



WOODINVILLE WATER DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**WOODINVILLE WATER DISTRICT
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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ACCOUNTANTS' COMPILATION REPORT

Board of Commissioners
Woodinville Water District
Woodinville, Washington

Management is responsible for the accompanying financial statements of Woodinville Water District, which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in fund net position, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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 table of contents be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the responsibility of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Supplementary Information

The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
September 23, 2021

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

INTRODUCTION

Woodinville Water District (the District) was founded in 1959 to provide water and sewer services to customers residing within the District boundaries.

The District's service boundaries encompass both rural and urban areas in a moderately growing portion of King County, Washington. The District serves approximately 14,748 water customers and 3,468 sewer customers as of December 31, 2021.

Our mission is to provide safe and reliable service to all our customers at the lowest responsible rate. Within this mission, we provide potable drinking water at acceptable flows and pressures to all customers; provide sanitary sewer service to all customers requesting service who are located within the Urban Growth Area (UGA) as established by King County; and educate customers in the efficient use of water and safe disposal of wastewater.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2021 and 2020 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The statements of net position present total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. These statements provide information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (deferred outflows), obligations to District creditors (liabilities) and the acquisition of resources that are applicable to a future reporting period (deferred inflows). They provide a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

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

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

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital Assets	\$ 109,473,443	\$ 105,809,972	\$ 104,557,313
Other Assets	31,644,602	28,074,774	26,858,421
Total Assets	<u>141,118,045</u>	<u>133,884,746</u>	<u>131,415,734</u>
Deferred Outflows of Resources	340,191	363,466	299,697
Long-Term Liabilities	6,101,970	7,479,725	8,024,987
Other Liabilities	2,016,082	2,207,228	2,365,982
Total Liabilities	<u>8,118,052</u>	<u>9,686,953</u>	<u>10,390,969</u>
Deferred Inflows of Resources	<u>3,010,153</u>	<u>357,260</u>	<u>687,285</u>
Net Investment in Capital Assets	103,181,129	98,696,270	96,663,530
Restricted Amounts	3,595,666	713,868	1,094,754
Unrestricted Amounts	<u>23,553,236</u>	<u>24,793,861</u>	<u>22,878,893</u>
Total Net Position	<u><u>\$ 130,330,031</u></u>	<u><u>\$ 124,203,999</u></u>	<u><u>\$ 120,637,177</u></u>

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Water Service Revenue	\$ 16,762,522	\$ 14,600,267	\$ 14,197,712
Sewer Service Revenue	5,890,248	5,458,541	5,580,082
Other Sewer Operating Revenues	3,640	1,440	3,820
Other Water Operating Revenues, Including Cell Tower Revenue	<u>291,732</u>	<u>226,541</u>	<u>324,218</u>
Total Operating Revenues	<u>22,948,142</u>	<u>20,286,789</u>	<u>20,105,832</u>
Water Operating Expenses	9,852,455	9,774,204	9,627,560
Sewer Operating Expenses	5,134,355	5,134,458	5,052,878
Depreciation and Amortization, Water	3,472,966	3,348,300	3,185,187
Depreciation and Amortization, Sewer	671,019	664,506	642,423
Total Operating Expenses	<u>19,130,795</u>	<u>18,921,468</u>	<u>18,508,048</u>
Operating Income	3,817,347	1,365,321	1,597,784
Nonoperating Revenues (Expenses):			
Investment and Other Interest Income	(97,080)	420,104	722,890
Miscellaneous Income	1,333	591	872
Interest and Amortization	(127,234)	(137,524)	(148,119)
Gain (Loss) on Disposal of Assets and Abandoned Projects	<u>57,579</u>	<u>35,851</u>	<u>-</u>
Income Before Capital Contributions	3,651,945	1,684,343	2,173,427
Capital Contributions	<u>2,474,087</u>	<u>1,882,479</u>	<u>973,326</u>
Increase in Net Position	<u>6,126,032</u>	<u>3,566,822</u>	<u>3,146,753</u>
Net Position - Beginning of Year	<u>124,203,999</u>	<u>120,637,177</u>	<u>117,490,424</u>
Net Position - End of Year	<u>\$ 130,330,031</u>	<u>\$ 124,203,999</u>	<u>\$ 120,637,177</u>

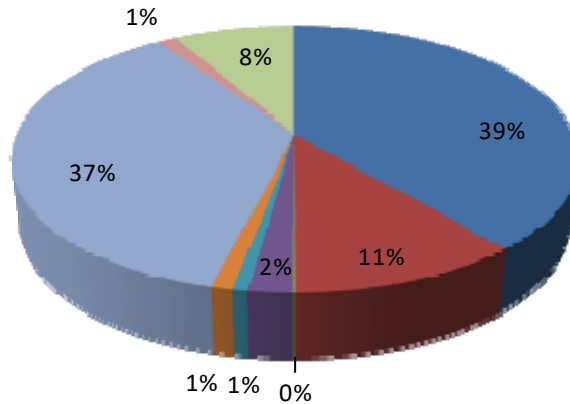
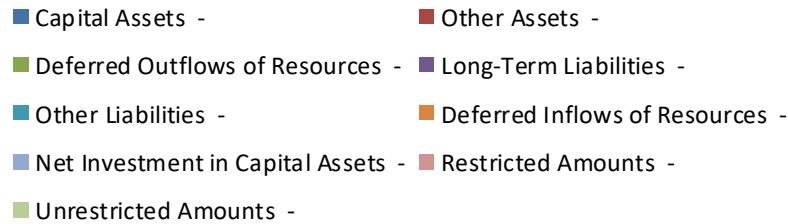
**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

FINANCIAL POSITION

The District's overall financial position continues to be strong and provides sufficient liquidity to support stable, ongoing operations. The rate of new connections to the system increased in 2021, after coming to a near complete stop in 2020 due to the pandemic and the District approaching "built-out" status, Capital assets increased as investments continued to be made to upgrade and replace necessary capital infrastructure and facilities. Capital assets increased in 2021 as new connections were added to our water and sewer system and investments were made to upgrade and replace necessary capital infrastructure and facilities.

The following charts indicate the components of financial position:

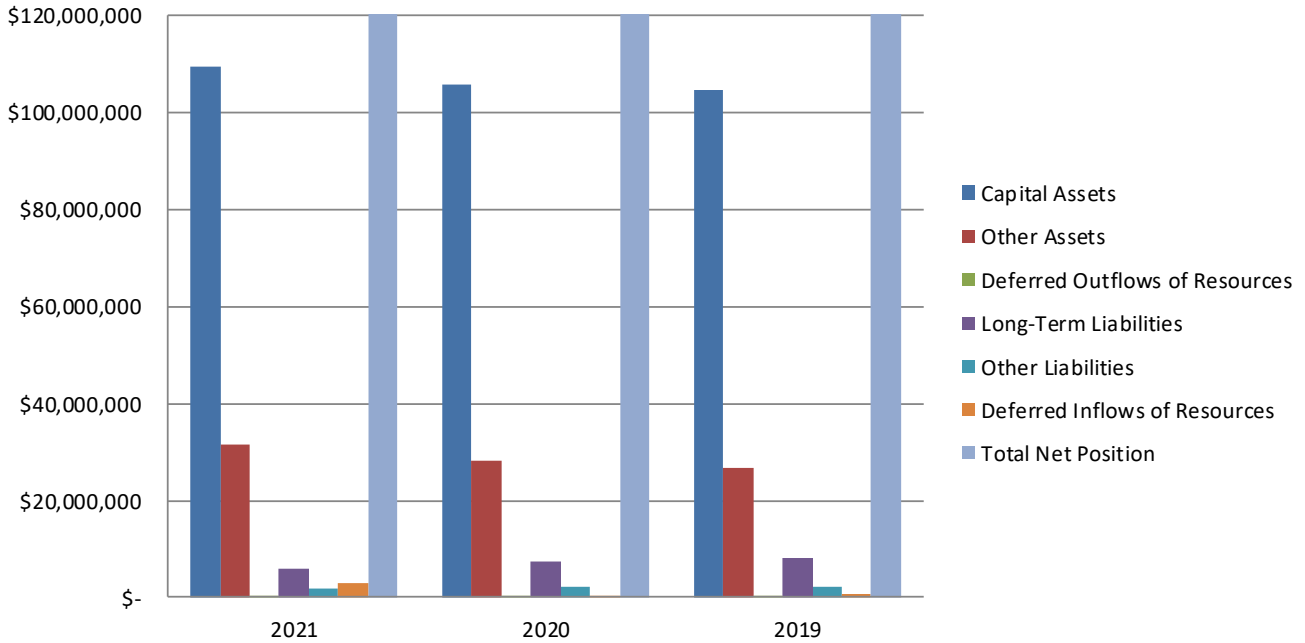
2021 STATEMENT OF NET POSITION



**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

FINANCIAL POSITION (CONTINUED)

COMPARATIVE STATEMENT OF NET POSITION

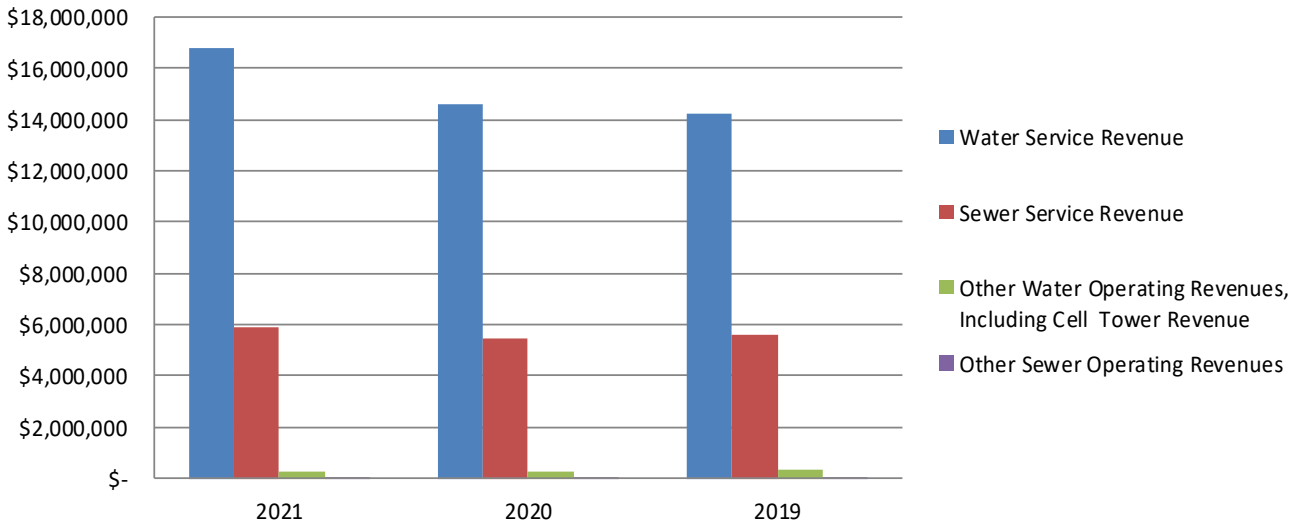


RESULTS OF OPERATIONS

The District primarily receives operating revenues from two sources: water service (including street lights) and sewer service.

The following chart indicates operating revenue over the last three years:

OPERATING REVENUES



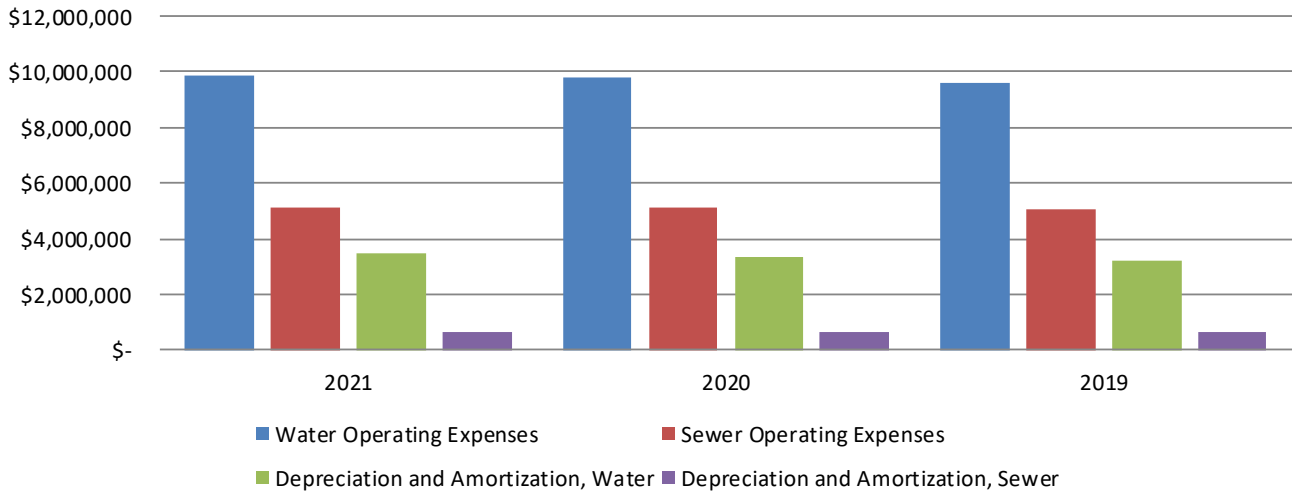
**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

RESULTS OF OPERATIONS (CONTINUED)

District operating revenues in 2021 and in 2020 were impacted by annual rate increases and lower commercial water volume sales due to pandemic related business closures. In 2019, revenues were impacted by annual rate increases (in the Sewer Utility, the District portion of Sewer Utility charges was not increased in 2020 nor in 2019) and accelerating growth in the number of customers. In addition, summer water revenues are driven largely by weather conditions. Summer weather in 2021 began in mid-June with three consecutive days of 100+ degrees. The summer continued to be much warmer and drier than average. The District exceeded budgeted water sales by more than 19% for the year. The summer of 2020 was cooler and wetter than average for the entire summer, resulting in water sales that were about equal to summer 2019. Water rate increases of approximately 6.0% and 2.9% were effective on February 1, 2021 and 2020, respectively. Overall increases in sewer rates of 4.6% and 0.0% were effective February 1, 2021 and 2020, respectively. The rate increases were needed to pay for higher wholesale water costs and wholesale sewage treatment rates; to cover inflationary increases in other operating expenses; and to provide increased funding for capital improvement purposes.

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

OPERATING EXPENSES



Water operating costs increased in 2021 and 2020 primarily due to increases in costs of health insurance and wages for District employees. In 2020, the District created a new position in the Engineering department and hired a new full-time staff engineer. In 2019, the District added a new full-time position in the information technology (IT) department and greatly reduced the outsourcing of IT needs, resulting in higher personnel related costs but lower consulting costs. The District continues to perform needed maintenance of the District's main campus. Finally, Seattle Public Utilities, the largest expense of water operations, instituted a new three-year rate structure that have 5.6% average rate increases in each of the following three years: 2020, 2019, & 2018.

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
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RESULTS OF OPERATIONS (CONTINUED)

Sewer operating costs slightly increased in 2021 and 2020 primarily due to general increases in the costs of health insurance and salaries for District employees. King County Wastewater Treatment Division costs increased in 2021 and 2020 due to a County rate increases of 5.6% and 2.5%, respectively. These rate increases were effective January 1, 2021 and 2020. In 2020, in particular, sewer operating expense increases were held back by declines in sewage treatment expenses, as the effects of closed businesses due to pandemic conditions began to be felt.

Revenues exceeded expenses (resulting in an increase in net position) in 2021, 2020, and 2019. 2020 operations were principally affected by the Pandemic which began early in the year. The Pandemic resulted in some expenses, such as travel and training, being nearly completely eliminated, while unbudgeted expenses for items needed to respond to sanitary conditions, "virtual" meetings and other unforeseen expenses surged. The summer of 2021 was much warmer and drier than both the summers of 2020 and 2019 which were slightly cooler and wetter than average. However, the uncertainty and unforeseen needs the Pandemic brought made budget to actual comparisons less useful than they would typically be. Revenue increases in the Water Utility were attributed to rate increases and not increases in volumes of water sold. Sewer revenues in 2021 were up very slightly from 2020, with the increase being related to increased rates rather than increased sewer volumes. Without rate increases, the pandemic resulted in a pronounced and long-term drop in commercial sewer volume sales. When annual sales decline, most remaining operating expenses continue at a similar level causing an additional shortfall between the amount of those expenses and revenue generated to cover them. The District maintains reserve funds to address this issue and help cover operating shortfalls in low volume sales years. In addition, the District has adopted a rate structure that recognizes that fixed costs do not change in lower demand years. This rate structure partially addresses the District's need to recover fixed costs through a higher fixed charge on each customer account. The District is continuing to increase water rates on an annual basis to continue to achieve full funding of annual depreciation expense and strengthen the District's future financial position. The District will adjust sewer rates as needed to achieve the same goals as those of the Water utility. District sewer rates were increased in 2021 for the first time in eight years. Funds provided through these increases will also help finance annual upgrades and replacement of District infrastructure.

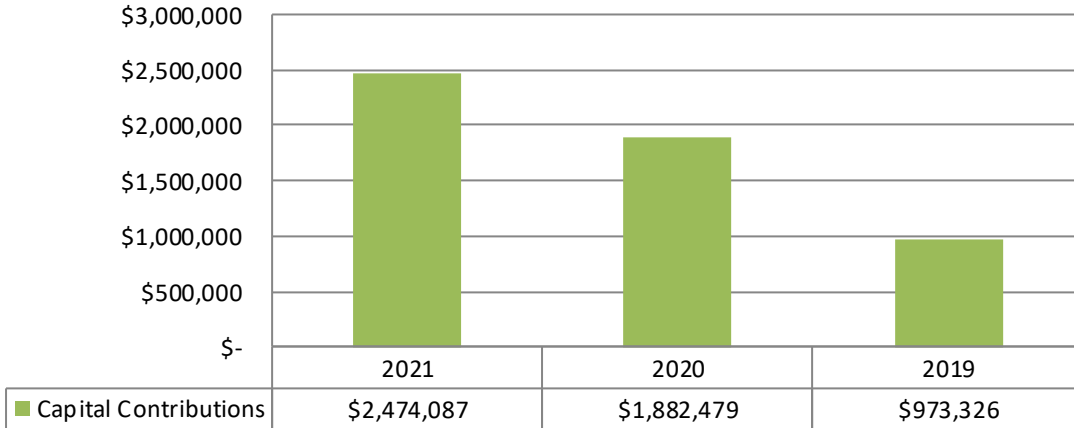
The District collects capital contributions from new customers. Capital contributions consisted of System Development Charges (connection charges) paid by new properties connecting to the water or sewer system and the value of new utility infrastructure constructed and donated to the District under approved Developer Extension Agreements.

The following chart indicates capital contributions over the last three years:

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

RESULTS OF OPERATIONS (CONTINUED)

Capital Contributions



These contributions are a result of continuing growth in the number of District customers. They include donated systems totaling \$1,215,972, \$1,792,502, and \$393,113 for the years ended December 31, 2021, 2020, and 2019, respectively. The activity in capital contributions in 2021 and 2020 was consistent with the business climate, as construction activity remained robust during those years.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets increased in 2021 due primarily to developer contributed infrastructure and in 2020 as new connections have been added to our water and sewer system and investments were made to upgrade and replace necessary capital infrastructure and facilities.

Significant capital asset additions during 2021 and 2020 included the following:

2021		2020	
Donated Systems	\$ 1,215,972	Donated Systems	\$ 1,792,502
Communications Network	188,498	Ringhill East BPS Upgrades	145,335
Hollywood Reservoir Improvements	1,272,023	Hollywood Reservoir Improvements	873,477
Pump Replacement Ringhill & Hollywood BPS	196,697	Pump Replacement Ringhill & Hollywood BPS	179,320
NE 195 St AC Main Replacement Water	108,110	D-40 NE 133rd St Water	1,467,865
NE 177th Place R&R Water	712,238	144th Ave NE, NE 200th St Upsize Water	269,482
Ringhill BPS Generator Replacement Water	168,589		
144th Ave. NE, NE 200th St Upsize Water	2,199,086		
Siphon 1 Rehabilitation Sewer Project	834,130		
Water Project D-24	126,125		

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

The decrease in long-term liabilities in 2021 and 2020 was due to principal payments made by the District and in 2019 a decrease in the net pension liability.

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

As of December 31, 2021, the District has \$13,314,653 of cash and investments set aside in construction accounts, of which \$260,894 is committed under existing contracts.

ADDITIONAL COMMENTS

The District purchases all water to supply our customer needs from the City of Seattle on a wholesale basis. Treatment of sewage collected from District customers is provided by King County Wastewater Treatment Division (KCWTD/METRO). In December 2004, a new long-term contract was signed with the City of Seattle to ensure adequate water supply for District customer needs for the foreseeable future. As costs for these wholesale products and services continue to increase in future years, the District is committed to adjusting rates as necessary to pass through related cost increases to our rate-payers in an equitable manner.

**WOODINVILLE WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	\$ 24,495,017	\$ 23,988,088
Accounts Receivable - Customers	640,961	729,533
Accounts Receivable - Customers Unbilled	2,420,257	2,160,975
Accounts Receivable - Miscellaneous	6,417	6,801
Connection Charges Receivable	1,647	1,647
Interest Receivable	10,335	18,505
Inventory	285,987	294,483
Prepaid Expenses	174,170	138,996
Due from Developers	14,146	21,878
Total Unrestricted	28,048,937	27,360,906
Restricted:		
Cash and Cash Equivalents	704,632	713,348
Interest Receivable	285	520
Total Restricted	704,917	713,868
Total Current Assets	28,753,854	28,074,774
NONCURRENT ASSETS		
Restricted:		
Net Pension Asset	2,890,748	-
Capital Assets Not Being Depreciated:		
Land and Land Rights	2,482,325	2,482,325
Construction in Progress	6,581,111	6,381,344
Capital Assets Being Depreciated:		
Plant in Service	172,420,985	164,942,737
Less: Accumulated Depreciation	(72,010,978)	(67,996,434)
Net Capital Assets	109,473,443	105,809,972
Total Noncurrent Assets	112,364,191	105,809,972
Total Assets	141,118,045	133,884,746
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	340,191	363,466
Total Deferred Outflows of Resources	340,191	363,466
Total Assets and Deferred Outflows of Resources	\$ 141,458,236	\$ 134,248,212

See accompanying Notes to Financial Statements.

WOODINVILLE WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 569,119	\$ 799,276
Retainage Payable	190,253	128,591
Compensated Absences	420,000	351,000
Developer Advances	279,482	159,121
Lease Deposit	12,000	12,000
Accrued Interest	65,228	70,507
Long-Term Debt - Current Maturities	480,000	686,733
Total Current Liabilities	2,016,082	2,207,228
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Maturities	5,446,582	5,935,084
Compensated Absences	363,069	365,450
Net Pension Liability	292,319	1,179,191
Total Noncurrent Liabilities	6,101,970	7,479,725
Total Liabilities	8,118,052	9,686,953
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	3,010,153	357,260
Total Liabilities and Deferred Inflows of Resources	11,128,205	10,044,213
NET POSITION		
Net Investment in Capital Assets	103,181,129	98,696,270
Restricted for Impaired Investments	7,413	8,622
Restricted for Debt Service	697,505	705,246
Restricted for Pensions	2,890,748	-
Unrestricted	23,553,236	24,793,861
Total Net Position	130,330,031	124,203,999
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 141,458,236	\$ 134,248,212

See accompanying Notes to Financial Statements.

WOODINVILLE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2021	2020
OPERATING REVENUES		
Water Sales	\$ 16,762,522	\$ 14,600,267
Sewer Services	5,890,248	5,458,541
Street Lights	106,055	105,896
Other Revenue	189,317	122,085
Total Operating Revenues	22,948,142	20,286,789
OPERATING EXPENSES		
Water Purchased	4,076,856	3,643,083
Wastewater Disposal Charges	3,832,977	3,952,097
Power for Street Lights	90,699	91,386
Personnel Expense	3,660,621	4,440,562
Plant Expense	2,815,248	2,255,888
Professional Services	510,409	525,646
Depreciation and Amortization	4,143,985	4,012,806
Total Operating Expenses	19,130,795	18,921,468
INCOME FROM OPERATIONS	3,817,347	1,365,321
NONOPERATING REVENUES		
Investment Income, Net of Service Fees	(97,080)	420,008
Other Interest	-	96
Miscellaneous Income	1,333	591
Gain on Disposal of Assets and Abandoned Projects	57,579	35,851
Interest and Amortization on Long-Term Debt	(127,234)	(137,524)
Total Nonoperating Revenues	(165,402)	319,022
INCOME BEFORE CAPITAL CONTRIBUTION	3,651,945	1,684,343
Capital Contributions	2,474,087	1,882,479
CHANGE IN NET POSITION	6,126,032	3,566,822
Net Position - Beginning of Year	124,203,999	120,637,177
NET POSITION - END OF YEAR	\$ 130,330,031	\$ 124,203,999

See accompanying Notes to Financial Statements.

**WOODINVILLE WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 22,779,149	\$ 19,960,716
Cash Paid to Vendors	(11,395,210)	(10,628,576)
Cash Paid to and for Employees and Commissioners, Net of Amount Capitalized	(4,695,453)	(4,716,721)
Cash Received (Paid) to Developers	128,093	14,517
Interest Received	-	96
Net Cash Provided by Operating Activities	6,816,579	4,630,032
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	1,258,115	89,977
Collections on Connection Charge Receivables	-	926
Expenditures for Plant in Service and Construction	(6,717,637)	(3,468,838)
Proceeds from Sale of Assets	57,579	35,851
Principal Paid on Long-Term Debt	(686,733)	(775,044)
Interest Paid on Long-Term Debt	(141,015)	(152,357)
Net Cash Used By Capital and Related Financing Activities	(6,229,691)	(4,269,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	(88,675)	447,403
Net Cash Provided by Investing Activities	(88,675)	447,403
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	498,213	807,950
Cash and Cash Equivalents - Beginning of Year	24,701,436	23,893,486
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25,199,649	\$ 24,701,436
CASH AND CASH EQUIVALENTS BALANCE IS COMPRISED OF THE FOLLOWING AT DECEMBER 31:		
Cash and Cash Equivalents - Current Assets	\$ 24,495,017	\$ 23,988,088
Cash and Cash Equivalents - Restricted Current Assets	704,632	713,348
Total Cash and Cash Equivalents	\$ 25,199,649	\$ 24,701,436

See accompanying Notes to Financial Statements.

WOODINVILLE WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 3,817,347	\$ 1,365,321
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,143,985	4,012,806
Interest Income	-	96
Miscellaneous Income (Expense)	1,333	591
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable - Customers	(170,710)	(326,686)
Accounts Receivable - Miscellaneous	384	22
Inventory	8,496	(107,030)
Prepaid Expenses	(35,174)	(19,829)
Due from Developers	7,732	16,799
Net Pension Asset	(2,890,748)	
Deferred Outflows Related to Pensions	23,275	(63,769)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(42,342)	(33,616)
Developer Advances	120,361	(2,282)
Compensated Absences	66,619	104,367
Net Pension Liability	(886,872)	13,267
Deferred Inflows Related to Pensions	2,652,893	(330,025)
Net Cash Provided by Operating Activities	\$ 6,816,579	\$ 4,630,032
SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	\$ 1,215,972	\$ 1,792,502

See accompanying Notes to Financial Statements.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Woodinville Water District (the District), a municipal corporation organized under the laws of the state of Washington, was created for the purpose of constructing, maintaining and operating a water and sewer system within its boundaries, which encompasses the City of Woodinville, parts of the Cities of Kirkland and Redmond, and nearby portions of unincorporated King County. The District is governed by an elected five-member board and has no component units.

Basis of Presentation and Accounting

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Inventory

Inventory consists primarily of water meters and supplies used in the construction and repair of water and sewer lines and other related system components. Inventory is stated at the lower of cost (weighted average) or net realizable value.

Capital Assets

Capital assets are stated at cost and include the capitalized portion of District employees' wages and related overhead costs. For water and sewer systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at acquisition value, which is determined by the contributing party's estimated cost and actual costs incurred by the District. Expenditures for capital assets exceeding \$5,000, including capital leases and repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

	<u>Estimated Useful Lives</u>
Annexations and Comprehensive Plans	5 to 10 Years
Pumping Stations	10 to 50 Years
Reservoirs	7 to 30 Years
Mains, Valves, Hydrants	30 to 50 Years
Meters and Services	15 Years
Office Buildings	7 to 39 Years
Office Equipment	3 to 20 Years
Transportation Equipment	5 to 10 Years
Shop and Radio Equipment	5 to 10 Years
Maps	10 Years
Monitoring	3 to 20 Years

Pensions

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

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset only.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability or as an addition to the net pension asset in the following year. Deferred outflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave benefits at year-end at the employee's current salary. District employees accumulate vacation and sick hours for subsequent use or for payment, subject to certain restrictions, upon termination, retirement, or death.

District policy regarding sick leave stipulates a five-year cliff vesting of unused sick leave. If an employee leaves the District in good standing after five years of service, the District will compensate the employee for not more than 480 hours of accrued sick leave at his or her current salary.

Long-Term Debt

Long-term debt is reported net of premiums and discounts. Premiums and discounts on long-term debt are amortized by the effective interest method over the period the related debt is outstanding.

Net Position

Net position is classified in the following three components:

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

Restricted – This component of net position consists of the net pension asset, without addition for deferred outflows of resources related to pensions or reduction for deferred inflows of resources related to pensions, and assets restricted by external creditors (such as through debt covenants), grantors, contributors or others, and deferred outflows of resources related to those assets, reduced by related liabilities, and deferred inflows of resources.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

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

Revenues and Expenses

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

Capital Contributions

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

Use of Estimates in Financial Statement Preparation

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Cash on hand at December 31, 2021 and 2020 was \$1,000 and \$1,000, respectively. The Districts bank balances as of December 31, 2021 and 2020 were \$30,000 and \$30,000, respectively.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District’s deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

	<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
2021	King County Investment Pool:		
	Main Pool	\$ 25,161,236	1.24 Years
	Impaired Pool	7,413	
2020	King County Investment Pool:		
	Main Pool	\$ 24,661,814	1.20 Years
	Impaired Pool	8,623	

Impaired Investments

As of December 31, 2021 and 2020, all impaired commercial paper investments have completed enforcement events. The King County Impaired Investment Pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principal was \$11,717 and \$13,826 at December 31, 2021 and 2020, respectively. The District's unrealized loss for these investments is \$4,304 and \$5,204 at December 31, 2021 and 2020, respectively.

Interest Rate Risk

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

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

As of December 31, 2021 and 2020, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A" by one NRSROs), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by one NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3 RESTRICTED ASSETS

In accordance with the bond resolutions and other agreements, restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other requirements. Restricted assets are as follows:

	<u>Cash and Cash Equivalents</u>	<u>Interest Receivable</u>	<u>Net Pension Asset</u>	<u>Total</u>
<u>2021</u>				
Current Restricted Assets:				
Revenue Bond Fund	\$ 78,201	\$ 22	\$ -	\$ 78,223
Revenue Bond Reserve Fund	619,018	263	-	619,281
Impaired Investment Pool	<u>7,413</u>	<u>-</u>	<u>-</u>	<u>7,413</u>
Total	704,632	285	-	704,917
Noncurrent Restricted Assets:				
Net Pension Assets	-	-	2,890,748	2,890,748
Total Restricted Assets	<u>\$ 704,632</u>	<u>\$ 285</u>	<u>\$ 2,890,748</u>	<u>\$ 3,595,665</u>
<u>2020</u>				
Current Restricted Assets:				
Revenue Bond Fund	\$ 83,656	\$ 48	\$ -	\$ 83,704
Revenue Bond Reserve Fund	621,069	472	-	621,541
Impaired Investment Pool	<u>8,623</u>	<u>-</u>	<u>-</u>	<u>8,623</u>
Total Restricted Assets	<u>\$ 713,348</u>	<u>\$ 520</u>	<u>\$ -</u>	<u>\$ 713,868</u>

Terms of the revenue bond issue require the District to establish and maintain principal and interest and reserve accounts. The principal and interest account is to accumulate funds for payment of bonds, principal, and interest, and the reserve account is to provide security for bond holders. The reserve account is to provide security for bond holders. The amount to be reserved is the lesser of the maximum annual debt service, 125% of average annual debt service, or 10% of the proceeds of the bonds. The required reserve for the 2012 revenue bonds at December 31, 2021 and 2020 was \$614,956 and \$614,956, respectively, and was fully funded.

WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 CAPITAL ASSETS

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

	2021			Balance - End of Year
	Balance - Beginning of Year	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 2,482,325	\$ -	\$ -	\$ 2,482,325
Construction in Progress	6,381,344	6,699,331	(6,499,564)	6,581,111
Total	<u>8,863,669</u>	<u>6,699,331</u>	<u>(6,499,564)</u>	<u>9,063,436</u>
Capital Assets Being Depreciated:				
Pumping Stations	8,593,417	-	-	8,593,417
Reservoirs	12,331,307	2,151,656	-	14,482,963
Mains, Valves, Hydrants	119,555,621	4,929,433	-	124,485,054
Meters and Services	8,202,660	-	-	8,202,660
Office Buildings	8,231,454	-	-	8,231,454
Office Equipment	2,607,101	-	-	2,607,101
Transportation Equipment	2,326,224	526,600	(129,441)	2,723,383
Shop and Radio Equipment	2,648,514	-	-	2,648,514
Maps	66,767	-	-	66,767
Monitoring	379,672	-	-	379,672
Total	<u>164,942,737</u>	<u>7,607,689</u>	<u>(129,441)</u>	<u>172,420,985</u>
Accumulated Depreciation:				
Pumping Stations	(2,237,299)	(311,877)	-	(2,549,176)
Reservoirs	(8,125,452)	(332,922)	-	(8,458,374)
Mains, Valves, Hydrants	(42,940,471)	(2,413,356)	-	(45,353,827)
Meters and Services	(4,986,363)	(338,558)	-	(5,324,921)
Office Buildings	(4,519,396)	(276,250)	-	(4,795,646)
Office Equipment	(2,394,964)	(55,720)	-	(2,450,684)
Transportation Equipment	(1,376,552)	(197,102)	129,441	(1,444,213)
Shop and Radio Equipment	(969,498)	(218,200)	-	(1,187,698)
Maps	(66,767)	-	-	(66,767)
Monitoring	(379,672)	-	-	(379,672)
Total	<u>(67,996,434)</u>	<u>(4,143,985)</u>	<u>129,441</u>	<u>(72,010,978)</u>
Net Capital Assets	<u>\$ 105,809,972</u>	<u>\$ 10,163,035</u>	<u>\$ (6,499,564)</u>	<u>\$ 109,473,443</u>

WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 CAPITAL ASSETS (CONTINUED)

	2020			Balance - End of Year
	Balance - Beginning of Year	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 2,482,325	\$ -	\$ -	\$ 2,482,325
Construction in Progress	9,642,131	3,199,457	(6,460,244)	6,381,344
Total	<u>12,124,456</u>	<u>3,199,457</u>	<u>(6,460,244)</u>	<u>8,863,669</u>
Capital Assets Being Depreciated:				
Pumping Stations	8,593,417	-	-	8,593,417
Reservoirs	9,354,152	2,977,155	-	12,331,307
Mains, Valves, Hydrants	114,257,294	5,298,327	-	119,555,621
Meters and Services	8,202,660	-	-	8,202,660
Office Buildings	8,231,454	-	-	8,231,454
Office Equipment	2,593,993	21,233	(8,125)	2,607,101
Transportation Equipment	2,215,102	229,537	(118,415)	2,326,224
Shop and Radio Equipment	2,688,076	-	(39,562)	2,648,514
Maps	66,767	-	-	66,767
Monitoring	379,672	-	-	379,672
Total	<u>156,582,587</u>	<u>8,526,252</u>	<u>(166,102)</u>	<u>164,942,737</u>
Accumulated Depreciation:				
Pumping Stations	(1,925,422)	(311,877)	-	(2,237,299)
Reservoirs	(7,825,960)	(299,492)	-	(8,125,452)
Mains, Valves, Hydrants	(40,621,108)	(2,319,363)	-	(42,940,471)
Meters and Services	(4,647,805)	(338,558)	-	(4,986,363)
Office Buildings	(4,242,535)	(276,861)	-	(4,519,396)
Office Equipment	(2,345,460)	(57,629)	8,125	(2,394,964)
Transportation Equipment	(1,314,380)	(180,587)	118,415	(1,376,552)
Shop and Radio Equipment	(780,621)	(228,439)	39,562	(969,498)
Maps	(66,767)	-	-	(66,767)
Monitoring	(379,672)	-	-	(379,672)
Total	<u>(64,149,730)</u>	<u>(4,012,806)</u>	<u>166,102</u>	<u>(67,996,434)</u>
Net Capital Assets	<u>\$ 104,557,313</u>	<u>\$ 7,712,903</u>	<u>\$ (6,460,244)</u>	<u>\$ 105,809,972</u>

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 5 LONG-TERM DEBT

Long-term debt outstanding at December 31, 2021 and 2020 consisted of revenue bonds and direct borrowings and direct placements as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Revenue and Refunding Bonds: <u>\$9,845,000 Dated August 8, 2012 Issue for</u> <u>Utility Construction:</u> Due serially through the year 2032, with interest payable semiannually at 2.00 to 2.50 annual percentage rates	\$ 5,880,000	\$ 6,355,000
Total Revenue and Refunding Bonds	5,880,000	6,355,000
Direct Borrowings and Direct Placements: All issued for utility construction and secured by the revenue of the system.		
2000 - \$1,833,510 Public Works Trust Fund Loan: Payable \$98,310 annually through the year 2020, plus interest at 1.0 annual percentage rate.	-	-
2001 - \$3,254,000 Public Works Trust Fund Loan: Payable \$174,321 annually through the year 2021, plus interest at .5 annual percentage rate.	-	174,321
2001 - \$672,000 Public Works Trust Fund Loan: Payable \$37,412 annually through the year 2021, plus interest at .5 annual percentage rate.	-	37,412
Total Direct Borrowings and Direct Placements	-	211,733
Total Long-Term Debt	5,880,000	6,566,733
Less: Current Maturities	(480,000)	(686,733)
Add: Unamortized Bond (Discounts) Premiums	46,582	55,084
Total	\$ 5,446,582	\$ 5,935,084

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,	Revenue and Refunding Bonds		Direct Placements and Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2022	\$ 480,000	\$ 130,456	\$ -	\$ -	\$ 610,456
2023	490,000	120,856	-	-	610,856
2024	500,000	111,056	-	-	611,056
2025	510,000	101,056	-	-	611,056
2025	520,000	90,856	-	-	610,856
2026-2030	2,785,000	279,831	-	-	3,064,831
2031-2032	595,000	14,876	-	-	609,876
Total	<u>\$ 5,880,000</u>	<u>\$ 848,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,728,987</u>

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
<u>2021</u>					
Director Borrowings and Direct Placements: Public Works Trust					
Fund Loans	\$ 211,733	\$ -	\$ (211,733)	\$ -	\$ -
Revenue Bonds	6,355,000	-	(475,000)	5,880,000	480,000
Bond Premium	55,084	-	(8,502)	46,582	-
Compensated Absences	716,450	486,310	(419,691)	783,069	420,000
Net Pension Liability PERS 1	814,736	-	(522,417)	292,319	-
Net Pension Liability PERS 2/3	364,455	-	(364,455)	-	-
Total	<u>\$ 8,517,458</u>	<u>\$ 486,310</u>	<u>\$ (2,001,798)</u>	<u>\$ 7,001,970</u>	<u>\$ 900,000</u>
<u>2020</u>					
Director Borrowings and Direct Placements: Public Works Trust					
Fund Loans	\$ 521,777	\$ -	\$ (310,044)	\$ 211,733	\$ 211,733
Revenue Bonds	6,820,000	-	(465,000)	6,355,000	-
Bond Premium	64,246	-	(9,162)	55,084	-
Compensated Absences	612,083	455,205	(350,838)	716,450	351,000
Net Pension Liability	1,165,924	13,267	-	1,179,191	-
Total	<u>\$ 9,184,030</u>	<u>\$ 468,472</u>	<u>\$ (1,135,044)</u>	<u>\$ 8,517,458</u>	<u>\$ 562,733</u>

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31, 2021 and 2020:

Aggregate Pension Amounts – All Plans		
	2021	2020
Pension Liabilities	\$ 292,319	\$ 1,179,191
Pension Assets	(2,890,748)	-
Deferred Outflows of Resources	340,191	363,466
Deferred Inflows of Resources	3,010,153	357,260
Pension Expense	(681,126)	66,725

State Sponsored Pension Plans

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

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

Department of Retirement Systems
Communications Unit
PO 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 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of 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%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

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

<u>PERS Plan 1 Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
2021:		
January through June		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.87	-
Administrative Fee	0.18	-
Total	<u>12.97 %</u>	<u>6.00 %</u>
July through December		
PERS Plan 1	10.07 %	6.00 %
Administrative Fee	0.18	-
Total	<u>10.25 %</u>	<u>6.00 %</u>
2020:		
January through August		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.76	-
Administrative Fee	0.18	-
Total	<u>12.86 %</u>	<u>6.00 %</u>
September through December		
PERS Plan 1	7.92 %	6.00 %
PERS Plan 1 UAAL	4.87	-
Administrative Fee	0.18	-
Total	<u>12.97 %</u>	<u>6.00 %</u>

The District's actual contributions to the plan were \$160,701 and \$172,419 for the years ended December 31, 2021 and 2020, respectively.

**WOODINVILLE WATER DISTRICT
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NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

PERS Plan 2/3 – provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least 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 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 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% and escalate to 15% with a choice of 6 options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarially accrued liability (UAAL) and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

<u>PERS Plan 2/3 Actual Contribution Rates</u>	<u>Employer 2/3</u>	<u>Employee 2</u>	<u>Employee 3</u>
2021:			
January through June			
PERS Plan 2	7.92 %	7.90 %	Varies
PERS Plan 1 UAAL	4.87		
Administrative Fee	0.18		
Total	<u>12.97 %</u>	<u>7.90 %</u>	<u>Varies</u>
July through December			
PERS Plan 2	6.36 %	6.36 %	Varies
PERS Plan 1 UAAL	3.71		
Administrative Fee	0.18		
Total	<u>10.25 %</u>	<u>6.36 %</u>	<u>Varies</u>
2020:			
January through August			
PERS Plan 2	7.92 %	7.90 %	Varies
PERS Plan 1 UAAL	4.76		
Administrative Fee	0.18		
Total	<u>12.86 %</u>	<u>7.90 %</u>	<u>Varies</u>
September through December			
PERS Plan 2	7.92 %	7.90 %	Varies
PERS Plan 1 UAAL	4.87		
Administrative Fee	0.18		
Total	<u>12.97 %</u>	<u>7.90 %</u>	<u>Varies</u>

The District's actual contributions to the plan were \$253,145 and \$268,568 for the years ended December 31, 2021 and 2020, respectively.

Actuarial Assumptions

The 2021 total pension liability/(asset) (TPL/A) 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*.

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

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional 2021 assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. Additional 2020 assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL/A was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021 and June 30, 2020. 2021 Plan liabilities/(assets) were rolled forward from June 30, 2020, to June 30, 2021, and 2020 Plan liabilities/(assets) were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

There were no changes in assumptions between the 2021 and 2020 valuations. There were changes in methods between the 2021 and 2020 valuations.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a noncontribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability/(asset) 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.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

There were changes in methods and assumptions between the 2020 and 2019 valuations.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington State average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

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

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

Estimated Rates of Return by Asset Class (Continued)

As of June 30, 2021 and 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long- Term Expected Real Rate of Return Arithmetic</u>
2021:		
Fixed Income	20 %	2.20 %
Tangible Assets	7	5.10
Real Estate	18	5.80
Global Equity	32	6.30
Private Equity	23	9.30
Total	100 %	
2020:		
Fixed Income	20 %	2.20 %
Tangible Assets	7	5.10
Real Estate	18	5.80
Global Equity	32	6.30
Private Equity	23	9.30
Total	100 %	

Sensitivity of NPL/(Asset)

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

	2021		
	One Percent Decrease (6.4%)	Current Discount Rate (7.4%)	One Percent Increase (8.4%)
PERS 1	\$ 497,983	\$ 292,319	\$ 635,286
PERS 2/3	(823,518)	(2,890,748)	(1,202,898)
	2020		
	One Percent Decrease (6.4%)	Current Discount Rate (7.4%)	One Percent Increase (8.4%)
PERS 1	\$ 1,020,503	\$ 814,736	\$ 635,286
PERS 2/3	2,267,736	364,455	(1,202,898)

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

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

At December 31, 2021 and 2020, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2021 and 2020):

	<u>2021</u>	<u>2020</u>
PERS 1	\$ 292,319	\$ 814,736
PERS 2/3	(2,890,748)	364,455
Total	<u>\$ (2,598,429)</u>	<u>\$ 1,179,191</u>

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

	<u>Proportionate Share 6/30/20</u>	<u>Proportionate Share 6/30/21</u>	<u>Change in Proportion</u>
PERS 1	0.023077%	0.023936%	0.000859%
PERS 2/3	0.028497%	0.029019%	0.000522%

	<u>Proportionate Share 6/30/19</u>	<u>Proportionate Share 6/30/20</u>	<u>Change in Proportion</u>
PERS 1	0.023166%	0.023077%	-0.000089%
PERS 2/3	0.028321%	0.028497%	0.000176%

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

Pension Expense

For the year ended December 31, 2021 and 2020, the District recognized pension expense as follows:

	<u>2021</u>	<u>2020</u>
PERS 1	\$ (24,277)	\$ 36,172
PERS 2/3	(663,330)	24,287
Expenses and Other	6,481	6,266
Total	<u>\$ (681,126)</u>	<u>\$ 66,725</u>

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2021</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	324,377
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	69,947	-
Total	\$ 69,947	\$ 324,377
 PERS 2/3:		
Differences Between Expected and Actual Experience	\$ 140,399	\$ 35,438
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	2,415,988
Changes of Assumptions	4,224	205,290
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	11,902	29,060
Contributions Subsequent to the Measurement Date	113,719	-
Total	\$ 270,244	\$ 2,685,776
Total All Plans	\$ 340,191	\$ 3,010,153

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 7 PENSION PLAN (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2020</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	4,536
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	87,545	-
Total	\$ 87,545	\$ 4,536
PERS 2/3:		
Differences Between Expected and Actual Experience	\$ 130,470	\$ 45,675
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	18,509
Changes of Assumptions	5,191	248,954
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	4,798	39,586
Contributions Subsequent to the Measurement Date	135,462	-
Total	\$ 275,921	\$ 352,724
Total All Plans	\$ 363,466	\$ 357,260

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

<u>Year Ending December 31,</u>	PERS 1	PERS 2/3
2022	\$ (85,928)	\$ (669,103)
2023	(78,741)	(625,696)
2024	(74,453)	(595,313)
2025	(85,255)	(636,279)
2026	-	(5,896)
Thereafter	-	3,036
Total	\$ (324,377)	\$ (2,529,251)

WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 8 DEFERRED COMPENSATION PLAN

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are with the International City Managers Association and Nationwide Retirement. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In addition to voluntary employee deferrals, the District matches 100% of eligible employee deferrals up to 2% of the participating employees' salaries. Employee deferrals totaled \$199,028 and \$192,309 in 2021 and 2020, respectively. District matching contributions totaled \$66,818 and \$64,073 in 2021 and 2020, respectively.

NOTE 9 RISK MANAGEMENT

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

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

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$10,000,000 dedicated to Sammamish Plateau)
Terrorism	\$1,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000	\$25,000	
Liability:			
Commercial General Liability	\$1,000	\$500,000	\$10,000,000
Auto Liability	\$1,000	Same as above	\$10,000,000
Public Officials Errors and Omissions	\$1,000	Same as above	\$10,000,000
Employment Practices	\$1,000	Same as above	\$10,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000

- A. \$100,000 member deductibles, per occurrence, in Flood Zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.
- B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.
- C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required eight-hour waiting period.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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

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

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

The Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's executive director.

In the past three years (2021, 2020, and 2019), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

NOTE 10 HEALTH AND WELFARE

Woodinville Water District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 10 HEALTH AND WELFARE (CONTINUED)

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and noncity entities of the AWC Employee Benefit Trust in the state of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2021, 262 cities/towns/noncity entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the board of trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Noncity Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the board of trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of six months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

**WOODINVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

NOTE 10 HEALTH AND WELFARE (CONTINUED)

The operations of the Health Care Program are managed by the board of trustees or its delegates. The board of trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from trust member cities or towns. The trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options, and benefits in compliance with Chapter 48.62 RCW. The board of trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the state auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

In 2021, 2020, and 2019, there were no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by stop loss contracts.

NOTE 11 MAJOR SUPPLIERS

All sewage treatment and water purchased by the District is provided by King County Wastewater Treatment Division and the City of Seattle, respectively.

NOTE 12 COMMITMENTS AND CONTINGENCY

The District is obligated under various contracts for construction in progress in the combined amount of \$2,143,994 of which \$1,883,100 has been expended as of December 31, 2021.

NOTE 13 LEASES

The District leases space for cell towers on certain reservoirs under noncancelable operating leases. Future rental income due to the District is as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 19,834
2023	20,429
2024	21,041
2025	12,642
Total	<u>\$ 73,946</u>

**WOODINVILLE WATER DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE ACCOUNTANTS' COMPILATION REPORT)**

PERS 1

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.000239 %	\$ 292,319	\$ 3,549,024	8.24 %	88.74 %
2020	0.000231	814,736	3,389,311	24.04	68.64
2019	0.000232	890,833	3,146,528	28.31	67.12
2018	0.000231	1,032,014	2,972,860	34.71	63.22
2017	0.000258	1,129,726	2,918,425	38.71	61.24
2016	0.000254	1,315,970	2,833,272	46.45	57.03
2015	0.254020	1,328,746	2,835,492	46.86	59.10
2014	0.260030	1,309,906	2,687,854	48.73	61.19

Notes to Schedule:

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

The District has one employee covered under PERS 1. The remaining PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 Unfunded Actuarially Accrued Liability (UAAL).

PERS 2/3

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.029019 %	\$ (2,890,748)	\$ 3,470,804	(83.29)%	120.29 %
2020	0.028497	364,455	3,314,623	11.00	97.22
2019	0.028321	275,091	3,077,728	8.94	97.77
2018	0.028219	481,817	2,907,103	16.57	95.77
2017	0.029112	1,011,503	2,854,142	35.44	90.97
2016	0.299160	1,506,228	2,772,061	54.34	85.82
2015	0.312720	1,117,353	2,774,687	40.27	89.20
2014	0.319200	645,210	2,630,214	24.53	93.29

Notes to Schedule:

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

**WOODINVILLE WATER DISTRICT
SCHEDULES OF EMPLOYER PENSION CONTRIBUTIONS
AS OF DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS*
(SEE ACCOUNTANTS' COMPILATION REPORT)**

PERS 1

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2021	\$ 160,701	\$ (160,701)	\$ -	\$ 3,586,657	4.48 %
2020	172,419	(172,419)	-	3,468,397	4.97
2019	167,585	(167,585)	-	3,279,387	5.11
2018	157,478	(157,478)	-	3,010,141	5.23
2017	150,128	(150,128)	-	2,972,296	5.05
2016	140,964	(140,964)	-	2,872,449	4.91
2015	124,548	(124,548)	-	2,759,423	4.51
2014	112,961	(112,961)	-	2,728,637	4.14

Notes to Schedule:

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

The District has one employee covered under PERS 1. The remaining PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 Unfunded Actuarially Accrued Liability (UAAL).

PERS 2/3

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2021	\$ 253,145	\$ (253,145)	\$ -	\$ 3,515,675	7.20 %
2020	268,568	(268,568)	-	3,390,988	7.92
2019	247,759	(247,759)	-	3,207,748	7.72
2018	220,774	(220,774)	-	2,943,406	7.50
2017	199,627	(199,627)	-	2,907,439	6.87
2016	175,005	(175,005)	-	2,809,077	6.23
2015	152,348	(152,348)	-	2,700,173	5.64
2014	133,436	(133,436)	-	2,670,605	5.00

Notes to Schedule:

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

**WOODINVILLE WATER DISTRICT
DEPARTMENTAL STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2021
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water Sales	\$ 16,762,522	\$ -	\$ 16,762,522
Sewer Services	-	5,890,248	5,890,248
Street Lights	106,055	-	106,055
Other Revenue	185,677	3,640	189,317
Total Operating Revenues	<u>17,054,254</u>	<u>5,893,888</u>	<u>22,948,142</u>
OPERATING EXPENSES			
Water Purchased	4,076,856	-	4,076,856
Wastewater Disposal Charges	-	3,832,977	3,832,977
Power for Street Lights	90,699	-	90,699
Personnel Expense	3,456,119	204,502	3,660,621
Plant Expense	1,767,832	1,047,416	2,815,248
Professional Services	460,949	49,460	510,409
Depreciation and Amortization	3,472,966	671,019	4,143,985
Total Operating Expenses	<u>13,325,421</u>	<u>5,805,374</u>	<u>19,130,795</u>
INCOME (LOSS) FROM OPERATIONS	3,728,833	88,514	3,817,347
NONOPERATING REVENUES			
Investment Income, Net of Service Fees	(68,629)	(28,451)	(97,080)
Other Interest	-	-	-
Miscellaneous Income	1,333	-	1,333
Gain on Disposal of Assets and Abandoned Projects	57,579	-	57,579
Interest and Amortization on Long-Term Debt	(127,234)	-	(127,234)
Total Nonoperating Revenues	<u>(136,951)</u>	<u>(28,451)</u>	<u>(165,402)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	3,591,882	60,063	3,651,945
Capital Contributions	<u>1,290,016</u>	<u>1,184,072</u>	<u>2,474,087</u>
CHANGE IN NET POSITION	<u>\$ 4,881,898</u>	<u>\$ 1,244,135</u>	6,126,032
Net Position - Beginning of Year			<u>124,203,999</u>
NET POSITION - END OF YEAR			<u>\$ 130,330,031</u>

**WOODINVILLE WATER DISTRICT
DEPARTMENTAL STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Water Sales	\$ 14,600,267	\$ -	\$ 14,600,267
Sewer Services	-	5,458,541	5,458,541
Street Lights	105,896	-	105,896
Other Revenue	120,645	1,440	122,085
Total Operating Revenues	<u>14,826,808</u>	<u>5,459,981</u>	<u>20,286,789</u>
OPERATING EXPENSES			
Water Purchased	3,643,083	-	3,643,083
Wastewater Disposal Charges	-	3,952,097	3,952,097
Power for Street Lights	91,386	-	91,386
Personnel Expense	4,146,215	294,347	4,440,562
Plant Expense	1,489,453	766,435	2,255,888
Professional Services	404,067	121,579	525,646
Depreciation and Amortization	3,348,300	664,506	4,012,806
Total Operating Expenses	<u>13,122,504</u>	<u>5,798,964</u>	<u>18,921,468</u>
INCOME (LOSS) FROM OPERATIONS	1,704,304	(338,983)	1,365,321
NONOPERATING REVENUES			
Investment Income, Net of Service Fees	289,173	130,835	420,008
Other Interest	96	-	96
Miscellaneous Income	591	-	591
Gain on Disposal of Assets and Abandoned Projects	23,361	12,490	35,851
Interest and Amortization on Long-Term Debt	(137,524)	-	(137,524)
Total Nonoperating Revenues	<u>175,697</u>	<u>143,325</u>	<u>319,022</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,880,001	(195,658)	1,684,343
Capital Contributions	<u>1,242,559</u>	<u>639,920</u>	<u>1,882,479</u>
CHANGE IN NET POSITION	<u>\$ 3,122,560</u>	<u>\$ 444,262</u>	3,566,822
Net Position - Beginning of Year			<u>120,637,177</u>
NET POSITION - END OF YEAR			<u>\$ 124,203,999</u>

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