Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

East Wenatchee Water District

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

Published May 9, 2024

Report No. 1034591

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Office of the Washington State Auditor
Pat McCarthy

May 9, 2024

Board of Commissioners
East Wenatchee Water District
East Wenatchee, Washington

Report on Financial Statements

Please find attached our report on the East Wenatchee Water District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

East Wenatchee Water District
January 1, 2021 through December 31, 2022

Board of Commissioners
East Wenatchee Water District
East Wenatchee, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the East Wenatchee Water District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

March 29, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

East Wenatchee Water District
January 1, 2021 through December 31, 2022

Board of Commissioners
East Wenatchee Water District
East Wenatchee, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the East Wenatchee Water District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the East Wenatchee Water District, as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matter of Emphasis

As discussed in Note 7 to the 2021 financial statements, in 2021 the District joined a plan for post-employment benefits other than pensions (OPEB). This resulted in a special item reported to recognize the beginning OPEB liability and expense. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

March 29, 2024

FINANCIAL SECTION

East Wenatchee Water District
January 1, 2021 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022
Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022
Statement of Net Position – 2021
Statement of Revenues, Expenses and Changes in Net Position – 2022
Statement of Revenues, Expenses and Changes in Net Position – 2021
Statement of Cash Flows – 2022
Statement of Cash Flows – 2021
Notes to Financial Statements – 2022
Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total Liability and Related Ratios – PEBB – 2022
Schedule of Changes in Total Liability and Related Ratios – PEBB – 2021
Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2022
Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2021
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of the Board of Commissioners and the employees of the East Wenatchee Water District is to provide high quality, safe, and reliable drinking water as well as excellent customer service while effectively managing the District's infrastructure to provide a cost-effective, reliable water system for today and for future generations.

The following section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2022, and our financial performance for the year.

The following statements report the net position of the District and the changes to that position. The District's net position (the difference between its assets, deferred outflows of resources, deferred inflows of resources and liabilities) is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether financial health is improving or deteriorating. However, you will also need to consider other non-financial factors, such as changes in economic conditions, customer growth, and legislative mandates.

DISCUSSION OF FINANCIAL STATEMENT

The District's basic financial statements consist of the following:

- Management's Discussion and Analysis
- Financial Statements
- Notes to Financial Statements

The financial statements include: a statement of net position; statement of revenues; expenses and changes in fund net position; statement of cash flows; and notes to the financial statements.

The statement of net position provides a record, or snapshot, of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District at the close of the year. It provides information about the nature and amounts invested in resources (assets) and the obligations to District creditors (liabilities). It provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

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

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

Condensed Statement of Net Position

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
Current Assets	7,606,036	12,013,228	(4,407,192)	-36.69%
Non-Current Assets	61,355,799	55,584,829	5,770,970	10.38%
Deferred Outflows of Resources	553,478	213,472	340,006	159.27%
Total Assets & Deferred Outflows of Resources	69,515,313	67,811,529	1,703,784	2.51%
Current Liabilities	2,373,418	3,527,645	(1,154,227)	-32.72%
Long-Term Liabilities	12,462,258	13,947,400	(1,485,142)	-10.65%
Deferred Inflows	523,867	1,518,519	(994,651)	-65.50%
Total Liabilities & Deferred Inflows of Resources	15,359,543	18,993,564	(3,634,020)	-19.13%
Net Investment in Capital Assets	42,397,052	37,157,250	5,239,802	14.10%
Restricted	1,533,913	3,073,638	(1,539,725)	-50.09%
Unrestricted	10,224,805	8,587,078	1,637,727	19.07%
Total Net Position	54,155,770	48,817,966	5,337,804	10.93%

Condensed Statements of Revenues, Expenses and Changes in Fund Net Position

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
Operating Revenues	9,688,616	8,529,232	1,159,384	13.59%
Non-Operating Revenue	410,871	283,507	127,364	44.92%
Total Revenues	10,099,487	8,812,739	1,286,748	14.60%
Operating Expenses	6,823,700	6,526,274	297,427	4.56%
Interest Expenses	303,681	329,393	(25,712)	-7.81%
Other Non-Operating Expenses	181,062	32,373	148,689	459.29%
Total Expenses	7,308,443	6,888,040	420,403	6.10%
Income Before Capital Contributions	2,791,043	1,924,699	866,344	45.01%
Capital Contributions	2,518,485	5,968,119	(3,449,633)	-57.80%
Change In Net Position	5,309,528	7,892,817	(2,583,289)	-32.73%
Beginning Net Position	48,817,966	41,857,115	6,960,850	16.63%
Special Item - OPEB Expense	-	(784,029)		
Prior Period Adjustment	28,276	(147,938)	176,214	-119.11%
Ending Net Position	54,155,770	48,817,966	5,337,804	10.93%

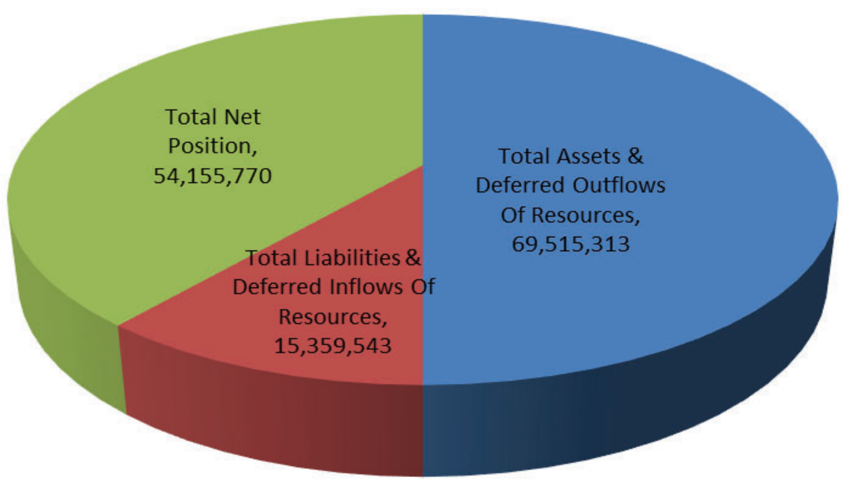
OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULT OF OPERATIONS

The District's financial position continues to be strong and stable for the year ending December 31,2022. The District's total assets and deferred outflows of resources increased by $1,703,784 or 2.51% ($69,515,313 in 2022 vs $67,811,529 in 2021). Total assets include cash holdings, real estate, receivables, tangible and intangible goods and any other material that adds value to the District. The positive increase in position is directly related to the capital contributions from developers and the District's investment in capital infrastructure.

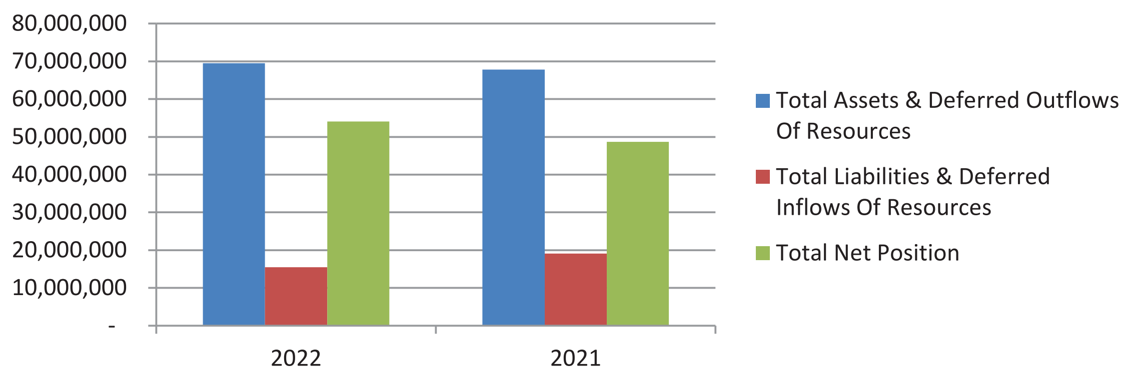
Total liabilities and deferred inflows of resources decreased by $3,634,020or -19.13% ($15,359,543 in 2022 vs $18,993,564 in 2021). Total liabilities refer to the financial obligations of the District. The deferred inflows of resources are the acquisition of net assets or assets minus total liabilities that are applicable to future reporting periods. This $3.6 million dollar decrease is mainly due to the District paying down its long-term debt by $1,374,781 in 2022, deferred inflows on employee pensions decreasing by $994,465 and current developer liability decreasing by $951,553.

Total net position increased by $5,337,804 or 10.93% ($54,155,770 in 2022 vs $48,817,966 in 2021). Net position is a residual of the elements within a financial statement (the differences between assets and deferred outflows of resources and liabilities, and deferred inflows of resources). The District's positive total net position is directly attributed to a change within these elements.

2022 STATEMENT OF NET POSITION

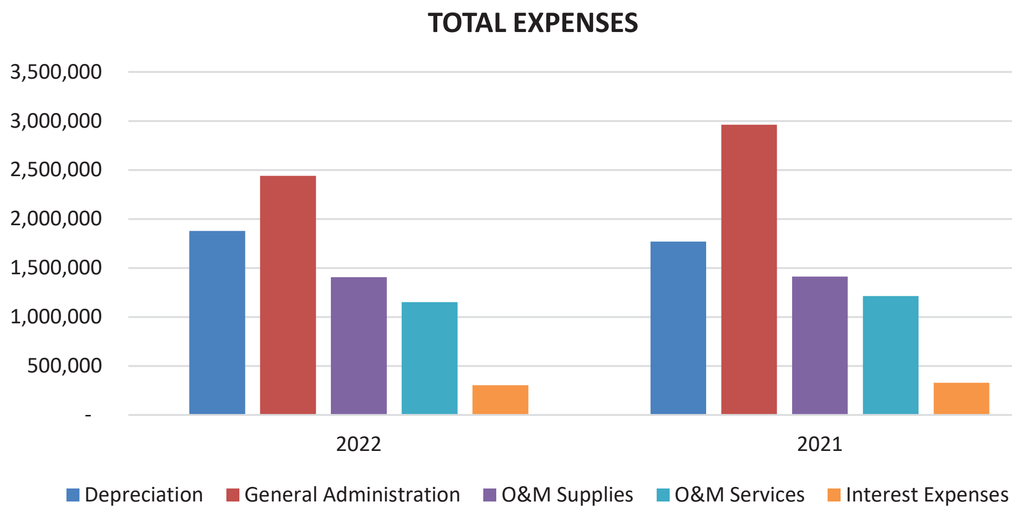


COMPARATIVE STATEMENT OF NET POSITION

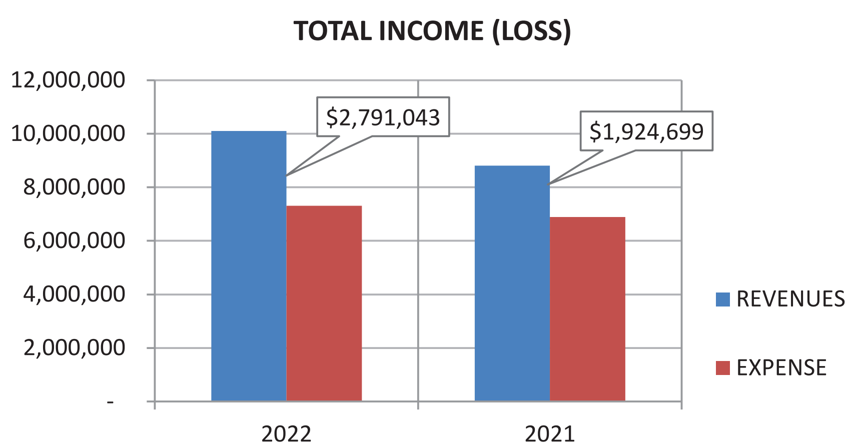


Total revenue increased by $1,286,748 or 14.60% ($10,099,487 in 2022 vs $8,812,739 in 2021). The increase was due to the implementation of the proposed 2021 rate increase that was postponed during the economic crisis; and a fresh rate study that promoted a more equitable cost of water to all District customers. This new arrangement changed the past historical customer ideology and promoted new rate structures that took into account customer classes and unique usage characteristics for all District customers.

Total expenses increased $420,403 or 6.10% ($7,308,443 in 2022 vs $6,888,040 in 2021). General administration increased largely due to the shift in OPEB and pension expense for the current year.

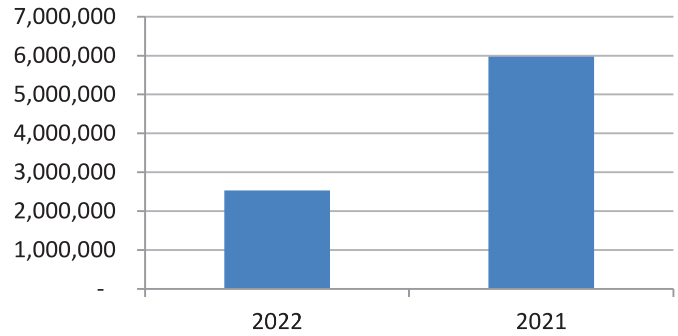


Total income increased by $866,344 or 45.01% ($2,791,043 in 2022 vs $1,924,699 in 2021).



Capital Contributions include non-cash Developer Contributed Systems and customer payments of connection charges. Capital Contributions decreased by $3,449,633 or -57.80% ($2,518,485 in 2022 vs $5,968,119 in 2021). Economic factors and the individual development specific needs play a large role in the developer's contribution to the water system. Over a period of time, this high-low trend tends to provide a continual overall increase in Capital Contributions. Baker Estates, Kentucky Court, 14th Street Townhomes, Nile Subdivision and the Veedol Reservoir Main were all developer contributions benefiting the District in the amount of $797,499, including the Microsoft project design and engineering in the amount of $446,938.88. Domestic water meter and fire protection connection sales with the continued availability of building lots also benefited the District in the amount of $1,274,047. The total contributions received in 2022 were $2,518,485.

CAPITAL CONTRIBUTIONS



CAPITAL ASSETS AND LONG-TERM DEBT

The overall increase in capital assets of the District in 2022 is due to capital additions being greater than depreciation. This year's major additions include:

Main Line Upgrades	\$2,177,998 (Sunset Highway & 27th Street, 8th & Lyle, 9th & Valley Mall, Hamilton, Standerfer, Cascade Ave, Veedol Reservoir Main, 14th Street, Terrace Court and 13th Street.)
Service Line Upgrades	\$ 26,369 (8th Street, Lyle Avenue, 4th Street SE. and Maryhill)
Meters (New)	\$ 49,720 (System Wide)
Developer Mains	\$ 797,499 (As stated above under Capital Contributions)
Pumps	\$ 100,542 (Regional Pump #2)
Equipment & Misc.	\$ 78,052 (VGB Meter Reading Equipment and 2022 GMC truck.)

Since many projects rehabilitate deteriorating mains and replace aging infrastructure within the District, the impact on operating and maintenance is expected to be favorable. Revenue from growth will continue to play a valuable role in the strength of the District.

The District's FY 2023 capital budget plans for investing \$6,248,000 in capital projects include:

District Projects:

Mains Line Upgrades:
Empire Avenue Main Extension
Airway St SE & S Roland Ave – Main/Services
Rock Island Overlay
North Jonathan - City Project
Cascade Ave Widening
Simon Street - Main
Grant Road Round-A-Bout Design
S. Kansas Ave, Design
Dale St SE, Design

Annual Meter Replacements

Pumps and Reservoirs:
Johnston Reservoir
10th Street BPS
15th Street BPS
38th St BPS 2nd Pump

Property Acquisitions:
Pearcot, Grant Nile, & 6th Street Property

Service Line Upgrades:
2024 Steel Main Services - 3rd St NE, Garry St NE, N Larch Ave, Rolfs Ct, & Parkroy PL

Developer Contributed Projects:
Grover Ave 11th NE, Jackson Ave
1493 Reservoir & Access Road Design
1594 Secondary Pipeline
5th Street NE City Project
19th St NW Widening City/County

As of December 31, 2022, the District has:

Outstanding revenue bonds in the amount of	$7,820,000
Outstanding PWTF Loans in the amount of	$4,065,758
Outstanding Bond Premium	$ 654,346

OTHER POTENTIALLY SIGNIFICANT MATTERS

The District's overall health has continued to improve. The implementation of a rate structure has allowed the District to meet its planning objectives; increasing resource efficiency. Increased operating revenue and a reduced need to borrow for capital facilities replacement has created a positive change in total overall net position.

Replacement of aging infrastructure continues to be an important part of the District's vision for long-term planning. The revenue requirement is essential for future capital improvements and the betterment of the District's water system.

Fostering unique partnerships and working with the ideology of cost savings by working together, project expenditures have been minimized. The ability to work effectively with both private and public partners involving mutually beneficial projects, have, and will, continue to be an essential priority in keeping costs down. These partnerships and associated capital contributions will contribute greatly to improving the water system, helping lessen the impact to the District's current customers.

The District entered into contractual agreement with Microsoft on April 5, 2021 for improvements to serve the original campus proposal. In December 2022 the District entered into contract for the expanded improvements for the projects identified in the table below, the Fourth Amendment to Microsoft Corporation Developer Construction Agreement.

Project	Description	Design / Admin Start	Construction Start	Complete
C1	1494 Reservoir Predesign	Jun-2021		Dec-2022
C2	1494 Reservoir	Aug-2022	Jan-2024	Dec-2024
C3	1494 Reservoir 18" Watermain	Aug-2022	Jan-2024	Dec-2024
C4	1494 Reservoir Access Road	Aug-2022	Jan-2024	Dec-2024
C2g/C4g	Design, Admin, & Indirect for Rough Grading	Aug-2022	Aug-2023	Dec-2023
D1	N. Grover 18" Watermain	Aug-2022	Mar-2023	Oct-2023
D1a	N. Grover 8" Watermain	Aug-2022	Mar-2023	Oct-2023
D2	11th St NE 18" Watermain	Aug-2022	Mar-2023	Oct-2023
D3	N. Jackson 18" Watermain	Aug-2022	Mar-2023	Oct-2023
	10th St BPS	Jun-2020	Jul-2021	Sep-2022
E	Materials for Fancher 18" Watermain			Dec-2022
E	Fancher 18" Watermain	Aug-2022	Mar-2023	Jun-2023
F1	Materials for Project F1			Dec-2022
F1	5th St NE 12" Watermain Section 1	Aug-2022	Mar-2023	Oct-2023
H1	Materials for Project H1			Dec-2022
H1	24" Transmission Main Section 1	Aug-2022	Mar-2023	Oct-2023
H2	Materials for Project H2			Dec-2022
H2	24" Transmission Main Section 2	Aug-2022	Feb-2023	Oct-2023

As comprehensive as we try to be in planning for the future, successful Grant applications by the City of East Wenatchee or Douglas County will result in unanticipated additions to the current Transportation Improvement Plan (TIP). These unforeseen opportunities will impact the scheduled District Capital Improvement Plan (CIP), and cause a shift, forcing water related infrastructure to be installed at a future date to coincide with replacement budgets.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's ratepayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Manager at the East Wenatchee Water District, 692 Eastmont Ave., East Wenatchee, WA 98802.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of the Board of Commissioners and the employees of the East Wenatchee Water District is to provide high quality, safe, and reliable drinking water as well as excellent customer service while effectively managing the district's infrastructure to provide a cost-effective, reliable water system for today and for future generations.

The following section of management's discussion and analysis presents our review of the district's financial position as of December 31, 2021, and our financial performance for the year then ended.

The following statements report the net position of the district and the changes to that position. The district's net position (the difference between its assets, deferred outflows of resources, deferred inflows of resources and liabilities) is a way to measure financial health or financial position. Over time, increases or decreases in the district's net position are one indicator of whether financial health is improving or deteriorating. However, you will also need to consider other non-financial factors, such as changes in economic conditions, customer growth, and legislative mandates.

DISCUSSION OF FINANCIAL STATEMENT

The district's basic financial statements consist of the following:

- Management's Discussion and Analysis
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- Notes to Financial Statements

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

The statement of net position provides a record, or snapshot, of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the district at the close of the year. It provides information about the nature and amounts invested in resources (assets) and the obligations to District creditors (liabilities). It provides the basis for evaluating the capital structure of the district and assessing the liquidity and financial flexibility of the district.

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

Condensed Statement of Net Position

	2021	2020	Increase (Decrease) $	%
Current Assets	12,013,228	11,233,024	780,204	6.95%
Non-Current Assets	55,584,829	47,706,450	7,878,379	16.51%
Deferred Outflows of Resources	213,472	231,074	(17,602)	-7.62%
Total Assets & Deferred Outflows of Resources	67,811,529	59,170,548	8,640,982	14.60%
Current Liabilities	3,527,645	1,906,164	1,621,480	85.07%
Long-Term Liabilities	13,947,400	15,216,986	(1,269,585)	-8.34%
Deferred Inflows	1,518,519	190,283	1,328,236	698.03%
Total Liabilities & Deferred Inflows of Resources	18,993,564	17,313,433	1,680,131	9.70%
Net Investment in Capital Assets	37,157,250	28,944,199	8,213,051	28.38%
Restricted	3,073,638	1,027,701	2,045,936	199.08%
Unrestricted	8,587,078	11,885,215	(3,298,137)	-27.75%
Total Net Position	48,817,966	41,857,115	6,960,850	16.63%

Condensed Statements of Revenues, Expenses and Changes in Fund Net Position

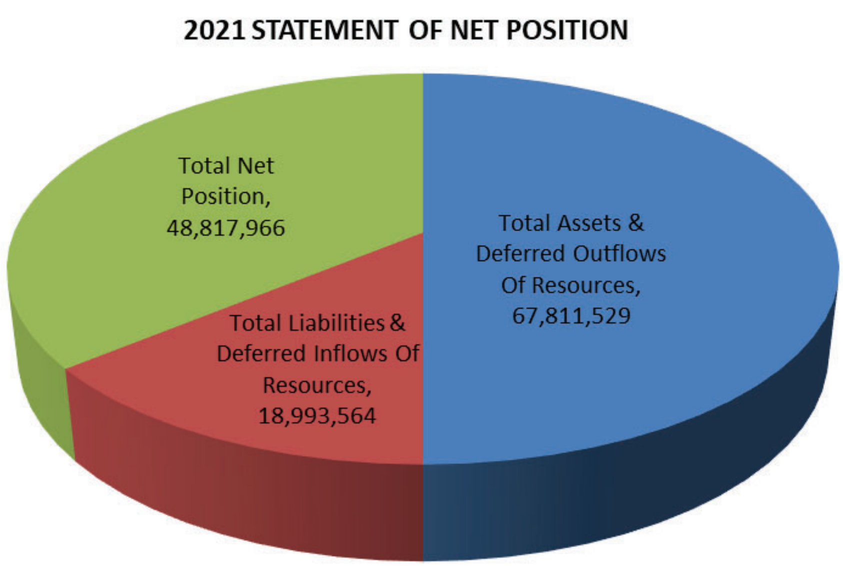
	2021	2020	Increase (Decrease) $	%
Operating Revenues	8,529,232	8,283,356	245,876	2.97%
Non-operating Revenue	283,507	337,436	(53,929)	-15.98%
Total Revenues	8,812,739	8,620,792	191,947	2.23%
Operating Expenses	6,526,274	6,356,083	170,190	2.68%
Interest Expenses	329,393	384,331	(54,938)	-14.29%
Other Non-Operating Expenses	32,373	46,317	(13,944)	-30.11%
Total Expenses	6,888,040	6,786,732	101,308	1.49%
Income Before Capital Contributions	1,924,699	1,834,060	90,639	4.94%
Capital Contributions	5,968,119	1,736,952	4,231,167	243.60%
Change In Net Position	7,892,817	3,571,012	4,321,806	121.02%
Beginning Net Position	41,857,115	38,286,103	3,571,012	9.33%
Special Item - OPEB Expense	(784,029)	-	(784,029)	
Prior Period Adjustment	(147,938)	-	(147,938)	
Ending Net Position	48,817,966	41,857,115	6,960,850	16.63%

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULT OF OPERATIONS

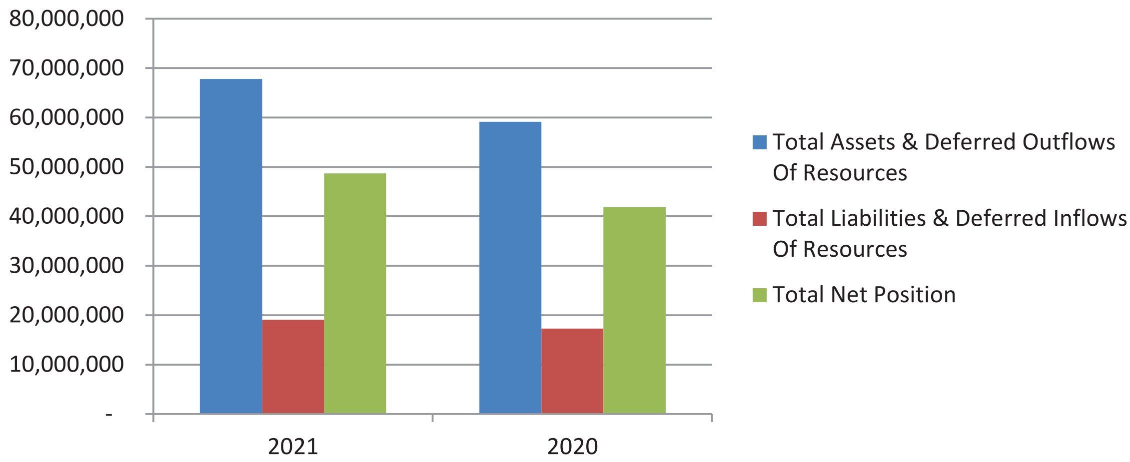
The district's financial position continues to be strong and stable for the year ending December 31,2021. The district's total assets and deferred outflows of resources increased by $8,640,982 or 14.60% ($67,811,529 in 2021 vs $59,170,548 in 2020). Total assets include cash holdings, real estate, receivables, tangible and intangible goods and any other materials that adds value to the district. The positive increase in position is directly related to the capital contributions from developers, the district's investment in capital infrastructure and the addition of $1.5 million pension asset that did not exist in 2020.

Total liabilities and deferred inflows of resources increased by $1,680,131 or 9.70% ($18,993,564 in 2021 vs $17,313,433 in 2020). Total liabilities refer to the financial obligations of the district. The deferred inflows of resources are the acquisition of net assets or assets minus total liabilities that are applicable to future reporting periods. This increase is due to the district's current liability surge, caused by several capital projects funded by developers. Deferred inflows largely increased, reflective of changes in pension liability. In addition, the district's new OPEB liability was incurred with us becoming members of the Health Care Authorities of Washington. It is important to point out that the long-term liability decreased by 1,269,585 or -8.34% ($13,947,400 in 2021 vs $15,216,986 in 2020) this is due to the decrease in net pension liability of $420k, these decreases are offset by the addition of the OPEB liability of $787,683 and regular debt payments in 2021 of $1.4 million and about $200k decrease in compensated absences.

Total net position increased by $6,960,850 or 16.63% ($48,817,966 in 2021 vs $41,857,115 in 2020). Net position is a residual of the elements within a financial statement. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The districts positive total net position is directly attributed to a change within these elements.



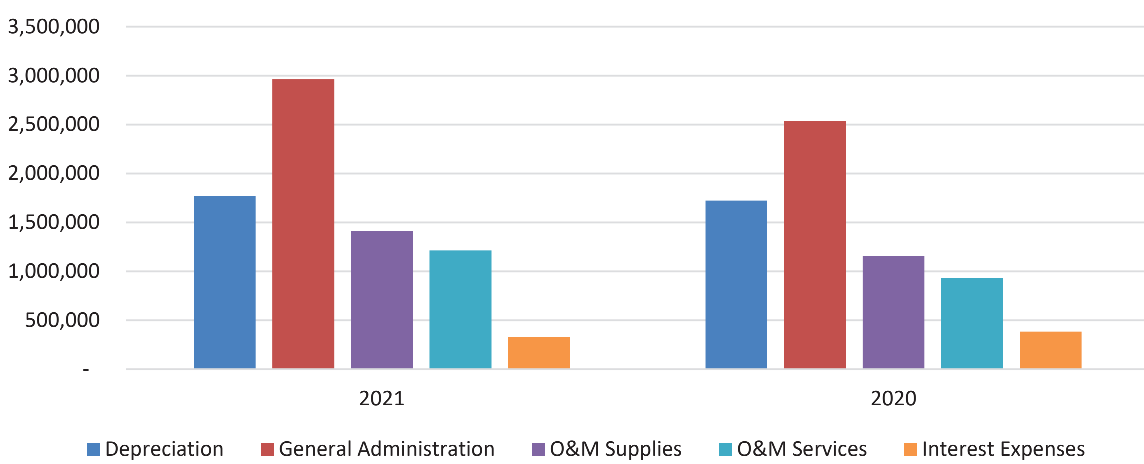
COMPARATIVE STATEMENT OF NET POSITION



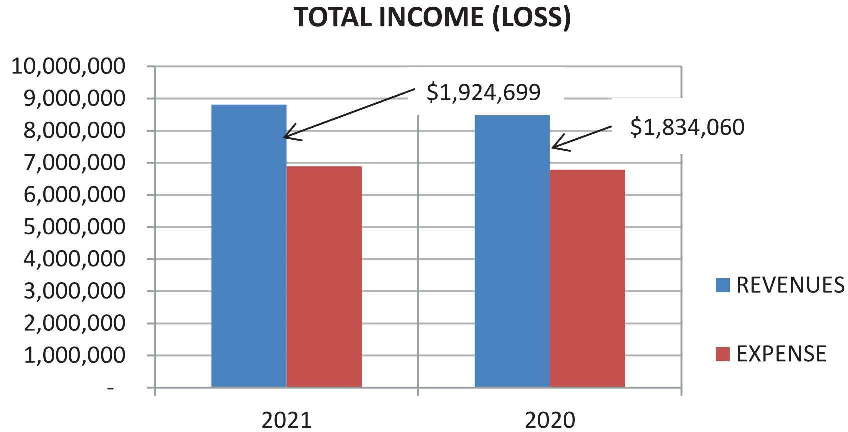
Total revenue increased by $191,947 or 2.23% ($8,812,739 in 2021 vs $8,620,792 in 2020). District commissioners elected to postpone the rate increase due to the financial hardship the pandemic has imposed on our customers. A new rate structure will be implemented in 2022. Water meter billable consumption increased by 22,038,300 gallons (1,180,485,300 gallons in 2021 vs 1,158,447,000 gallons in 2020). In non-operating revenue the district has an interest loss of $174,709 due to the economic environment the district's investments recognized an unrealized loss.

Total expenses increased $101,308 or 1.49% ($6,888,040 in 2021 vs $6,786,732 in 2020). General administration decreased by $404,824 due to pension income in 2021 vs pension expense in 2020, supplies and services increased by $527,565 due to inflation, depreciation increased by $47,449 and interest expenses decreased by $54,938. Extra ordibnary activity due to the initial OPEB Expense of $784,029.

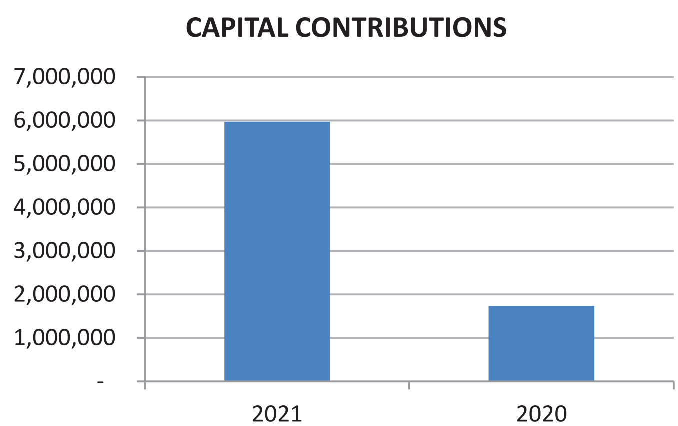
TOTAL EXPENSES



Total income increased by $90,639 or 4.94% ($1,924,699 in 2021 vs $1,834,060 in 2020).



Capital Contributions include non-cash Developer Contributed Systems, a grant from Chelan-Douglas Port District and customer payments of connection charges. Capital Contributions increased by $4,231,167 or 243.60% ($5,968,119 in 2021 vs $1,736,952 in 2020). Local economic factors continue to play large role in the contributed developer systems. Wenatchi Landing, Tilly Short Plat, Summer View, Spring Water Homes, Sagebrook Phase 1 and 2, Mountain Springs Phase 3, Maryhill Estates 2, Legacy Landing, Chinook Meadows, and Microsoft-10th Street were all developer contributions benefiting the district in the amount of $4,544,186. Chelan-Douglas Port District awarded the district with $9,942 for engineering in future replacement of steel main at NW Empire. Meter and Fire protection sales with the continued availability of building lots also benefited the district in the amount of $1,413,991. Total contributions received in 2021 was in the amount of 5,968,119.



CAPITAL ASSETS AND LONG-TERM DEBT

The overall increase in capital assets of the district in 2021 is due to capital additions being greater than depreciation. This year's major additions include:

Main Line Upgrades	$ 512,428 (Steel Main 2021 - 4th & Clements & Edwards Place)
Service Line Upgrade	$ 50,119 (Kentucky View)
Meters	$ 83,673 (System Wide)
Developer Mains	$4,544,186 (As stated above under capital contributions)
Pumps	$ 100,542 (Regional Pump #2)
Equipment & Misc.	$ 71,708 (2021 Silverado 3500)

Since many projects rehabilitate deteriorating mains and replace aging infrastructure within the district, the impact on operating and maintenance is expected to be favorable. Revenue from growth will continue to play a valuable role in the strength of the district.

The District's FY 2022 capital budget plans for investing $6,374,112 in capital projects include:

District Projects:

- -Empire Avenue Extension
- -Hamilton Ave
- -9th NE / Valley Mall Intersection
- -14th Street NE & Terrace Court
- -13th Street NE
- -North Dayton
- -Standerfer Avenue
- -Terrace Drive
- -North Colorado
- -38th St BPS 2nd Pump
- -Baker Flats Pump Station
- -Annual Meter Replacements

District / Developer Contributed Projects:

- -Pangborn Reservoir Pipe Replacement
- -1594 Secondary Pipeline
- -N Clemons Street
- -1493/1594 Pump Station at 10th St Tank
- -1594 Reservoir
- -1594 Reservoir Conduit & Wire

As of December 31, 2021, the District has:

Outstanding revenue bonds in the amount of	$8,620,000
Outstanding PWTF Loans in the amount of	$4,615,540
Outstanding Bond Premium	$ 700,436

OTHER POTENTIALLY SIGNIFICANT MATTERS

The district's overall health has continued to improve. The implementation of a rate structure design has allowed the district to meet its planning objectives, increasing resource efficiency. Increased operating revenue and a reduced need to borrow for capital facilities replacement has created a positive change in total overall net position.

Replacement of aging infrastructure will continue to drive the district's need to address system upgrades and replacement necessities. Without the ability to secure affordable financing options for Capital projects, the continual updating of the Revenue Requirement Analysis and Rate Model will be extremely important for future Capital Replacement Planning.

Fostering unique partnerships and working with the ideology of cost savings by working together, project expenditures have been minimized. The ability to work effectively with both private and public partners involving mutually beneficial projects, have, and will, continue to be an essential priority in keeping costs down. These partnerships and associated capital contributions will contribute greatly to improving the water system without impacting the district's current customers.

As comprehensive as we try to be in planning for the future, successful Grant applications by the City of East Wenatchee or Douglas County will result in unanticipated additions to the current Transportation Improvement Plan (TIP). These unforeseen opportunities will impact District finance and planning by forcing water related infrastructure to be replaced or installed within these special Grant areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the district's ratepayers and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Controller at the East Wenatchee Water District, 692 Eastmont Ave., East Wenatchee, WA 98802.

East Wenatchee Water District
Statement of Net Position
December 31, 2022

ASSETS		
Current Assets:		
Cash and Cash Equivalents		4,342,889
Unrestricted Investments		968,555
Receivables (Net):		
Water A/R		401,777
Other A/R		30,750
ULID #1 & #2 A/R		82,175
Restricted Assets:		
Bond Reserve		352,701
Rate Stabilization Fund		675,000
Inventories		613,853
Prepaid Expenses		138,336
TOTAL CURRENT ASSETS	$	7,606,036
Non-current Assets:		
Unrestricted Investments		6,718,336
ULID #2 A/R		493,926
Pension Asset		506,212
Capital Assets Not Being Depreciated		
Land		642,719
Intangible Property		32,300
Construction in Progress		6,111,478
Capital Assets Being Depreciated		
Plant		74,852,569
Buildings		3,112,763
Equipment		3,348,039
Less Accumulated Depreciation		(34,462,542)
Total Capital Assets (Net)	$	53,637,326
TOTAL NONCURRENT ASSETS	$	61,355,799
TOTAL ASSETS	$	68,961,836
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding		8,862
Deferred Outflows - Pension		542,157
Defered Outflows - OPEB		2,459
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	553,478

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Net Position
December 31, 2022

LIABILITIES		
Current Liabilities:		
Accounts/Vouchers Payable		535,394
Accrued Wages and Benefits		241,040
Construction Deposits		81,640
Current Portion LTD PWTF Notes		549,781
Current Portion LTD Bond		825,000
Accrued Interest		140,563
TOTAL CURRENT LIABILITIES	$	2,373,418
Noncurrent Liabilities:		
Compensated Absences		350,227
PWTF Loans		3,515,977
04 Revenue Bond		580,000
14 Revenue Bond		225,000
17 Revenue Bond		6,190,000
Unamortized Bond Premium		654,346
Pension Liability		292,303
OPEB Liability		654,405
TOTAL NONCURRENT LIABILITIES	$	12,462,258
TOTAL LIABILITIES	$	14,835,676
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension		523,867
TOTAL DEFERRED INFLOWS OF RESOURCES	$	523,867
NET POSITION		
Net Investment in Capital Assets		42,397,052
Restricted		1,533,913
Unrestricted		10,224,805
TOTAL NET POSITION	$	54,155,770

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Net Position
December 31, 2021

ASSETS		
Current Assets:		
Cash and Cash Equivalents		7,974,448
Unrestricted Investments		961,720
Receivables (Net):		
Water A/R		497,423
Other A/R		348,609
ULID #1 & #2 A/R		77,107
Restricted Assets:		
Bond Reserve		352,701
Rate Stabilization Fund		675,000
Developer Fund		588,951
Inventories		380,652
Prepaid Expenses		156,618
TOTAL CURRENT ASSETS	$	12,013,228
Non-current Assets:		
Unrestricted Investments		3,852,575
ULID #2 A/R		566,458
Pension Asset		1,456,985
Capital Assets Not Being Depreciated		
Land		642,719
Intangible Property		32,300
Construction in Progress		3,438,097
Capital Assets Being Depreciated		
Plant		71,795,690
Buildings		3,112,763
Equipment		3,307,320
Less Accumulated Depreciation		(32,620,078)
Total Capital Assets (Net)	$	49,708,811
TOTAL NONCURRENT ASSETS	$	55,584,829
TOTAL ASSETS	$	67,598,058
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding		16,457
Deferred Outflows - Pension		193,361
		3,654
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	213,472

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Net Position
December 31, 2021

LIABILITIES		
Current Liabilities:		
Accounts/Vouchers Payable		790,955
Accrued Wages and Benefits		201,850
Construction Deposits		1,033,193
Current Portion LTD PWTF Notes		549,781
Current Portion LTD Bond		800,000
Accrued Interest		151,865
TOTAL CURRENT LIABILITIES	$	3,527,645
Noncurrent Liabilities:		
Compensated Absences		434,644
PWTF Loans		4,065,758
04 Revenue Bond		580,000
14 Revenue Bond		765,000
17 Revenue Bond		6,475,000
Unamortized Bond Premium		700,436
Pension Liability		138,879
OPEB Liability		787,683
TOTAL NONCURRENT LIABILITIES	$	13,947,400
TOTAL LIABILITIES	$	17,475,045
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension		1,518,519
TOTAL DEFERRED INFLOWS OF RESOURCES	$	1,518,519
NET POSITION		
Net Investment in Capital Assets		37,157,250
Restricted		3,073,638
Unrestricted		8,587,078
TOTAL NET POSITION	$	48,817,966

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2022

OPERATING REVENUES:		
Utility Sales and Service Fees		9,688,616
Total Operating Revenue		9,688,616
OPERATING EXPENSES:		
Operations:		
Supplies		1,405,640
Services		1,151,019
Depreciation		1,877,799
Gains (Losses)		(8,000)
General Administration		2,397,242
Total Operating Expenses	$	6,823,700
OPERATING INCOME (LOSS)	$	2,864,916
NONOPERATING REVENUES (EXPENSES):		
Investment Income (loss)		44,097
Interest Expense/Amortization		(303,681)
Other Non-operating Revenues		366,774
(Other Non-operating Expenses)		(181,062)
Total Non-operating Revenues (Expenses)	$	(73,872)
INCOME BEFORE CAPITAL CONTRIBUTIONS	$	2,791,043
Capital contributions		2,518,485
Prior Period Adjustment		28,276
CHANGE IN NET POSITION:	$	5,337,804
TOTAL NET POSITION, Jan 1	$	48,817,966
TOTAL NET POSITION, Dec 31	$	54,155,770

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2021

OPERATING REVENUES:		
Sales of Merchandise		
Utility Sales and Service Fees		8,529,232
Total Operating Revenue	$	8,529,232
OPERATING EXPENSES:		
Supplies		1,411,961
Services		700,955
Depreciation		1,770,208
Excise and B&O Taxes		511,728
General Administration		2,131,422
Total Operating Expenses	$	6,526,274
OPERATING INCOME (LOSS)	$	2,002,958
NONOPERATING REVENUES (EXPENSES):		
Investment Income (loss)		(174,709)
Interest Expense/Amortization		(329,393)
Other Non-operating Revenues		458,216
(Other Non-operating Expenses)		(32,373)
Total Non-operating Revenues (Expenses)	$	(78,259)
INCOME BEFORE CAPITAL CONTRIBUTIONS	$	1,924,699
Capital contributions		5,968,119
Special Item - OPEB Expense		(784,029)
Prior Period Adjustment		(147,938)
CHANGE IN NET POSITION:	$	6,960,850
TOTAL NET POSITION, Jan 1	$	41,857,115
TOTAL NET POSITION, Dec 31	$	48,817,966

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2022

CASH FLOWS from OPERATING ACTIVITIES		
Receipts from customers		9,137,469
Payments to suppliers		(2,903,877)
Payments to employees		(2,043,564)
Net cash provided (used) by operating activities	$	4,190,028
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES		
Capital contributions		1,274,047
Purchases of capital assets		(4,490,316)
Principal paid on capital debt		(1,349,781)
Interest paid on capital debt		(353,447)
Capitalized wages paid		(73,560)
Net cash provided (used) by capital and related financing activities	$	(4,993,087)
CASH FLOWS from INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments Interest and dividends		(2,828,499)
Net cash provided (used) by investing activities		(2,828,499)
Net Increase (decrease) in cash and cash equivalents	$	(3,631,558)
Cash & Cash Equivalents - Beginning of Year	$	7,974,448
Cash & Cash Equivalents - End of Year	$	4,342,889

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2022

RECONCILIATION OF NET OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

Net operating income (loss)	2,846,916
Revenue from non-operating activities	395,050
Expenses from non-operating activities	(181,062)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	1,877,799
Pension expense	(239,250)
OPEB expense	(132,083)
Changes in assets and liabilities	
Disposal of Asset	2,000
Receivables, net	480,969
Inventories	(233,201)
Prepaid expenses	18,282
Compensated absences	(84,417)
Accounts payable	(240,004)
Deposits	(338,970)
Net cash provided by operating activities	$ 4,190,028

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS from OPERATING ACTIVITIES		
Receipts from customers		9,331,223
Payments to suppliers		(2,029,076)
Payments to employees		(3,038,715)
Net cash provided (used) by operating activities	$	4,263,432
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES		
Capital contributions		1,423,933
Purchases of capital assets		(4,076,170)
Principal paid on capital debt		(1,329,781)
Interest paid on capital debt		(378,939)
Capitalized wages paid		(71,617)
Net cash provided (used) by capital and related financing activities	$	(4,432,574)
CASH FLOWS from INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments Interest and dividends		143,759
Net cash provided (used) by investing activities		143,759
Net Increase (decrease) in cash and cash equivalents	$	(25,383)
Cash & Cash Equivalents - Beginning of Year	$	7,999,831
Cash & Cash Equivalents - End of Year	$	7,974,448

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2021

RECONCILIATION OF NET OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

Net operating income (loss)	1,218,929
Revenue from non-operating activities	310,278
Expenses from non-operating activities	(32,373)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	1,770,208
Pension expense	(534,846)
OPEB expense	784,029
Changes in assets and liabilities	
Receivables, net	47,471
Inventories	(41,790)
Prepaid expenses	(40,415)
Compensated absences	(241,640)
Accounts payable	579,339
Deposits	444,242
Net cash provided by operating activities	$ 4,263,432

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

EAST WENATCHEE WATER DISTRICT OF DOUGLAS COUNTY

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2022 THRU DECEMBER 31, 2022

THESE NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Wenatchee Water District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The District was incorporated in 1940 and operates under the laws of the state of Washington applicable to special purpose District under title 57.

As required by the generally accepted accounting principles the financial statements present the District, the primary government, and its component units.

The District has no component units.

B. Measurement Focus, Basis of Accounting

Proprietary Funds

The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are water sales. Operating expenses for the District include (e.g., the cost of sales and services, administrative expenses, depreciation on capital assets, etc.). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2022, the treasurer was holding $4,342,889 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents.

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

2. Investments See (Note 4, page 22, Deposits and Investments).

3. Receivables

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2022, $10,208 of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed. Inventories are valued by the FIFO method (which approximates the market value).

5. Prepaid Expenses

The District uses the consumption method to account for prepaid expenses.

6. Restricted Assets and Liabilities

These accounts contain resources for debt service, including rate stabilization fund. The current portion of related liabilities is shown as Current Portion of LTB Bond. Specific debt service reserve requirements are described in Note 5, page 24, Long-Term Liabilities.

The restricted assets are composed of the following:

Cash and Investments – Bond Reserve and Rate Stabilization Fund in the amount of $1,027,701 and Net Pension Asset of $506,212

7. Capital Assets See Note 2, page 21, Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., pipes, reservoirs, buildings, hydrants, meters and similar items), are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 5 years and new meter cost of more than $100 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.
Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District, is depreciated using the straight-line method over the following estimated useful lives:

Asset	Life	Asset	Life	Asset	Life
Meters	7yrs	Buildings	30yrs	Hydrants	50yrs
Pumps	20yrs	Pipe	40yrs	Reservoirs	50yrs

8. Deferred Outflows/Inflows of Resources

In accordance with generally accepted accounting principles for regulated businesses, the District's unamortized bond premiums/discounts and deferred loss on refunding are being amortized over the life of the bond with the total decreased expensed in 2022 of $(38,494).

The District recognized deferred outflows and inflows of resources related to a Pension Plans and Other Post Employment Benefits (OPEB). See Note 6, page 26 Pension Plans and Note 7, page 31 OPEB

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as Paid Time Off (PTO) leave. All PTO is accrued when incurred in the financial statements. PTO may be accumulated up to 900 hours, 600 hours are payable upon resignation, retirement, or death.

On-call/standby compensation is given in the form of PTO. When an employee takes a 7-day on-call/standby shift, he/she is given one day (10 hours) of PTO.

10. Pensions

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

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

11. Other Post Employment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, the District has relied on the Washington State Actuary's. The District's purchases health insurance from the Health Care Authority, who allows retirees to purchase benefits at a subsidized rate.

12. Accrued Wages and Benefits

Accrued wages and benefits are recorded when earned. As of December 31, 2022, $241,040 of current liability is for accrued wages and benefits.

13. Long-Term Liabilities See Note 5, page 24 Long-Term Liabilities

14. Asset Retirement Obligation

The asset retirement obligation (ARO) and deferred outflows of resources related is the liability associated with the retirement of District owned capital assets that have a substantial decommissioning cost to the District. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

15. Leases

Leases receivable, leases payable, intangible - right to use assets and deferred inflows of resources consist of amounts recorded in compliance with GASB 87, Leases. The District will review any future lease agreements to ensure GASB 87 reporting requirements, as applicable, are met.

16. Net Position Classification

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the district's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 – CAPITAL ASSETS:

Capital assets activity for the year ended December 31, 2022, was as follows:

	Beg. Balance 01/01/2022	**Increases**	**Decreases**	**End Balance 12/31/2022**
Capital assets, not being depreciated:				
Land	642,719	-	-	642,719
Intangible Property	32,300	-	-	32,300
Construction in progress	3,438,097	2,940,112	266,731	6,111,478
Total capital assets, not being depreciated	4,113,116	2,940,112	266,731	6,786,497
Capital assets, being depreciated:				
Buildings	3,112,763	-	-	3,112,763
Machinery and Equipment	3,307,320	78,054	37,335	3,348,039
Infrastructure	71,795,690	3,056,879	-	74,852,569
Total capital assets, being depreciated	78,215,773	3,134,933	37,335	81,313,371
Less accumulated depreciation for:				
Buildings	2,384,116	97,755	-	2,481,871
Machinery and Equipment	2,421,155	142,602	35,335	2,528,421
Infrastructure	27,814,807	1,637,443	-	29,452,250
Total accumulated depreciation	32,620,078	1,877,799	35,335	34,462,542
Total capital assets, being depreciated, net	45,595,695	1,257,134	2,000	46,850,829
Total capital assets, net	49,708,811	4,197,246	268,731	53,637,326

The District expenses include impairment losses that may arise. There were no impairment losses to report for 2022.

NOTE 3 - CONSTRUCTION COMMITMENTS

The District has active construction projects as of December 31, 2022. Some of these projects are in the explorative phase and formal project authorizations and commitments to external vendors have not been established. The projects include:

Project	Project Authorization	Spent to Date	Remaining Commitments	Required Future Financing
10th Street BPS	2,224,049	2,727,451	18,408	-
Johnston Reservoir	2,119,176	2,649,645	-	-
2023 Steel Main	-	49,847	-	-
NW Cascade Ave	-	10,798	-	-
NW Empire	-	40,424	-	-
Regional Pump 1	-	57,983	-	-
Regional Pump 3 & 4	-	46,135	-	-
15th Street Pump 1 & 2	-	45,620	-	-
Microsoft	-	483,576	-	-
Total	**4,343,225**	**6,111,478**	**18,408**	**-**

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits

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 mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The District does not have a deposit policy for custodial credit risk. There are no bank balances that were exposed to custodial credit risks.

B. Investments

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk.

		Investment Maturities (in Years)	
	Fair Value	Less Than 1	1 to 5
Investment Type			
Debt Securities			
U.S. Treasuries	968,555	968,555	
U.S. Treasuries	959,297		959,297
U.S. Treasuries	2,900,742		2,900,742
U.S. Treasuries	625,826		625,826
U.S. Treasuries	426,530		426,530
U.S. Agencies	1,805,940		1,805,940
Total Debt Securities	**7,686,891**	**968,555**	**6,718,336**

In addition to the interest rate risk disclosed above, the District includes investments with fair value highly sensitive to interest rate changes.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy that addresses credit risk.

At December 31, 2022, District's investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa
U.S. Treasuries	5,880,951	5,880,951
U.S. Agencies	1,805,940	1,805,940
Total	7,686,891	7,686,891

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

Investment Type	Held by Counterparty
U.S. Treasuries	5,880,951
U.S. Agencies	1,805,940
Total	7,686,891

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District does not have a formal policy for concentration of credit risk.

Investments in Local Government Investment Pool (LGIP)

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Investments Measured at Fair Value

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

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

At December 31, 2022, the District had the following investments measured at fair value:

	Fair Value	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
U.S. Treasuries	5,880,951	5,880,951	
U.S. Agencies	1,805,940		1,805,940
Total Investments by Fair Value Level	7,686,891	5,880,951	1,805,940
Investments Measured at amortized cost			
State LGIP	5,288,461		
Total Investments measured at amortized cost	5,288,461		
Total Investments	12,975,352		

C. Summary of Deposit and Investment Balances

Reconciliation of District's deposits and investment balances as of December 31, 2022, is as follows:

Cash on Hand	600
Bank Deposit Accounts - FDIC Insured	52,166
Deposits in Douglas County Treasurer	29,363
Deposits in State LGIP	5,288,461
Non-Pooled Investments	7,686,891
Total Deposits & Investments	13,057,481
Deposits	
Current:	
Cash and Cash Equivalents	4,342,889
Restricted Cash & Cash Equivalents	1,027,701
Total Deposits	5,370,590
Investments	
Current:	
Short-Term Investments	968,555
Noncurrent:	
Other Investments	6,718,336
Total Investments	7,686,891
Total Deposits and Investments	13,057,481

NOTE 5 – LONG-TERM LIABILITIES

Direct Placement Revenue Bonds: Revenue bonds are authorized and adopted by the Board of Commissioners for construction of capital additions. Water revenues of the District provide the security for repayment of District debt. If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, the District will be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner. Bonded indebtedness has also been entered into (prior years) to advance refund revenue bonds. The revenue bonds are being repaid by proprietary fund revenues.

Revenue Bonds outstanding as of December 31, 2022 are as follows:

Business-Type	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Revenue Bond 2004	08/2004-02/2024	Varies	8,245,000	Varies
Revenue Bond 2014	08/2014-02/2029	Varies	4,590,000	Varies
Revenue Bond 2017	08/2017-08/2041	Varies	7,155,000	Varies

Direct Borrowings: The District is also liable for notes that were entered into for the purchase of capital assets. These notes are being repaid with water rate payer revenue sources. The State of Washington has a low-cost financing program that allows public entities in the state to finance public works (i.e., transmission mains). This program is administered by the State of Washington Public Works Trust Fund (PWTF) Board. If default in repayment the District will be obligated to pay, the penalty will be one percent (1%) per month or twelve percent (12%) per annum.

Bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

Direct borrowings outstanding as of December 31, 2022 are as follows:

The annual debt service requirements to maturity for debt from direct placement and direct borrowing are as follows:

Business-Type	Maturity Range	Interest Rate	Original Amount	Amount of Installment
CBD/15th Main	07/2005-07/2024	0.50%	429,000	23,582
15th Booster Pump	07/2005-07/2025	0.50%	489,600	26,914
Grant Rd Main	07/2006-07/2025	0.50%	309,489	16,289
Baker Flats	07/2008-07/2027	2.00%	599,132	31,969
Baker Flats ULID	07/2008-07/2027	0.50%	2,772,700	150,844
Pipe Reliability	06/2013-06/2032	0.25%	1,255,000	69,888
10th Street Reservoir	06/2013-06/2032	0.25%	3,908,340	230,296

The annual debt service requirements to maturity for all the District's debt is as follows:

	Years Ending December 31		
Year	Principal	Interest	Total
2023	1,374,781	324,707	1,699,488
2024	1,409,781	289,124	1,698,905
2025	889,285	262,541	1,151,826
2026	882,997	244,715	1,127,712
2027	902,997	226,471	1,129,468
2027-2031	3,335,917	866,932	4,202,849
2032-2036	1,575,000	534,675	2,109,675
2037-2041	1,515,000	174,150	1,689,150
Total	11,885,758	2,923,315	14,809,073

At December 31, 2022, the District has $1,699,488 for the 2023 debt payment available in cash and cash equivalents to service the revenue bond direct placement and direct borrowings. Restricted assets contain $352,701 reserves as required by bond indentures.

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

Business-Type	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Direct Placement					
Revenue Bond 2004	580,000	-	-	580,000	-
Revenue Bond 2014	1,295,000	-	530,000	765,000	540,000
Revenue Bond 2017	6,745,000	-	270,000	6,475,000	285,000
Premiums	700,436	-	46,090	654,346	-
Total bonds payable:	9,320,436	-	846,090	8,474,346	825,000
Direct borrowings	4,615,540	-	549,782	4,065,758	549,781
Pension Liability	138,879	153,424	-	292,303	-
OPEB Liability	787,683	-	133,278	654,405	-
Comp. Absences	434,644	280,562	364,979	350,227	-
Long-Term Liabilities:	**15,297,182**	**433,986**	**1,894,129**	**13,837,039**	**1,374,781**

NOTE 6 - PENSION PLANS:

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

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(292,303)
Pension assets	$	506,212
Deferred outflows of resources	$	542,157
Deferred inflows of resources	$	(523,867)
Pension expense/expenditures	$	(57,375)

State Sponsored Pension Plans

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

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

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

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

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

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

Contributions

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

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2022		
PERS Plan 2/3	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

The District's actual PERS plan contributions were $ 67,575 to PERS Plan 1 and $ 114,300 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

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

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

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation

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

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

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

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

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

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the district's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$ 390,513	$ 292,303	$ 206,589
PERS 2/3	$ 596,130	$ (506,212)	$ (1,411,855)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2022, the District reported its proportionate share of the net pension liabilities as follows

	Liability (or Asset)
PERS 1	$ (292,302)
PERS 2/3	$ 506,212

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.011372%	0.010498%	0.000874%
PERS 2/3	0.014626%	0.013649%	0.000977%

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

Pension Expense

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

	Pension Expense
PERS 1	$ 110,263
PERS 2/3	$ (167,638)
TOTAL	$ (57,375)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments		(48,443)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	36,271	-
TOTAL	$ 36,271	$ (48,443)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 125,427	$ (11,459)
Net difference between projected and actual investment earnings on pension plan investments	-	(374,246)
Changes of assumptions	282,143	(73,875)
Changes in proportion and differences between contributions and proportionate share of contributions	37,681	(15,844)
Contributions subsequent to the measurement date	60,635	-
TOTAL	$ 505,886	$ (475,424)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended December 31:	PERS 1 Yearly Amortization	PERS 2/3 Yearly Amortization
2023	(20,500)	(114,002)
2024	(18,619)	(95,560)
2025	(23,358)	(119,045)
2026	14,034	174,150
2027	-	63,217
Thereafter	-	61,067
Total (DI) / DO	(48,443)	(30,173)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2022:

Aggregate OPEB amounts – All Parts

	2022
OPEB Liability	654,405
Deferred Outflows or Resources	2,549
OPEB Expense	(126,960)

OPEB Plan Description

The District administers a Post-Retirement Health Care Program under a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

At December 31, 2022, the membership in the plan consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	21
Total	22

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

Assumptions and Other Input

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The District's total OPEB liability of $654,405 was measured as of June 30, 2022 with a valuation date of June 30, 2022. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified at June 30, 2022:

Discount Rate-Beginning of Measurement Year	2.16%
Discount Rate-End of Measurement Year	2.54%
Projected Salary Changes	3.5% + service-based Increases
Healthcare Trend Rates	Initial rate ranges from about 2%-11%, reaching ultimate rate of approximately 4.3% in 2075
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the Pub. H-2010 healthy and disabled tables. The Society of Actuaries publishes this document. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projections using RPEC MP-2017 long-term rates. No age offset was applied.

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.
It was assumed that two thirds of members will select a Uniform Medical Plan (UMP) and one third will select a Kaiser Permanente (KP) plan. The specific assumptions are as follows:

- UMP pre and post Medicare costs and premiums are equal to the Uniform Medical Plan Classic.
- The KP pre-Medicare costs and premiums are 50/50 blend of KP WA Classic and KP WA Value.
- The KP post-Medicare costs and premiums are equal to KP WA Medicare.

The estimated retirement service for each active cohort was based on the average entry age of 35, with a maximum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility. Assumptions for retirement, disability, termination and mortality are consistent with the most recent PEBB OPEB valuation. For simplicity, Plan 2 decrement rates were assumed. Additionally, all employees were assumed to be retirement eligible at age 55 and all employees retire at age 70. Based on an average expected retirement age of 65, an active mortality rate for ages less than 65 and retiree mortality rate for ages 65+ was applied. Each cohort is assumed to be a 50/50 male/female split. It was assumed that a 45% likelihood that current and future retirees cover a spouse. It was further assumed that eligible spouses are the same age as the primary member.

Dental benefits are not included when including the Total OPEB Liability, as dental benefits represent less than 2 percent of the accrued benefit obligations under the 2020 PEBB OPEB AVR.

Sensitivity Rates

GASB 75 requires an analysis of the impact of changing the Healthcare Trend and Discount rate assumptions by 100 basis points. The following tables present the total OPEB liability of the (ENTITY) at December 31, 2022, adjusted for that assumption change.

Health Care Trend Rate Sensitivity		
1% Decrease	Current Health Care Trend Rate	1% Increase
$522,073	$654,405	$831,323

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$800,267	$654,405	$540,346

Changes in the Total OPEB Liability

At the measurement date June 30, 2022, the changes in the total OPEB liability are as follows:

Service Cost	53,222
Interest Cost	18,096
Changes in Assumptions	(198,278)
Benefit Payments	(6,318)
Net Changes in Total OPEB Liability	(133,278)
Total OPEB Liability – Beginning	$787,683
Total OPEB Liability – Ending	$654,405

The District reported $87,514 as OPEB expense for the calendar year 2022.

At December 31, 2022, the District reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of $2,459. This will be recognized as reduction of the OPEB liability in the period ending December 31, 2023.

NOTE 8 - RISK MANAGEMENT:

East Wenatchee Water District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

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

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

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible (2) Terrorism liability is fully funded by the Pool i.e., no excess/reinsurance is procured. (3) Members pay a 20% co-pay of costs up to a maximum of $100,000. By meeting established guidelines, the co-pay may be waived.				
Property (2):				
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery (3)	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) (4)	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit (5):				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5% of indemnity, subject to $250,000 min.	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million per occurrence $200 million aggregate	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/ Pool aggregate $1.1 billion/ per occurrence APIP program $1.4 billion/ APIP program aggregate	$0
Automobile Physical Damage (6)	Per Occurrence	$25,000; $100,000 for Emergency Vehicles; $250,000 for Emergency Vehicles valued >$750,000	$1 billion	$250 - $1,000
Crime Blanket (7)	Per Occurrence	$50,000	$1 million	$1,000
Named Position (8)	Per Occurrence	$50,000	$1 million	$1,000
Cyber (9)	Each Claim APIP Aggregate	$100,000	$2 million $40 million	20% Copay
Identity Fraud Expense Reimbursement (10)	Member Aggregate	$0	$25,000	$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [(1)]

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

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

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

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

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

In 2022 the L&I Program in which the District participates sent out a $28,276 retroactive refund for years 2018-2021. The results are an addition to net position.

NOTE 10 – LEASES

The District evaluated their leases and determined the following as applicability to implementation of GASB 87:

- Occasionally the District engages in leases for construction equipment. These leases have historically been less than 1-year leases and therefore, are not applicable to the standard. The District will monitor these leases as they are entered into to ensure compliance with GASB 87 reporting requirements.
- The District has maintained a five-year lease for a postage machine. These leases are not renewed rather they expire, and a new lease is entered into. The District has evaluated this lease for materiality against

both assets and liabilities determining that recording this lease as a right to use asst and lease liability would represent less than 1% of non-current assets and non-current liabilities respectively when looking at a full five-year agreement term with an 8.142% interest rate. The District has determined that not recording this lease as a right to use asset and lease liability would not qualitatively or quantitatively misrepresent financial statements to users and will continue to record this activity as an operating cost, until it becomes material.

- The District will review any future lease agreements to ensure GASB 87 reporting requirements, as applicable, are met.

NOTE 11 - SUBSEQUENT EVENTS

On January 5, 2023, the District entered into contract with Selland Construction for the amount of $1,783,250 for the District's 1594 Transmission Main Project.

On April 13, 2023, the District entered into contract with Hurst Construction for the amount of $2,237,486 for the District's 2023 North Grover Avenue Water Main Project.

EAST WENATCHEE WATER DISTRICT OF DOUGLAS COUNTY

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2021 THRU DECEMBER 31, 2021

THESE NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENT

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Wenatchee Water District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The district was incorporated in 1940 and operates under the laws of the state of Washington applicable to special purpose district under title 57.

As required by the generally accepted accounting principles the financial statements present the district, the primary government, and its component units.

The district has no component units.

B. Measurement Focus, Basis of Accounting

Proprietary Funds

The district's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the district are water sales. Operating expenses for the district include (e.g., the cost of sales and services, administrative expenses, depreciation on capital assets, etc.). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the district's policy to invest all temporary cash surpluses. At December 31, 2021, the treasurer was holding $7,974,448 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents.

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

2. Investments See (Note 4, page 21, Deposits and Investments).

3. Receivables

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2021, $4,468 of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed. Inventories are valued by the FIFO method (which approximates the market value).

5. Prepaid Expenses

The district uses the consumption method to account for prepaid expenses.

6. Restricted Assets and Liabilities

These accounts contain resources for debt service, including rate stabilization fund. The current portion of related liabilities is shown as Current Portion of LTB Bond. Specific debt service reserve requirements are described in Note 5, page 23, Long-Term Liabilities.

The restricted assets are composed of the following:

Cash and Investments – Bond Reserve, Rate Stabilization Fund, and Developer Fund in the amount of $1,616,653 and Net Pension Asset of $1,456,985

7. Capital Assets See Note 2, page 20, Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., pipes, reservoirs, buildings, hydrants, meters and similar items), are reported in the financial statements. Capital assets are defined by the district as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 5 years and new meter cost of more than $100 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.
Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the district, is depreciated using the straight-line method over the following estimated useful lives:

Asset	Life	Asset	Life	Asset	Life
Meters	7yrs	Buildings	30yrs	Hydrants	50yrs
Pumps	20yrs	Pipe	40yrs	Reservoirs	50yrs

8. Deferred Outflows/Inflows of Resources

In accordance with generally accepted accounting principles for regulated businesses, the district's unamortized bond premiums/discounts and deferred loss on refunding are being amortized over the life of the bond with the total decreased expensed in 2021 of $(38,494).

The district recognized deferred outflows and inflows of resources related to a Pension Plans and Other Post Employment Benefits (OPEB). See Note 6, page 25 Pension Plans and Note 7, page 30 OPEB

9. Compensated Absences

Effective June 1, 2021 the district went from a Sick and Vacation accrual system to a PTO accrual system. To accommodate this new system the district implemented a cash-out to lower the leave banks and reclassified all of the remaining Vacation and Sick leave to PTO.

Compensated absences are absences for which employees will be paid, such as Paid Time Off (PTO) leave. All PTO is accrued when incurred in the financial statements. PTO may be accumulated up to 900 hours, 600 hours are payable upon resignation, retirement, or death.

On-call/standby compensation is given in the form of PTO. When an employee takes a 7-day on-call/standby shift, he/she is given one day (10 hours) of PTO.

10. Pensions

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

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

11. Other Post Employment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, the District has relied on the Washington State Actuary's. The District's purchases health insurance from the Health Care Authority, who allows retirees to purchase benefits at a subsidized rate.

12. Accrued Wages and Benefits

Accrued wages and benefits are recorded when earned. As of December 31, 2021, $201,850 of current liability is for accrued wages and benefits.

13. Long-Term Liabilities See Note 5, page 23 Long-Term Liabilities

14. Asset Retirement Obligation

The asset retirement obligation (ARO) and deferred outflows of resources related is the liability associated with the retirement of district owned capital assets that have a substantial decommissioning cost to the district. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

15. Leases

Leases receivable, leases payable, intangible - right to use assets and deferred inflows of resources consist of amounts recorded in compliance with GASB 87, Leases. The District will review any future lease agreements to ensure GASB 87 reporting requirements, as applicable, are met.

16. Net Position Classification

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the district's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 – CAPITAL ASSETS:

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

	Beg. Balance 01/01/2021	**Increases**	**Decreases**	**End Balance 12/31/2021**
Capital assets, not being depreciated:				
Land	642,719	-	-	642,719
Intangible Property	32,300	-	-	32,300
Construction in progress	130,269	6,917,814	3,609,986	3,438,097
Total capital assets, not being depreciated	805,288	6,917,814	3,609,986	4,113,116
Capital assets, being depreciated:				
Buildings	3,104,316	8,447	-	3,112,763
Machinery and Equipment	3,129,940	177,380	-	3,307,320
Infrastructure	66,597,373	5,198,317	-	71,795,690
Total capital assets, being depreciated	72,831,629	5,384,144	-	78,215,773
Less accumulated depreciation for:				
Buildings	2,265,336	118,780	-	2,384,116
Machinery and Equipment	2,287,391	133,763	-	2,421,155
Infrastructure	26,297,143	1,517,665	-	27,814,807
Total accumulated depreciation	30,849,870	1,770,208	-	32,620,078
Total capital assets, being depreciated, net	41,981,759	3,613,936	-	45,595,695
Total capital assets, net	42,787,047	10,531,750	3,609,986	49,708,811

The district expenses include impairment losses that may arise. There were no impairment losses to report for 2021.

NOTE 3 - CONSTRUCTION COMMITMENTS

The district has active construction projects as of December 31, 2021. Some of these projects are in the explorative phase and formal project authorizations and commitments to external vendors have not been established. The projects include:

Project	Project Authorization	Spent to Date	Remaining Commitments	Required Future Financing
10th Street BPS	2,224,049	1,378,881	1,230,912	-
Johnston Reservoir	2,119,176	1,722,281	819,751	-
Veedol Reservoir Watermain	1,238,161	230,061	961,436	-
9th & Valley Maill	-	13,528	-	-
Hamilton Ave	-	15,521	-	-
NW Empire	-	35,062	-	-
Microsoft Reservoir	-	42,763	-	-
Total	**5,581,386**	**3,438,097**	**3,012,099**	**-**

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits

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 mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The district does not have a deposit policy for custodial credit risk. There are no bank balances that were exposed to custodial credit risks.

B. Investments

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the district may face should interest rate variances affect the fair value of investments. The district does not have a formal policy that addresses interest rate risk.

		Investment Maturities (in Years)	
	Fair Value	Less Than 1	1 to 5
Investment Type			
Debt Securities			
U.S. Treasuries	961,720	961,720	
U.S. Treasuries	956,600		956,600
U.S. Treasuries	428,248		428,248
U.S. Treasuries	628,347		628,347
U.S. Agencies	1,839,380		1,839,380
Total Debt Securities	**4,814,295**	**961,720**	**3,852,575**

In addition to the interest rate risk disclosed above, the district includes investments with fair value highly sensitive to interest rate changes.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The district does not have a formal policy that addresses credit risk.

At December 31, 2021, district's investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa
U.S. Treasuries	2,974,915	2,974,915	-
U.S. Agencies	1,839,380	-	1,839,380
Total	4,814,295	2,974,915	1,839,380

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk.

Investment Type	Held by Counterparty
U.S. Treasuries	2,974,915
U.S. Agencies	1,839,380
Total	4,814,295

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The district does not have a formal policy for concentration of credit risk.

Investments in Local Government Investment Pool (LGIP)

The district is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Investments Measured at Fair Value

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

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

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

	Fair Value	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
U.S. Treasuries	2,974,915	2,974,915	
U.S. Agencies	1,839,380		1,839,380
Total Investments by Fair Value Level	4,814,295	2,974,915	1,839,380
Investments Measured at amortized cost			
State LGIP	9,505,719		
Total Investments measured at amortized cost	9,505,719		
Total Investments	14,320,014		

C. Summary of Deposit and Investment Balances

Reconciliation of district's deposits and investment balances as of December 31, 2021, is as follows:

Cash on Hand	600
Bank Deposit Accounts - FDIC Insured	35,966
Deposits in Douglas County Treasurer	48,815
Deposits in State LGIP	9,505,719
Non-Pooled Investments	4,814,295
Total Deposits & Investments	14,405,395
Deposits	
Current:	
Cash and Cash Equivalents	7,974,448
Restricted Cash & Cash Equivalents	1,616,653
Total Deposits	9,591,100
Investments	
Current:	
Short-Term Investments	961,720
Noncurrent:	
Other Investments	3,852,575
Total Investments	4,814,295
Total Deposits and Investments	14,405,395

NOTE 5 – LONG-TERM LIABILITIES

Direct Placement Revenue Bonds: Revenue bonds are authorized and adopted by the Board of Commissioners for construction of capital additions. Water revenues of the district provide the security for repayment of district debt. If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, the District will be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Bonded indebtedness has also been entered into (prior years) to advance refund revenue bonds. The revenue bonds are being repaid by proprietary fund revenues.

Revenue Bonds outstanding as of December 31, 2021 are as follows:

Business-Type	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Revenue Bond 2004	08/2004-02/2024	Varies	8,245,000	Varies
Revenue Bond 2014	08/2014-02/2029	Varies	4,590,000	Varies
Revenue Bond 2017	08/2017-08/2041	Varies	7,155,000	Varies

<u>Direct Borrowings:</u> The district is also liable for notes that were entered into for the purchase of capital assets. These notes are being repaid with water rate payer revenue sources. The State of Washington has a low-cost financing program that allows public entities in the state to finance public works (i.e. transmission mains). This program is administered by the State of Washington Public Works Trust Fund (PWTF) Board. If default in repayment the district will be obligated to pay, the penalty will be one percent (1%) per month or twelve percent (12%) per annum.

Bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

Direct borrowings outstanding as of December 31, 2021 are as follows:

The annual debt service requirements to maturity for debt from direct placement and direct borrowing are as follows:

Business-Type	Maturity Range	Interest Rate	Original Amount	Amount of Installment
CBD/15th Main	07/2005-07/2024	0.50%	429,000	23,582
15th Booster Pump	07/2005-07/2025	0.50%	489,600	26,914
Grant Rd Main	07/2006-07/2025	0.50%	309,489	16,289
Baker Flats	07/2008-07/2027	2.00%	599,132	31,969
Baker Flats ULID	07/2008-07/2027	0.50%	2,772,700	150,844
Pipe Reliability	06/2013-06/2032	0.25%	1,255,000	69,888
10th Street Reservoir	06/2013-06/2032	0.25%	3,908,340	230,296

The annual debt service requirements to maturity for all the District's debt is as follows:

	Years Ending December 31		
Year	Principal	Interest	Total
2022	1,349,781	351,335	1,701,116
2023	1,374,781	324,707	1,699,488
2024	1,409,781	289,124	1,698,905
2025	889,285	262,541	1,151,826
2026	882,996	244,715	1,127,712
2027-2031	3,658,730	950,278	4,609,008
2032-2036	1,815,183	596,025	2,411,209
2037-2041	1,855,000	255,925	2,110,925

At December 31, 2021, the district has $1,701,116 for the 2022 debt payment available in cash and cash equivalents to service the revenue bond direct placement and direct borrowings. Restricted assets contain $352,701 reserves as required by bond indentures.

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

Business-Type	Beginning Balance 1/1/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Direct Placement					
Revenue Bond 2004	580,000	-	-	580,000	-
Revenue Bond 2014	1,810,000	-	515,000	1,295,000	530,000
Revenue Bond 2017	7,010,000	-	265,000	6,745,000	270,000
Premiums	746,526	-	46,090	700,436	
Total bonds payable:	10,146,526	-	826,090	9,320,436	800,000
Direct borrowings	5,165,321	-	549,781	4,615,540	549,781
Pension Liability	558,636	-	419,757	138,879	-
OPEB Liability	-	787,683	-	787,683	-
Comp. Absences	676,284	213,622	455,262	434,644	-
Long-Term Liabilities:	**16,546,767**	**1,001,305**	**2,250,890**	**15,297,182**	**1,349,781**

NOTE 6 - PENSION PLANS:

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

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(138,879)
Pension assets	$	1,456,985
Deferred outflows of resources	$	193,361
Deferred inflows of resources	$	(1,518,519)
Pension expense/expenditures	$	(335,198)

State Sponsored Pension Plans

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

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

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

Or the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.
Public Employees' Retirement System (PERS)

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

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

Contributions

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

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

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

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

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

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

Contributions

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

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

The district's actual PERS plan contributions were $ 74,972 to PERS Plan 1 and $ 124,675 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

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

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

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

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.2%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 236,588	$ 138,879	$ 53,666
PERS 2/3	$ (415,067)	$ (1,456,985)	$ (2,315,005)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

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

	Liability (or Asset)
PERS 1	$ 138,879
PERS 2/3	$ (1,456,985)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.010771%	0.011372%	0.000601%
PERS 2/3	0.013946%	0.014626%	0.000680%

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

Pension Expense

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

	Pension Expense
PERS 1	$ 4,422
PERS 2/3	$ 330,777
TOTAL	$ 335,198

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments		(154,109)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	31,200	-
TOTAL	$ 31,200	$ (154,109)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 70,764	$ (17,861)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,217,698)
Changes of assumptions	2,129	(103,470)
Changes in proportion and differences between contributions and proportionate share of contributions	35,782	(25,381)
Contributions subsequent to the measurement date	53,486	-
TOTAL	$ 162,161	$ (1,364,410)

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

Year ended December 31:	PERS 1 Yearly Amortization	PERS 2/3 Yearly Amortization
2022	(40,823)	(333,552)
2023	(37,409)	(311,674)
2024	(35,372)	(292,330)
2025	(40,504)	(317,392)
2026	-	(2,999)
Thereafter	(154,109)	2,212

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District became a member of Health Care Authority in February of 2021 and correspondingly became OPEB eligible. This resulted in a special item reported to recognize the beginning liability balance as OPEB expense in the current year. The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2021:

Aggregate OPEB amounts – All Parts	
	2021
OPEB Liability	787,683
Deferred Outflows or Resources	3,654
OPEB Expense	784,029

OPEB Plan Description

The district administers a Post-Retirement Health Care Program under a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	19
Total	20

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

Assumptions and Other Input

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The district's total OPEB liability of $787,683 was measured as of June 30, 2021 with a valuation date of June 30, 2021. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified at December 31, 2021:

Discount Rate-Beginning of Measurement Year	2.21%
Discount Rate-End of Measurement Year	2.16%
Projected Salary Changes	3.5% + service-based Increases
Healthcare Trend Rates	Initial rate ranges from about 2%-11%, reaching ultimate rate of approximately 4.3% in 2075
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Age setback of one year was used. 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.

Specific assumptions are as follows:

It was assumed that two thirds of members will select a Uniform Medical Plan (UMP) and one third will select a Kaiser Permanente (KP) plan. The specific assumptions are as follows:

- UMP pre and post Medicare costs and premiums are equal to the Uniform Medical Plan.
- The KP pre-Medicare costs and premiums are 50/50 blend of KP classic and KP value.
- The KP post-Medicare costs and premiums are equal to KP Medicare.

The estimated retirement service for each active cohort was based on the average entry age of 35, with a maximum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility. Assumptions for retirement, disability, termination and mortality are based on the 2017 Actuarial Valuation Report. For simplicity, all employees were assumed to be retirement eligible at age 55. To further simplify, the valuation relies on retirement rates for member with less than 30 years of services and assumed a 100% rate of retirement at age seventy.

Each cohort is assumed to be a 50/50 male/female split. It was further assumed that eligible spouses are the same age as the primary member.

Dental benefits are not included when including the Total OPEB Liability, as dental benefits represent less than 3 percent of the accrued benefit obligations under the 2018 PEBB OPEB AVR.

Sensitivity Rates

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 7.0 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0) or 1-percentage point higher (8.0%) that the current rate.

As of December 31, 2021:

Health Care Trend Rate Sensitivity		
1% Decrease	Current Health Care Trend Rate	1% Increase
$620,119	$787,683	$1,013,963

The following presents the total OPEB liability of the (entity type) at December 31, 2021, calculated using the discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate.

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$973,937	$787,683	$643,599

Changes in the Total OPEB Liability

At the measurement date June 30, 2021, the changes in the total OPEB liability are as follows:

Service Cost	$49,017
Interest Cost	$16,950
Changes in Assumptions	$7,094
Benefit Payments	($6,601)
Net Changes in Total OPEB Liability	$66,460
Total OPEB Liability – Beginning	$721,223
Total OPEB Liability – Ending	$787,683

The District reported $784,029 as OPEB expense for the calendar year 2021.

At December 31, 2021, the District reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of $3,654. This will be recognized as reduction of the OPEB liability in the period ending December 31, 2022.

NOTE 8 - RISK MANAGEMENT:

East Wenatchee Water District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

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

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

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

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

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Identity Fraud Expense Reimbursement (10)	Member Aggregate	$0	$25,000	$0

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

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.
Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

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

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 9 - COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus were ordered and continued throughout 2021. These measures included closing schools, colleges and universities, cancelling public events, prohibiting or limiting public and private gatherings, limiting travel and requesting that people to stay home as much as possible. These measures to some degree continued through December 31, 2021.

The financial impacts on the water district have been minimal. The district initially suspended late fees and shut-offs per Governor's declaration. In May of 2022, the district removed the suspensions of late fees and shut-offs. In addition, the district office has gone back to business as usual in the office and with operational staff. Most customers were current on their accounts and thus the district experienced minimal financial impact due to the pandemic. Customers that were not current established a payment plan to be current in one year or less. Overall, operational impacts were also minimal, as the district was already set up to take payments online and without contact. Maintenance and repairs on the system continued without interruptions as well.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the East Wenatchee Water District is unknown at this time.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

In March of 2020 the district suspended its Fire Line Connection Fee until reevaluated by rate study. In November 2021 the district reinstated Fire Line Connection Fee at a new lower rate and had to refund customers from fiscal year 2020 This resulted in a subtraction to net position of $147,938.

NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

The district implemented GASB statement Number 89, Accounting for Interest Cost Incurred before the end of a Construction Period, on January 1, 2021. The objective of this standard is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The district will no longer capitalize interest incurred during construction of a project. There was no financial impact on the East Wenatchee Water District for year 2021

The district also implemented GASB 87, Leases. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset.

The district also implemented GASB 75, OPEB. See Note 7 for more details.

NOTE 12 – LEASES

The district evaluated their leases and determined the following as applicability to implementation of GASB 87:

- Occasionally the District engages in leases for construction equipment. These leases have historically been less than 1-year leases and therefore, are not applicable to the standard. The district will monitor these leases as they are entered into to ensure compliance with GASB 87 reporting requirements.
- The district has maintained a five-year lease for a postage machine. These leases are not renewed rather they expire, and a new lease is entered into. The district has evaluated this lease for materiality against both assets and liabilities determining that recording this lease as a right to use asst and lease liability would represent less than 1% of non-current assets and non-current liabilities respectively when looking at a full

five-year agreement term with a 8.142% interest rate. The district has determined that not recording this lease as a right to use asset and lease liability would not qualitatively or quantitatively misrepresent financial statements to users and will continue to record this activity as an operating cost, until it becomes material.

- The district will review any future lease agreements to ensure GASB 87 reporting requirements, as applicable, are met.

NOTE 13 - SUBSEQUENT EVENTS

On May 4, 2022, the district went into contract with Selland Construction for the amount of $709,788 for the district's 2022 Steel Main Replacement Project.

Required Supplementary Information – Other Postemployment Benefits (OPEB)

East Wenatchee Water District
Schedule of Changes in Total Liability and Related Ratios
PEBB
As of June 30,
Last 10 Fiscal Years*

Total OPEB liability	2022	2021
Service cost	53,222	49,017
Interest	18,096	16,950
Changes in experience data and assumptions	(198,278)	7,094
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	-	-
Benefit payments	(6,318)	(6,601)
Net change in total OPEB liability	(133,278)	66,460
Total OPEB liability beginning	787,683	721,223
Total OPEB liability ending	654,405	787,683
Covered employee payroll	1,946,050	2,044,704
Total OPEB liability as a percentage of covered employee payroll	33.63%	38.52%

Notes to Schedule:

1. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:
2. The District implemented GASB 75 in 2021, as a result of being applicable through subsidy with a change in benefits provider (HCA) therefore no data is presented before then. Eventually, ten years of data will be presented.
3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.
4. *Until a full 10-year trend is compiled, only information for those years available is presented.

Required Supplementary Information – Other Postemployment Benefits (OPEB)

East Wenatchee Water District
Schedule of Changes in Total Liability and Related Ratios
PEBB
As of June 30,
Last 10 Fiscal Years*

Total OPEB liability	2021
Service cost	49,017
Interest	16,950
Changes in experience data and assumptions	7,094
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
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Net change in total OPEB liability	66,460
Total OPEB liability beginning	721,223
Total OPEB liability ending	787,683
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Total OPEB liability as a percentage of covered employee payroll	38.52%

Notes to Schedule:

1. Changes of assumptions
   Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

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3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.

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

East Wenatchee Water District
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 1
As of June 30,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.01335%	0.011194%	0.010055%	0.010797%	0.011041%	0.010771%	0.011372%	0.010498%
Employer's proportionate share of the net pension liability (asset)	698,434	601,171	477,118	482,198	424,566	380,274	138,879	292,303
TOTAL	698,434	601,171	477,118	482,198	424,566	380,274	138,879	292,303
Employer's covered employee payroll	1,308,083	1,330,787	1,381,174	1,454,430	1,557,900	1,642,800	1,751,645	1,684,762
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	53.39%	45.17%	34.54%	33.15%	27.25%	23.15%	7.93%	17.35%
Plan fiduciary net position as a percentage of the total pension liability (asset)	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%

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

Required Supplementary Information – PERS2 & 3

East Wenatchee Water District
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2 & 3
As of June 30,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.012741%	0.014362%	0.012933%	0.013799%	0.014263%	0.013946%	0.014626%	0.013649%
Employer's proportionate share of the net pension liability (asset)	455,243	723,115	449,360	235,606	138,542	178,361	(1,456,985)	(506,212)
TOTAL	455,243	723,115	449,360	235,606	138,542	178,361	(1,456,985)	(506,212)
Employer's covered employee payroll	1,130,500	1,330,787	1,381,174	1,454,430	1,557,900	1,642,800	1,751,645	1,684,762
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	40.27%	54.34%	32.53%	16.20%	8.89%	10.86%	-83.18%	-30.05%
Plan fiduciary net position as a percentage of the total pension liability (asset)	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

Notes to Schedule:
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Required Supplementary Information – PERS 1

East Wenatchee Water District
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 1
As of June 30,
Last 10 Fiscal Years*

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Plan fiduciary net position as a percentage of the total pension liability (asset)	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%

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

Required Supplementary Information – PERS 1

East Wenatchee Water District
Schedule of Employer Contributions
PERS 1
As of December 31,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	63,644	64,939	68,675	76,561	79,145	81,418	74,972	67,575
Contributions in relation to the statutorily or contractually required contributions	(63,644)	(64,939)	(68,675)	(76,561)	(79,145)	(81,418)	(74,972)	(67,575)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employer payroll	1,331,432	1,361,417	1,401,673	1,512,072	1,600,076	1,697,487	1,739,826	1,797,168
Contributions as a percentage of covered employee payroll	4.78%	4.77%	4.90%	5.06%	4.95%	4.80%	4.31%	3.76%

Notes to Schedule:
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East Wenatchee Water District
Schedule of Employer Contributions
PERS 2 & 3
As of December 31,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	69,334	84,817	96,123	113,405	123,502	134,441	124,675	114,300
Contributions in relation to the statutorily or contractually required contributions	(69,334)	(84,817)	(96,123)	(113,405)	(123,502)	(134,441)	(124,675)	(114,300)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employer payroll	1,224,011	1,361,417	1,401,673	1,512,072	1,600,076	1,697,487	1,739,826	1,797,168
Contributions as a percentage of covered employee payroll	5.66%	6.23%	6.86%	7.50%	7.72%	7.92%	7.17%	6.36%

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Required Supplementary Information – PERS 1

East Wenatchee Water District
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PERS 1
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Notes to Schedule:
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Required Supplementary Information – PERS2 & 3

East Wenatchee Water District
Schedule of Employer Contributions
PERS 2 & 3
As of December 31,
Last 10 Fiscal Years*

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Contributions in relation to the statutorily or contractually required contributions	(69,334)	(84,817)	(96,123)	(113,405)	(123,502)	(134,441)	(124,675)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employer payroll	1,224,011	1,361,417	1,401,673	1,512,072	1,600,076	1,697,487	1,739,826
Contributions as a percentage of covered employee payroll	5.66%	6.23%	6.86%	7.50%	7.72%	7.92%	7.17%

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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