$917 at December 31, 2020 and 2019, respectively. The District's unrealized loss for these investments was \$277 and \$300 at December 31, 2020 and 2019, respectively.

Interest Rate Risk

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

Credit Risk

As of December 31, 2020 and 2019, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A" by one NRSROs), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by one NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 3 RESTRICTED ASSETS

In accordance with certain agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses. Restricted assets are as follows:

	<u>Cash and Cash Equivalents</u>	<u>Interest Receivable</u>	<u>Total</u>
<u>2020</u>			
Current Restricted Assets:			
Revenue Bond Fund	\$ 114,051	\$ 87	\$ 114,138
Revenue Bond Reserve Fund	586,973	446	587,419
Construction Funds	4,123,940	-	4,123,940
Impaired Investment Pool	458	-	458
Total Restricted Assets	<u>\$ 4,825,422</u>	<u>\$ 533</u>	<u>\$ 4,825,955</u>
<u>2019</u>			
Current Restricted Assets:			
Revenue Bond Fund	\$ (22,019)	\$ (43)	\$ (22,062)
Revenue Bond Reserve Fund	576,295	1,103	577,398
Construction Funds	4,794,544	-	4,794,544
Impaired Investment Pool	617	-	617
Total Restricted Assets	<u>\$ 5,349,437</u>	<u>\$ 1,060</u>	<u>\$ 5,350,497</u>

Terms of the revenue bond issues require the District to establish and maintain principal and interest and reserve accounts. The principal and interest account is to accumulate funds for payment of bonds, principal, and interest. The reserve account is to provide security for bond holders. The amount to be reserved is the lesser of the maximum annual debt service, 125% of average annual debt service, or 10% of the proceeds of the bonds. The required reserve at December 31, 2020 and 2019 was \$699,638 and \$699,638, respectively, and was fully funded by the bond reserve funds and insurance as allowed by the bond resolutions.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 4 CAPITAL ASSETS

Major classes of capital assets and capital asset activity were as follows at December 31:

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
2020				
Capital Assets Not Being Depreciated:				
Land	\$ 1,808,618	\$ -	\$ -	\$ 1,808,618
Construction in Progress	1,202,400	5,095,572	(699,584)	5,598,388
Total	3,011,018	5,095,572	(699,584)	7,407,006
Capital Assets Being Depreciated:				
Plant	22,003,084	814,065	(5,085)	22,812,064
Machinery and Equipment	726,726	64,749	-	791,475
Intangibles	173,260	-	-	173,260
Total	22,903,070	878,814	(5,085)	23,776,799
Accumulated Depreciation:				
Plant	(9,910,237)	(561,605)	4,516	(10,467,326)
Machinery and Equipment	(620,439)	(38,616)	-	(659,055)
Intangibles	(165,416)	(2,785)	-	(168,201)
Total	(10,696,092)	(603,006)	4,516	(11,294,582)
Net Capital Assets	<u>\$ 15,217,996</u>	<u>\$ 5,371,380</u>	<u>\$ (700,153)</u>	<u>\$ 19,889,223</u>
	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
2019				
Capital Assets Not Being Depreciated:				
Land	\$ 1,808,618	\$ -	\$ -	\$ 1,808,618
Construction in Progress	715,401	909,542	(422,543)	1,202,400
Total	2,524,019	909,542	(422,543)	3,011,018
Capital Assets Being Depreciated:				
Plant	21,548,143	454,941	-	22,003,084
Machinery and Equipment	708,308	64,784	(46,366)	726,726
Intangibles	173,260	-	-	173,260
Total	22,429,711	519,725	(46,366)	22,903,070
Accumulated Depreciation:				
Plant	(9,365,058)	(545,179)	-	(9,910,237)
Machinery and Equipment	(633,626)	(32,086)	45,273	(620,439)
Intangibles	(162,047)	(3,369)	-	(165,416)
Total	(10,160,731)	(580,634)	45,273	(10,696,092)
Net Capital Assets	<u>\$ 14,792,999</u>	<u>\$ 848,633</u>	<u>\$ (423,636)</u>	<u>\$ 15,217,996</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 5 LONG-TERM DEBT

Long-term debt outstanding at December 31, 2020 and 2019 consisted of revenue and refunding bonds and direct borrowings and direct placements as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Revenue and Refunding Bonds:		
\$1,565,000 issued December 21, 2007 for utility construction, due in 2027, with interest payable semi-annually at 4.25 annual percentage rate.	\$ 130,000	\$ 130,000
\$9,810,000 issued July 6, 2017 for refunding and utility construction, due serially through the year 2037, with interest payable semi-annually at 3.00 to 4.00 annual percentage rate.	8,650,000	9,005,000
Total Revenue and Refunding Bonds	8,780,000	9,135,000
Direct Borrowings and Direct Placements:		
All issued for utility construction, except as otherwise indicated, and secured by the revenue of the system.		
Public Works Trust Fund Loans:		
2000 \$914,748 loan, payable \$46,000 annually through the year 2020, plus interest at 1.0 annual percentage rate.	-	46,000
2005 \$419,000 loan, payable \$22,053 annually through the year 2025, plus interest at 4.0 annual percentage rate.	110,263	132,316
Public Works Board Loan:		
2018 Loan: \$1,000,000 authorized, \$915,583 drawn to December 31, 2020. Based on draws to December 31, 2020, payable \$48,189 annually beginning in 2021 through the year 2039, plus interest at .84 annual percentage rate.	915,583	588,168

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 5 LONG-TERM DEBT (CONTINUED)

<u>Description (Continued)</u>	<u>2020</u>	<u>2019</u>
2019 Loan: \$8,000,000 authorized, \$2,794,878 drawn to December 31, 2020. Based on draws to December 31, 2020, payable \$147,099 annually beginning in 2021 through the year 2039, plus interest at 1.58 annual percentage rate.	\$ 2,794,878	\$ -
Total Direct Borrowings and Direct Placements	<u>3,820,724</u>	<u>766,484</u>
Total Long-Term Debt	12,600,724	9,901,484
Less: Current Maturities	(587,340)	(423,052)
Add: Unamortized Bond (Discounts) Premiums	<u>579,636</u>	<u>644,926</u>
Total	<u>\$ 12,593,020</u>	<u>\$ 10,123,358</u>

Long-term debt service requirements to maturity are as follows:

Year Ending December 31,	Revenue and Refunding Bonds		Direct Placements and Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	\$ 370,000	\$ 325,313	\$ 217,340	\$ 37,614	\$ 950,267
2022	385,000	312,138	217,340	52,649	967,127
2023	400,000	298,363	217,340	49,038	964,741
2024	415,000	282,062	217,340	45,427	959,829
2025	430,000	265,162	217,340	41,816	954,318
2026-2030	2,450,000	1,044,675	976,437	163,737	4634849
2031-2035	2,980,000	505,206	976,437	95,513	4557156
2036-2039	1,350,000	44,200	781,150	27,289	2202639
Total	<u>\$ 8,780,000</u>	<u>\$ 3,077,119</u>	<u>\$ 3,820,724</u>	<u>\$ 513,083</u>	<u>\$ 16,190,926</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows at December 31:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
<u>2020</u>					
Public Works Trust Fund					
Loans	\$ 766,484	\$ 3,122,292	\$ (68,052)	\$ 3,820,724	\$ 217,340
Revenue Bonds	9,135,000	-	(355,000)	8,780,000	370,000
Bond Premium	644,926	-	(65,290)	579,636	-
Compensated Absences	69,482	82,999	(77,721)	74,760	46,300
Net Pension Liability	229,001	-	(45,836)	183,165	-
Other Postemployment Benefits Liability	369,559	89,288	(6,778)	452,069	-
Total	<u>\$ 11,214,452</u>	<u>\$ 3,294,579</u>	<u>\$ (618,677)</u>	<u>\$ 13,890,354</u>	<u>\$ 633,640</u>
<u>2019</u>					
Public Works Trust Fund					
Loans	\$ 246,368	\$ 588,168	\$ (68,052)	\$ 766,484	\$ 68,052
Revenue Bonds	9,225,000	-	(90,000)	9,135,000	355,000
Bond Premium	712,505	-	(67,579)	644,926	-
Compensated Absences	76,323	76,482	(83,323)	69,482	69,100
Net Pension Liability	264,079	-	(35,078)	229,001	-
Other Postemployment Benefits Liability	352,167	27,115	(9,723)	369,559	-
Total	<u>\$ 10,876,442</u>	<u>\$ 691,765</u>	<u>\$ (353,755)</u>	<u>\$ 11,214,452</u>	<u>\$ 492,152</u>

NOTE 7 PENSION PLAN

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31, 2020 and 2019:

Aggregate Pension Amounts – All Plans		
	2020	2019
Net Pension Liabilities	\$ 183,165	\$ 229,001
Deferred Outflows of Resources	91,373	85,761
Deferred Inflows of Resources	105,637	164,708
Pension Expense	(27,633)	27,264

State Sponsored Pension Plans

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

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

State Sponsored Pension Plans (Continued)

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 CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

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

Public Employees Retirement System (PERS)

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

PERS Plan 1 – provides retirement, disability, and death benefits. Retirement benefits are determined as 2% 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 5 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 nonduty 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 5 years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – The PERS Plan 1 member contribution rate is established by state statute at 6%. 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%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<u>PERS Plan 1 Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
<u>2020</u>		
January through August		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Total	12.86 %	6.00 %
September through December		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.87	
Administrative Fee	0.18	
Total	12.97 %	6.00 %
<u>2019</u>		
January through June		
PERS Plan 1	7.52 %	6.00 %
PERS Plan 1 UAAL	5.13	
Administrative Fee	0.18	
Total	12.83 %	6.00 %
July through December		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Total	12.86 %	6.00 %

The District's actual contributions to the plan were \$30,836 and \$28,591 for the years ended December 31, 2020 and 2019, respectively.

PERS Plan 2/3 – provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% 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 5 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.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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 3% 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 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% 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 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 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% and escalate to 15% with a choice of 6 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 unfunded actuarially accrued liability (UAAL) and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<u>PERS Plan 2/3 Actual Contribution Rates</u>	<u>Employer 2/3</u>	<u>Employee 2</u>	<u>Employee 3</u>
<u>2020</u>			
January through August			
PERS Plan 2/3	7.92 %	7.90 %	Varies
PERS Plan 1 UAAL	4.76		
Administrative Fee	0.18		
Total	<u>12.86 %</u>	<u>7.90 %</u>	<u>Varies</u>
September through December			
PERS Plan 2/3	7.92 %	7.90 %	Varies
PERS Plan 1 UAAL	4.87		
Administrative Fee	0.18		
Total	<u>12.97 %</u>	<u>7.90 %</u>	<u>Varies</u>
<u>2019</u>			
January through June			
PERS Plan 2/3	7.52 %	7.41 %	Varies
PERS Plan 1 UAAL	5.13		
Administrative Fee	0.18		
Total	<u>12.83 %</u>	<u>7.41 %</u>	<u>Varies</u>
July through December			
PERS Plan 2/3	7.92 %	7.90 %	Varies
PERS Plan 1 UAAL	4.76		
Administrative Fee	0.18		
Total	<u>12.86 %</u>	<u>7.90 %</u>	<u>Varies</u>

The District's actual contributions to the plan were \$50,893 and \$44,890 for the years ended December 31, 2020 and 2019, respectively.

Actuarial Assumptions

The 2020 total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

The 2019 TPL for each of the DRS plans was determined using the actuarial valuation completed in 2019, with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional 2020 assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. Additional 2019 assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020 and June 30, 2019. 2020 Plan liabilities were rolled forward from June 30, 2019 to June 30, 2020, and 2019 Plan liabilities were rolled forward from June 30, 2018 to June 30, 2019, 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%

2020 Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates 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 his or her lifetime.

2019 Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. 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 changes in methods and assumptions between the 2020 and 2019 valuations.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington State average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

There were changes in methods and assumptions between the 2019 and 2018 valuations.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

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

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% 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% 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 and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation, are summarized in the table below. 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.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Estimated Rates of Return by Asset Class (Continued)

As of June 30, 2020 and 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long-Term Expected Real Rate of Return Arithmetic</u>
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
Total	<u>100 %</u>	

Sensitivity of Net Pension Liability (NPL)

The table below presents the District's proportionate share of the net pension liability calculated using the applicable discount rate, 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 or 1-percentage point higher than applicable discount rate.

	<u>2020</u>	<u>1% Decrease (6.4%)</u>	<u>Current Discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PERS 1		\$ 155,275	\$ 123,967	\$ 96,662
PERS 2/3		368,347	59,198	(195,386)
	<u>2019</u>	<u>1% Decrease (6.4%)</u>	<u>Current Discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PERS 1		\$ 216,233	\$ 172,666	\$ 134,866
PERS 2/3		432,066	56,335	(251,977)

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.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020 and 2019, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2020 and 2019):

	2020	2019
PERS 1	\$ 123,967	\$ 172,666
PERS 2/3	59,198	56,335
Total	<u>\$ 183,165</u>	<u>\$ 229,001</u>

The District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.004490%	0.003511%	-0.000979%
PERS 2/3	0.005800%	0.004629%	-0.001171%

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.003960%	0.004490%	0.000530%
PERS 2/3	0.005108%	0.005800%	0.000692%

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

The 2020 and 2019 collective net pension liability (asset) was measured as of June 30, 2020 and 2019, respectively, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019 and 2018, respectively, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the years ended December 31, 2020 and 2019, the District recognized pension expense as follows:

	2020	2019
PERS 1	\$ (31,688)	\$ 30,174
PERS 2/3	2,898	(2,815)
Expenses and Other	1,157	(95)
Total	<u>\$ (27,633)</u>	<u>\$ 27,264</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

<u>2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	690
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	<u>16,513</u>	<u>-</u>
Total PERS 1	16,513	690
PERS 2/3:		
Differences Between Expected and Actual Experience	21,192	7,419
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	3,006
Changes of Assumptions	843	40,437
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	25,764	54,085
Contributions Subsequent to the Measurement Date	<u>27,061</u>	<u>-</u>
Total PERS 2/3	<u>74,860</u>	<u>104,947</u>
Total All Plans	<u>\$ 91,373</u>	<u>\$ 105,637</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 7 PENSION PLAN (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2019</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	11,536
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	<u>13,534</u>	<u>-</u>
Total PERS 1	<u>13,534</u>	<u>11,536</u>
PERS 2/3:		
Differences Between Expected and Actual Experience	16,140	12,112
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	82,000
Changes of Assumptions	1,443	23,636
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	31,827	35,424
Contributions Subsequent to the Measurement Date	<u>22,817</u>	<u>-</u>
Total PERS 2/3	<u>72,227</u>	<u>153,172</u>
Total All Plans	<u>\$ 85,761</u>	<u>\$ 164,708</u>

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

<u>Year Ending December 31.</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
2021	\$ (3,132)	\$ (29,269)
2022	(99)	(10,577)
2023	956	(3,653)
2024	1,585	(1,389)
2025	-	(4,629)
Thereafter	-	(7,631)
Total	<u>\$ (690)</u>	<u>\$ (57,148)</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

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

	2020	2019
OPEB Liabilities	\$ 452,069	\$ 369,559
Deferred Outflows of Resources	3,319	3,172
OPEB Expense	89,288	23,841

The District provides to its retirees employer subsidies for postemployment medical insurance benefits (OPEB) provided through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

Plan Description – The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents as a single employer plan. District employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Benefits Provided – The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date of June 30, 2020, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50% of the monthly premiums. As of the valuation date of June 30, 2019, \$168 or 50% of the monthly premiums. The retirees and spouses currently pay the premium minus \$183 when the premium is over \$366 per month and pay half the premium when the premium is lower than \$366.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

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

	<u>2020</u>	<u>2019</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	2	2
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-	-
Active Employees	7	7

Funding Policy

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

Contributions

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and 2019, and was determined using the alternative measurement method as of that date. All significant assumptions utilized in the alternative measurement were provided by the Washington State Actuary.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

The alternative measurement was based on the following methods and assumptions:

Methodology:

Actuarial Cost Method
Amortization Method

Entry Age
Recognized Immediately

Assumptions:

Discount Rate - Based on Bond Buyer
General Obligation 20-Bond Municipal Index:

	<u>2020</u>	<u>2019</u>
Beginning of Measurement Year	3.50%	3.87%
End of Measurement Year	2.21%	3.50%

	<u>2020</u>	<u>2019</u>
Projected Salary Changes	3.50%	3.50%
	Plus Service-Based Increases	

Healthcare Trend Rates

Initial Rate is Approximately 7%,
Trends Down to Approximately 5%
in 2020

Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see Office of the State Actuary's 2018 PEBB OPEB Actuarial Valuation Report.

Mortality Rates:

Base Mortality Table	Healthy RP-2000
Age Setback	1 year
Mortality Improvements	100% Scall BB
Projection Period	Generational

	<u>2020</u>	<u>2019</u>
Inflation Rate	2.75%	2.75%

Postretirement Participation Percentage 65.00%

Percentage with Spouse Coverage 45.00%

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	2020	2019
Balance - January 1	\$ 369,559	\$ 352,167
Service Cost	15,339	13,103
Interest	13,354	14,012
Changes in Experience and Data Assumptions	60,595	(3,274)
Changes in Benefit Terms	-	-
Benefit Payments	(6,778)	(6,449)
Other	-	-
Total	<u>\$ 452,069</u>	<u>\$ 369,559</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the total OPEB liability of the District calculated using a discount rate and healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current discount rate and health care cost trend rates:

<u>2020</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Discount Rate	\$ 544,579	\$ 452,069	\$ 379,585
Healthcare Cost Trend Rate	370,236	452,069	560,751
<u>2019</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Discount Rate	\$ 439,778	\$ 369,559	\$ 313,830
Healthcare Cost Trend Rate	306,999	369,559	450,848

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District recognized OPEB expense for the years ended December 31 as follows:

	2020	2019
Service Cost	\$ 15,339	\$ 13,103
Interest Cost	13,354	14,012
Changes in Experience and Data Assumptions	60,595	(3,274)
Total	<u>\$ 89,288</u>	<u>\$ 23,841</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

<u>Deferred Outflows of Resources</u>	<u>2020</u>	<u>2019</u>
Contributions Subsequent to the Measurement Date	<u>\$ 3,319</u>	<u>\$ 3,172</u>

Deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year.

NOTE 9 DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are invested with the Washington State Department of Retirement Systems. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District made no contributions to the plan in 2020 or 2019.

NOTE 10 RISK MANAGEMENT

King County Water District No. 49 is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the state of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 10 RISK MANAGEMENT (CONTINUED)

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

In the past three years (2020, 2019, and 2018), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 11 LEASE COMMITMENTS

Operating Leases

The District is committed under various leases for office equipment. These leases are considered operating leases for accounting purposes. Lease expense for the years ended December 31, 2020 and 2019 amounted to \$9,812 and \$10,003, respectively.

Future minimum rental commitments for these leases are as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2021	\$ 4,288
2022	3,520
2023	1,984
Total	<u>\$ 9,792</u>

NOTE 12 MAJOR SUPPLIER

All water purchased by the District is provided by Seattle Public Utilities.

NOTE 13 COVID-19-PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities. The length of time these measures will continue to be in place, and the full extent of the financial impact on the District is unknown at this time.

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	2020	2019	2018
Total OPEB Liability - Beginning	\$ 369,559	\$ 352,167	\$ 346,453
Service Cost	15,339	13,103	17,659
Interest	13,354	14,012	12,935
Changes in Experience and Data Assumptions	60,595	(3,274)	(19,224)
Changes in Benefit Terms	-	-	-
Benefit Payments	(6,778)	(6,449)	(5,656)
Other Changes	-	-	-
Total OPEB Liability - Ending	<u>\$ 452,069</u>	<u>\$ 369,559</u>	<u>\$ 352,167</u>
 Covered-Employee Payroll	 \$ 582,294	 \$ 584,016	 \$ 572,714
 Total OPEB Liability as a % of Covered-Employee Payroll	 77.64%	 63.28%	 61.49%

Notes to Schedule:

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

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

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

PERS 1

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2020	0.003511%	\$ 123,967	\$ 582,294	21.29%	68.64%
2019	0.004490%	123,967	584,016	21.23%	67.12%
2018	0.003960%	176,860	572,714	30.88%	63.22%
2017	0.004828%	229,070	562,570	40.72%	61.24%
2016	0.004457%	239,344	537,367	44.54%	57.03%
2015	0.005338%	279,227	578,786	48.24%	59.10%

Notes to Schedule:

1. PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).

*Information is presented only for those years for which information is available.

PERS 2/3

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2020	0.004629%	\$ 59,198	\$ 582,294	10.17%	97.22%
2019	0.005800%	59,198	584,016	10.14%	97.77%
2018	0.005108%	87,219	572,714	15.23%	95.77%
2017	0.006210%	215,752	562,570	38.35%	90.97%
2016	0.005702%	287,113	537,367	53.43%	85.82%
2015	0.006896%	246,398	578,786	42.57%	89.20%

Notes to Schedule:

*Information is presented only for those years for which information is available.

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF EMPLOYER CONTRIBUTIONS
YEARS ENDED DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

PERS 1

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2020	\$ 30,836	\$ (30,836)	\$ -	\$ 642,591	4.80%
2019	28,591	(28,591)	-	574,896	4.97%
2018	29,365	(29,365)	-	580,009	5.06%
2017	27,769	(27,769)	-	566,717	4.90%
2016	26,316	(26,316)	-	551,691	4.77%
2015	24,893	(24,893)	-	578,786	4.30%

Notes to Schedule:

1. PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).

* Information is presented only for those years for which information is available.

PERS 2/3

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2020	\$ 50,893	\$ (50,893)	\$ -	\$ 642,591	7.92%
2019	44,890	(44,890)	-	574,896	7.81%
2018	43,500	(43,500)	-	580,009	7.50%
2017	38,875	(38,875)	-	566,717	6.86%
2016	34,370	(34,370)	-	551,691	6.23%
2015	31,917	(31,917)	-	578,786	5.51%

Notes to Schedule:

* Information is presented only for those years for which information is available.

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	2020	2019
WATER COSTS		
Water Cost	\$ 1,303,745	\$ 1,168,728
Amortization - Contract Cost	457	457
Total Water Costs	<u>\$ 1,304,202</u>	<u>\$ 1,169,185</u>
RESERVOIR EXPENSES		
Maintenance - Materials and Contractors	\$ (127)	\$ 6,977
Electric Power	13,427	12,972
Telephone	1,328	-
Total Reservoir Expenses	<u>\$ 14,628</u>	<u>\$ 19,949</u>
CUSTOMER ACCOUNTS EXPENSES		
Standby Pager - Labor	\$ -	\$ 17,495
Supplies	3,123	3,013
Postage and Postage Machine	759	13,277
Total Customer Accounts Expenses	<u>\$ 3,882</u>	<u>\$ 33,785</u>
TRANSMISSION AND DISTRIBUTION		
Supplies and Miscellaneous	\$ 5,270	\$ 6,292
Uniforms and Clothing	1,704	2,090
Street Repair	2,863	17,903
Permits, Licenses, and Inspections	11,826	11,902
Equipment Rental	136	824
Electric Power - Interties	184	296
Water Treatment Waste Disposal	2,020	-
Maintenance of Mains - Materials	5,797	5,643
Maintenance of Mains - Contractors and Miscellaneous	16,166	42,426
Maintenance of Valves - Materials	2,022	313
Maintenance of Valves - Contractors and Miscellaneous	2,750	2,754
Maintenance of Services - Materials	35,515	9,040
Maintenance of Services - Contractors and Miscellaneous	16,452	-
Maintenance of Services - Crew	(4,182)	-
Maintenance of Meters - Materials	(7,714)	69,938
Maintenance of Hydrants - Materials	6,322	4,601
Maintenance of Automotive	8,814	11,607
Maintenance of Other Equipment	2,329	565
Maintenance of Other Equipment - Labor	626	155
Field Lead Salary	-	70,293
Field Tech Salary	264,278	241,763
Total Transmission and Distribution Expenses	<u>\$ 373,178</u>	<u>\$ 498,405</u>

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
Salaries and Wages	\$ 395,775	\$ 263,464
OPEB Expense	89,288	23,841
State Retirement	(27,633)	27,264
Medical Insurance	269,836	237,752
Life Insurance	3,007	3,012
F.I.C.A.	50,878	48,808
Workers' Compensation	7,566	9,416
Commissioner Compensation	14,432	17,064
Covid 19 Pandemic	2,509	-
Contract Labor	-	288
Legal	66,827	72,432
Engineering	(13,150)	72,465
Accounting	35,405	53,671
State Auditor	5,925	12,451
Software Support	53,967	56,327
Rate Study Consultant	2,457	-
Insurance	36,204	32,620
Office Supplies	5,708	7,458
Telephone	19,593	13,419
Utilities	9,560	14,166
Dues, Subscriptions, and Advertising	9,980	10,251
State Excise Tax	221,860	213,890
Equipment Rental - Office	9,812	10,003
Miscellaneous General Expenses	35,313	31,791
Franchise-Utility Tax Expense	-	2,591
Gas and Oil	7,720	9,080
Seminar Registration	2,272	3,545
Travel and Mileage	57	3,699
Election Costs	7,594	-
Maintenance - Building	9,299	17,090
Maintenance Office Equipment	-	781
	<u> </u>	<u> </u>
Total Administrative and General Expenses	<u>\$ 1,332,061</u>	<u>\$ 1,268,639</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
King County Water District No. 49
Burien, 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. 49 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

CliftonLarsonAllen LLP

Bellevue, Washington
January 28, 2022

