Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No. 1 of Asotin County

For the period January 1, 2020 through December 31, 2020

Published October 4, 2021

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Office of the Washington State Auditor
Pat McCarthy

October 4, 2021

Board of Commissioners
Public Utility District No. 1 of Asotin County
Clarkston, Washington

Report on Financial Statements

Please find attached our report on Public Utility District No. 1 of Asotin County's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Public Utility District No. 1 of Asotin County
January 1, 2020 through December 31, 2020

Board of Commissioners
Public Utility District No. 1 of Asotin County
Clarkston, 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 Public Utility District No. 1 of Asotin County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 15, 2021.

As discussed in Note 9 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 9.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

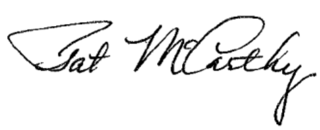
COMPLIANCE AND OTHER MATTERS

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

Olympia, WA

September 15, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Public Utility District No. 1 of Asotin County
January 1, 2020 through December 31, 2020

Board of Commissioners
Public Utility District No. 1 of Asotin County
Clarkston, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Utility District No. 1 of Asotin County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Asotin County, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 9 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 9. Our opinion is not modified with respect to this matter.

Other Matters

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 on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021 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 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

September 15, 2021

FINANCIAL SECTION

Public Utility District No. 1 of Asotin County
January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis

The following Management Discussion and Analysis is designed to provide an overview of the Asotin County Public Utility District's (District) financial activities for the year ended December 31, 2020. This discussion should be read in conjunction with the District's financial statements and notes to the financial statements.

The District owns and operates a public water system with approximately 7,250 connections to customers in Asotin County covering twenty square miles. The District also owns and operates the Port of Wilma water system in Whitman County which serves approximately thirty commercial and industrial customers. The District provides sanitary sewer collection to over 1,400 customers. The District's office and main shop are located in Clarkston, Washington.

Basic Financial Statements

The Statement of Net Position presents the District's assets, deferred outflows, liabilities, and deferred inflows, with the balance reported as net position. The Statement of Net Position provides information about the nature and amount of investment in resources (assets), and the obligations to creditors (liabilities). The net position increases when revenues exceed expenses. The Statement of Revenue, Expenses and Changes in Fund Net Position reports the revenues and expenses during the periods indicated. The Statement of Cash Flow provides information about the District's cash receipts and payments from operations, as well as funds provided in investing and financing activities. The notes to the financial statements provide additional information that is essential to fully understanding the figures provided in the financial statements.

Financial Analysis and Summary

The District's overall financial condition remains stable. The District has been very careful with the resources that have been provided by rate revenue because there is very little growth potential projected for revenues from new customers. The reduction of costs in a number of areas have provided revenue stability for the District and rate stability for customers while allowing the District to meet its obligations and provide for capital improvement.

The District's consumption rate increased from $1.05 to $1.10, and the meter base rate increased $1.00 across meter sizes ¾" to 2", $2.00 for 3" to 6" meters, and $4.00 for 8"meters during 2020. The District is continuing to use current rates to fund asset expansion. This plan is possible because significant amounts of debt have been retired and the combined revenues between the water and wastewater system will be adequate to cover identified improvements.

Current and other assets were relatively stable over 2020. Capital assets increased $2.0 million as a result of corrections for a prior year's transfers of sewer assets from other governments and current year infrastructure additions. Deferred outflows of resources increased because of the implementation of a new asset retirement obligation standard related to wells.

Long-term liabilities increased by 81% between 2019 and 2020, primarily due to the addition of asset retirement obligations. Pension and other postemployment benefits liabilities increased slightly as well.

CONDENSED COMPARATIVE STATEMENT OF NET POSITION
As of December 31, 2020 and 2019
(In thousands)

	2020	2019	Change
Assets			
Current and other assets	$ 3,270	$ 3,096	$ 174
Capital assets, net of depreciation	21,678	19,720	1,958
Total Assets	24,948	22,816	2,132
Deferred outflows of resources	780	152	628
Liabilities			
Other liabilities	208	153	55
Long-term liabilities	1,940	1,070	870
Total Liabilities	2,148	1,223	925
Deferred inflows of resources	299	405	(106)
Net Position			
Net investment in capital assets	21,677	19,641	2,036
Unrestricted	1,604	1,699	(95)
Total net position	$ 23,281	$ 21,340	$ 1,941

The largest portion of the District's net position is the classification Net Investment in Capital Assets. This classification reflects the District's investment in capital assets (land, intangible assets such as easements and water rights, buildings, plant, and equipment) less any remaining related debt. The District uses its capital assets to provide services to its customers. The classification Net Investment in Capital Assets increased by approximately $2.0 million in 2020, as debt was paid off and assets were added in the correction related to prior years specified above.

The remainder of the District's net position is unrestricted, which may be used to meet the District's ongoing obligations to customers and creditors. Unrestricted net position decreased $95,000 in 2020, as cash was used to pay down debt and purchase capital assets.

CONDENSED COMPARATIVE STATEMENT OF CHANGES IN FUND NET POSITION
For the year ended December 31, 2020 and 2019
(In thousands)

	2020	2019	Change
Operating revenues			
Metered and Wastewater sales	$ 5,175	$ 4,957	$ 218
Other operating	332	387	(55)
Non-operating revenues - other	5	5	-
Non-operating revenues -disposal of assets	(164)	-	(164)
Total revenues	5,348	5,349	(1)
Operating expenses			
Operation	1,612	1,469	143
Maintenance	1,054	378	676
Customer Services	425	355	70
General Administration	435	1,404	(969)
Depreciation	444	407	37
Excise and B&O Taxes	244	231	13
Non-operating expenses	1	1	-
Total expenses	4,215	4,245	(30)
Change in net position	1,133	1,104	29
Net Position, beginning of year	21,340	20,236	1,104
Change in accounting principles	(290)	-	(290)
Prior period adjustment	1,098	-	1,098
Net Position, end of year	$ 23,281	$ 21,340	$ 1,941

Change in net position after non-operating revenues and expenses was $1.9 million in 2020, which is larger than the change in net position for 2019 primarily as a result of the prior period adjustment and change in accounting principles. Total revenues and expenditures were similar year-on-year. The District's operating revenues were $5.5 million, a $163,000 increase from 2019. This was offset by the loss on disposal of assets of $164,000. The major source of revenue for the District is metered water sales and sewer charges.

The net utility operating income before non-operating revenues and expenses was $1,293,298 as compared to $1,099,516 in 2019. The operating income increased by approximately $194,000 between 2019 and 2020, as operating revenues grew from increased rates and consumption, while expenses decreased slightly. Maintenance cost more than doubled from 2019, due to pre-purchasing supplies ahead of cost increases; however, this was offset by a 69% decrease in administrative expense related to negative pension expense adjustments and an increase in the amount of materials capitalized.

Capital Assets

The District's total capital assets as of December 31, 2020 were $21.7 million, net of depreciation. Funds for capital construction are provided for through a combination of installation charges and cash flow from revenues. In 2020 the District purchased and placed into service $1.3 million worth of capital assets, all of which were water distribution system improvements. See Note 3 of the accompanying notes to the financial statements for further detail related to capital asset activity.

Long-term Debt Activity

The District paid off its 2000 Public Works Trust Fund loan used to fund water system capital improvements in 2020.

Funds for payment of Long-term Debt are provided for from the cash flow from revenues. See Note 4 of the accompanying notes to the financial statements for further detail related to long term debt activity.

Economic Outlook and Currently Known Facts

In 2020, the District base meter charge increased by $1.05-$1.10 across meter sizes. The District has projected a 5% increase in rates over the next six years to fund utility operations and future projects identified in the water system plan. The District continues to strive to reduce its capital debt and use current resources to fund capital acquisition.

Requests for Information

This financial report is designed to provide the District's customers 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 any questions about the report or need additional information, contact the District's General Manager at:

Public Utility District No. 1 of Asotin County
Attention: General Manager
P.O. Box 605
Clarkston, WA 99403

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

		2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	2,670,364
Accounts Receivable, net		386,956
Materials Inventory		212,538
TOTAL CURRENT ASSETS		3,269,858
Noncurrent Assets:		
Workers Compensation Deposit		1,548
Capital Assets Not Being Depreciated		107,813
Capital Assets Being Depreciated		21,569,060
TOTAL NONCURRENT ASSETS		21,678,421
TOTAL ASSETS	$	24,948,279
DEFERRED OUTFLOWS OF RESOURCES		
Amounts related to Asset Retirement Obligations		580,882
Amounts Related to Pensions		172,438
Amounts Related to OPEB		26,336
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	779,656

The Notes to the Financial Statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

		2020
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	65,660
Wages Payable		42,451
Customer Deposits		19,424
Compensated Absences - Current		29,540
Other Current Liabilities		31,019
Total Other Post Employment Benefits Liability - Current Portion		19,661
TOTAL CURRENT LIABILITIES		207,755
Noncurrent Liabilities:		
Compensated Absences		265,867
Claims Liability Payable		90,879
Total Other Post Employment Benefits Liability		252,021
Asset Retirement Obligation		880,124
Net Pension Liability		450,740
TOTAL NONCURRENT LIABILITIES		1,939,631
TOTAL LIABILITIES	$	2,147,386
DEFERRED INFLOWS OF RESOURCES		
Amounts Related to Pensions		173,136
Amounts Related to OPEB		126,219
TOTAL DEFERRED INFLOWS OF RESOURCES	$	299,355
NET POSITION		
Net Investment in Capital Assets		21,676,873
Unrestricted		1,604,321
TOTAL NET POSITION	$	23,281,194

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2020

		2020
OPERATING REVENUES		
Metered and Wastewater Sales	$	5,174,651
Other Operating Revenues		332,241
Total Operating Revenue		5,506,892
OPERATING EXPENSES		
Operation Expense		
General Operations		1,294,146
Power Purchased for Resale		12,558
Cost of Energy		305,575
Maintenance		1,053,663
Customer Services		425,046
General Administration		435,041
Depreciation		443,968
Excise and B&O Taxes		243,597
Total Operating Expenses		4,213,594
OPERATING INCOME (LOSS)		1,293,298
NONOPERATING REVENUES (EXPENSES)		
Interest Income		4,511
Gain (Loss) on Sale and/or Disposition Property		(164,142)
Interest Expense on Long-Term Debt		(85)
Total Nonoperating Revenues (Expenses)		(159,716)
CHANGE IN NET POSITION		1,133,582
TOTAL NET POSITION, January 1, 2020		21,339,956
Prior period adjustment		1,098,097
Change in accounting principle		(290,441)
TOTAL NET POSITION, December 31, 2020	$	23,281,194

The Notes to the Financial Statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

		2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	5,430,778
Payments to Suppliers		(1,678,898)
Payments to Employees		(1,949,566)
Payments for Taxes		(243,597)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,558,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets		(1,295,634)
Principal Paid on Long Term Debt		(78,396)
Proceeds from the Sale of an Asset		2,749
Interest Paid on Long Term Debt		(477)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(1,371,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments		4,511
NET CASH PROVIDED BY INVESTING ACTIVITIES		4,511
NET INCREASE IN CASH AND CASH EQUIVALENTS		191,470
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,478,894
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	2,670,364

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Utility Operating Income	$	1,293,298
Adjustments to Reconcile Net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation Expense		443,968
(Increase) Decrease in Receivables		(76,114)
(Increase) Decrease in Inventories		73,169
Increase (Decrease) in Current Payables		41,768
Increase (Decrease) in Accrued Payroll		(11,790)
Increase (Decrease) in Pension Items		(128,312)
Increase (Decrease) in Accrued Employee Benefits		78,801
Change in Accounting Principle Related to Operating Activities		(290,441)
Increase (Decrease) in Asset Retirement Obligation		299,242
Other nonoperating expense		(164,872)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	1,558,717

Noncash Investing, Financing and Capital Activities

Capital assets financed through accounts payable	$	10,074

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Public Utility District No. 1 of Asotin County 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.

Reporting Entity. Public Utility District No. 1 of Asotin County was formed in 1984 and began operation in April, 1987, and operates under the laws of the state of Washington applicable to public utility districts. The District is a municipal corporation that provides residential and commercial water service, wastewater service and limited electrical service within Asotin County, Washington. A three-member board governs the District. As required by GAAP, management has considered all potential component units in defining the reporting entity. The District has no component units.

Basis of Accounting and Presentation. The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor, under the authority of Chapter 43.09 RCW. The District uses the uniform system of accounts for Class A water utilities prescribed by the National Association of Regulatory Commissioners (NARUC).

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 derived from its charges to customers for water supply and distribution. Operating expenses include cost of providing services and maintenance, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, Fund Balance, Net Position

Cash and Cash Equivalents. The District's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For the purposes of the statement of cash flows, the District classifies the Washington State Local Government Investment Pool as cash. Investments in the State Investment Pool are classified as cash equivalents on the financial statements.

Investments All investments of the District are reported at amortized cost.

Interest is recognized in non-operating revenues as earned. Changes in the fair value of investments are also included in non-operating revenues (expenses). Unrealized gains and losses are recognized on the books as of the statement of net position date. A detailed listing is shown in Note 2, Deposits & Investments.

Receivables. Accounts receivable includes current balances due on utility services billed and other receivables. An allowance for uncollectible accounts is provided based upon historical collection experience. The basis for Unbilled Accounts Receivable is accounts that were billed in January 2021 for service that was provided in December 2020.

Accounts receivable as of December 31, 2020, are as follows:

Receivables:	
Utility Service	$ 318,956
Unbilled Accounts Receivable	75,000
Allowance for Uncollectible Accounts	(7,000)
Total	$ 386,956

Materials Inventory. Inventories for the District consist of supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed. Plant materials and supplies are valued at the first-in, first-out average cost which approximates the market value.

Capital Assets and Depreciation. Capital Assets are defined by the District as assets with initial individual cost of more than $10,000 and an estimated useful life in excess of 3 years, and include property, plant equipment and infrastructure assets. Such assets are recorded at historical cost. Donations by developers 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. Normal maintenance and repairs are accounted for as expenses when incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The original cost of utility plant retired or otherwise disposed of is removed from the plant account; accumulated depreciation is charged with the accumulated depreciation relating to the asset sold, and the net gain or loss on disposal is credited or charged to income. The gain (loss) from disposition of utility property account is maintained so that the transactions and details underlying each gain or loss are readily identifiable. See Note 3, Capital Assets.

Depreciation is computed on the straight-line method over the estimated useful lives of the asset as follows:

	Useful Life
Organizational and franchise costs	5-50 years
Buildings and improvements	50 years
Wells and distribution system	50-100 years
Equipment	5+ years

Compensated Absences. Compensated absences are absences for which employees will be paid. All personal leave is accrued when incurred. Personal leave pay, which may be accumulated up to a maximum of 1,200 hours, is payable upon resignation, retirement or death. See Note 4, Long-term Debt.

Other Current Liabilities. Other accrued liabilities include accrued payroll taxes and withholdings, and use taxes.

Claims Liability Payable. Claims Liability Payable represent future assessments to the District due to the PURMS insurance pool to meet minimum reserve requirements of the pool. At December 31, 2020, the claims liability payable was $90,879.

Long-term Debt. See Note 4, Long-term Debt.

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.

Total Other Post Employment Benefits Liability. See Note 6, Other Post Employment Benefits.

Asset Retirement Obligation. See Note 8, Asset Retirement Obligation.

Deferred Outflows of Resources and Deferred Inflows of Resources. A Deferred Outflow of Resources is a consumption of net position that is applicable to future periods. Deferred Inflows of Resources are acquisitions of net position in one period that are applicable to future periods. These are distinguished from assets and liabilities in the statement of net position. The District recognizes Deferred Outflows and Deferred inflows related to pension liability, asset retirement obligations and other post-employment benefits (OPEB) liability.

2. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

The District's deposits are entirely covered by the Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2020, the District's cash and cash equivalents are as follows:

Cash and cash equivalents:		
Bank depository and checking accounts	$	2,512,760
Petty Cash		450
Local Government Investment Pool		157,154
Total cash and cash equivalents	$	2,670,364

Deposits:

Custodial credit risk (deposits). Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The District has not adopted a policy that addresses deposit custodial risk; however, the District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the District's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Amounts held in Washington State banks approved by the Public Deposit Protection Commission (PDPC) are covered by federal depository insurance up to $250,000 and by the PDPC for amounts over $250,000. The PDPC constitutes a multiple financial institution collateral pool that provides for additional assessments against participants of the pool on a pro rata basis. Accordingly, the deposits covered by PDPC are considered to be insured.

Investments

The District does not have a policy for custodial credit risk of investment securities. Further, the District is not subject to foreign currency risk or interest rate risk. The District is currently invested in the Washington State Local Government Investment Pool (LGIP).

Investments Measured at Amortized Cost
As of December 31, 2020, the District had the following investments at amortized cost:

Investment	Maturities	Total
State Investment Pool (LGIP)	NA	$ 157,154
Total		$ 157,154

The District is a voluntary participant in the Local Government Investment Pool which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

3. CAPITAL ASSETS

Utility plant activity for the year ended December 31, 2020 was as follows:

CAPITAL ASSETS	Beginning Balance Restated	Increase	Decrease	Ending Balance
Utility plant not being depreciated				
Land	$ 107,813	$ -	$ -	$ 107,813
Total utility plant not being depreciated	107,813	-	-	107,813
Utility plant being depreciated				
Buildings and improvements	1,564,540	10,075	-	1,574,615
Wells, distribution system and infrastructure	26,639,055	1,265,228	60,664	27,843,619
Equipment	2,328,319	30,405	398,543	1,960,181
Total utility plant being depreciated	30,531,914	1,305,708	459,207	31,378,415
Less accumulated depreciation for:				
Buildings and improvements	665,800	105,332	-	771,132
Wells, distribution system and infrastructure	7,846,020	120,606	22,298	7,944,328
Equipment	1,145,882	218,030	270,017	1,093,895
Total accumulated depreciation	9,657,702	443,968	292,315	9,809,355
Total utility plant being depreciated, net	20,874,212	861,740	166,892	21,569,060
Total utility plant, net	$ 20,982,025	$ 861,740	$ 166,892	$ 21,676,873

The beginning balance of capital assets was restated by $1,098,097 for prior period adjustments related to water and sewer infrastructure assets that should have been added or disposed in prior years. Additionally, the beginning balance was adjusted for a change in accounting estimate on water mains in the amount of $164,873.

4. LONG-TERM DEBT

A summary of changes in long-term debt is as follows:

	Balance 1/1/2020	Increase	Decrease	Balance 12/31/2020	Due within one year
Direct Borrowings	$ 78,396	$ -	$ 78,396	$ -	-
Compensated Absences	222,920	72,487	-	295,407	29,540
Claims Liability	76,758	14,121	-	90,879	-
Other Post Employment Benefits	265,850	5,832	-	271,682	19,661
Asset Retirement Obligation*	880,124	-	-	880,124	-
Pension Liability	426,386	24,354	-	450,740	-
Total long-term debt	$ 1,950,434	$ 116,794	$ 78,396	$ 1,988,832	$ 49,201

*Beginning balance was adjusted for a change in accounting principle. See Note 8.

The direct borrowing loan with the Washington State Department of Community Development in the amount of $1,458,000 to finance distribution system improvements, well upgrade, reservoir painting and SCADA upgrades was paid off in full in January 2020.

5. PENSIONS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 450,740
Deferred outflows of resources	172,438
Deferred inflows of resources	173,136
Pension expense/expenditures	41,961

State Sponsored Pension Plans

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

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

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

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

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**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 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2020		
PERS Plan 2/3	7.92%	7.41%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.86%**	**7.41%**
September – December 2020		
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%**

The District's actual PERS plan contributions were $62,569 to PERS Plan 1 and $103,314 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities 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-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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 changes in methods and assumptions since the last valuation.

- 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 percent.

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions 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 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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of 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 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 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	384,245	306,769	239,201
PERS 2/3	895,824	143,971	(475,181)

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, 2020, the District reported a total pension liability of $450,740 for its proportionate share of the net pension liabilities as follows

Plan	Liability or Asset
PERS 1	$ 306,769
PERS 2/3	143,971

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.00836%	0.00869%	0.00033%
PERS 2/3	0.01079%	0.01126%	0.00046%

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

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

Pension Expense

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

	Pension Expense
PERS 1	$ 28,169
PERS 2/3	13,792
TOTAL	41,961

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (1,708)
Contributions subsequent to the measurement date	31,525	-
TOTAL	$ 31,525	$ (1,708)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,539	$ (18,043)
Net difference between projected and actual investment earnings on pension plan investments	-	(7,312)
Changes of assumptions	2,051	(98,344)
Changes in proportion and differences between contributions and proportionate share of contributions	35,663	(47,729)
Contributions subsequent to the measurement date	51,660	-
TOTAL	$ 140,913	$ (171,428)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,539	$ (18,043)
Net difference between projected and actual investment earnings on pension plan investments	-	(9,020)
Changes of assumptions	2,051	(98,344)
Changes in proportion and differences between contributions and proportionate share of contributions	35,663	(47,729)
Contributions subsequent to the measurement date	83,185	-
TOTAL	$ 172,438	$ (173,136)

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, 2021. 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	PERS 2/3
2021	$ (7,751)	$ (61,219)
2022	(244)	(15,759)
2023	2,365	1,079
2024	3,922	10,807
2025	-	(11,783)
Thereafter	-	(5,300)

6. OTHER POST EMPLOYMENT BENEFITS

The following table represents the aggregate Other Post Employment Benefits (OPEB) other than pension amounts for the District's plan for the year 2020.

Aggregate OPEB amounts - All Plans		
OPEB Liabilities	$	271,682
Deferred outflows of resources		26,336
Deferred inflows of resources		126,219
OPEB Expense		20,685

Plan Description:

The District pays medical premiums under a single-employer defined benefit Other Post Employment Benefit plan.

This plan pays medical premiums of qualified retirees for one to three years from the date of retirement, depending on length of service. Additionally, all employees and spouses are eligible to retain medical coverage in PURMS after retirement. The employees and spouses electing to remain in PURMS pay their own premiums; however, coverage results in an implicit subsidy paid by the District through its rates for health care premiums through the pool.

As of year-end, there are 38 active District employees which may be eligible for continuing medical benefits, and one retired employee which is receiving these benefits. There are no retirees eligible but not receiving benefits.

There are no assets accumulated in a trust for this plan. This OPEB plan does not issue a stand-alone financial report nor is it included in the report of another entity.

Contributions:

This plan is not currently funded. The District policy is based on the pay as you go method. The benefit is 100% covered at the current year's premiums, which are paid by the District, with the exception of retiree-elected PURMS medical, which is paid for by the retiree. The implicit cost of allowing retired employees and spouse to retain PURMS coverage (implicit subsidy) is considered the contribution made by the District for that benefit. During the year, the District's implicit subsidy was $19,246.

Actuarial Methods and Assumptions:
The total OPEB liability was determined using the most recent actuarial valuation completed in 2020 with a valuation date of December 31, 2020.

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, inflation 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. Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation. Actuarial calculations reflect a long-term perspective.

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:

Valuation Date	12/31/2020
Actuarial Cost Method	Entry Age Normal
Discount rate - Beginning of Measurement Year	3.26%
Discount rate - End of Measurement Year	1.93%
Healthcare Trend Rates	6.00%
Amortization Period - Level Dollar	11 years

Actuarial assumptions are developed consistent with the 2007-2012 Experience Study performed by the Office of the State Actuary. The source of the discount rate is the 20 Year AA Municipal Index Rate. Mortality rates were based on the RP-2014 report with 2020 Improvement rates. The Society of Actuaries publishes this document. Retirement was assumed to be at a minimum age 60 with 10+ years of service or minimum age 55 with age plus years of service of 80, with 100% election of PURMS coverage pre-65 and 0% election of PURMS coverage after age 65.

Sensitivity Rates

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 6.0 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.0) or 1-percentage point higher (7.0%) that the current rate.

Health Care Trend Rate Sensitivity

1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
$ 252,608	$ 271,682	$ 293,822

The following presents the total OPEB liability of the District calculated using the discount rate of 1.93 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.93%) or 1-percentage point higher (2.93%) than the current rate.

Discount Rate Sensitivity

1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
$ 295,025	$ 271,682	$ 252,080

Changes in the Total OPEB Liability

At the measurement date December 31, 2020, the changes in the total OPEB liability are as follows:

		2020
Service cost	$	20,729
Interest Cost		8,353
Experience Gain/Loss		(29,417)
Changes in assumptions		25,413
Benefit payments		(19,246)
Net change in total OPEB liability		5,832
Total OPEB liability - beginning		265,850
Total OPEB liability - ending	$	271,682

The District reported $20,685 as OPEB expense for the calendar year 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 1,336	$ (123,227)
Changes of Assumptions	25,000	(2,992)
Total	$ 26,336	$ (126,219)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended December 31:		
2021	$	(8,397)
2022		(8,397)
2023		(8,397)
2024		(8,397)
2025		(8,396)
Therafter		(57,899)
	$	(99,883)

7. RISK MANAGEMENT

Self-Insurance Fund

The District is a member of the Public Utility Risk Management Services Self-Insurance Fund (PURMS). 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 service to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement (Pool or Liability Pool) was made pursuant to the provisions of Chapter 54.16 RCW, and interlocal government agreements.
The Pool was formed on December 31, 1976, when certain Public Utility Districts (PUDs) in the State of Washington joined together by signing an Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2020, there were twenty-one, nineteen, and twelve members in the Liability, Property, and Health & Welfare pools, respectively. The Pool provides liability, property, and health and welfare insurance coverage for its members and their employees under an agreement entitled "PURMS Joint Self-Insurance Agreement" (SIA).

Liability Risk Pool

The Liability Pool is financed through assessments of its participating members (Liability Assessment) in accordance with the terms of the Liability General Assessment Formula. Liability Assessments are levied at the beginning of each calendar year to replenish the Liability Pool to the Designated Liability Pool Balance. In addition, Liability Assessments are levied at any time during the year that the actual Liability Pool Balance becomes $500,000 less than the Designated Liability Pool Balance.

For 2020, the Designated Liability Pool Balance was $3,500,000. As a result, as of December 31, 2020, the Liability Pool maintained cash reserves of $3,300,188 to pay for operating expenses and liability claims. The Liability Coverage Limit was $1,000,000 per occurrence as of December 31, 2020.

As of December 31, 2020 there were 56 known incidents or unresolved Liability Claims pending against one or members or former members of the Liability Pool. The total risk posed by these claims to such members and to the Liability Pool itself is unknown but the reserves set by the Administrator for these claims were $1,125,046.

Property Risk Pool

PURMS provides property insurance coverage for its members participating in the Property Risk Pool in accordance with the terms of the SIA. Under the SIA, the Property Pool has had a self-insured retention (or Property coverage Limit) of $250,000 per property loss.

At all times, PURMS maintains Excess Property Insurance for its members in the Property Pool. For 2020, the amount of the Excess Property Insurance was $200 million, with excess coverage attaching at the $250,000 Property Coverage Limit for all Property Losses except those subject to increased retention levels for certain property risks.

In accordance with Washington State regulatory requirements applicable to public entity risk pools, on an annual basis, PURMS engages an independent qualified actuary to determine the claim financing levels and liabilities for unpaid claims and claims adjustments expense for the Liability Pool. A copy of the Liability Pool Actuarial Report is provided to the Washington State Risk Manager and made available to the Washington State Auditor's Office.

As of December 31, 2020 there were 6 known property claims pending from members of the property pool. The total risk posed by these claims to such members and to the Property Pool itself is unknown and can only be estimated. The reserves set by the Administrator for these claims were $48,475.

Health & Welfare Risk Pool

PURMS provides health and welfare insurance coverage for the employees of each of its members participating in the Health & Welfare Risk Pool (H&W Pool) in accordance with the terms of the SIA and the terms of each member's respective coverage booklet provided to its employees. The H&W Pool was established as one of PURMS' risk pools effective March 31, 2000.

Under the H&W assessment formula, each month, each member of the H&W Pool is assessed for (a) the cost the H&W Pool incurred during the preceding month for the H&W claims for such member's employees; and (b) for such member's share of Shared H&W Costs. Shared H&W Costs are administrative expenses incurred by the H&W Pool, premiums for stop-loss insurance, PPO charges, and Shared H&W Claims.

The exposure of each H&W Pool Member to the H&W Claims Costs of its employees is limited by two different stop-loss points. The first is established annually by the Excess Stop-Loss Insurance that the H&W Pool acquires and maintains for its members. For 2020 the H&W Pool Individual Stop Loss Point was $365,000 per employee and the H&W Pool Aggregate Stop Loss Point was $27,955,593 for the combined H&W Claims Costs of the employees of members of the H&W Pool.

As of December 31, 2020, reserves of $2,392,304 for prescription drug, dental and vision benefits was set aside by the Administrator of the pool to cover the actuarially estimated program liability of $1,151,739.

Each of PURMS risk pools is audited annually by the State Auditor's Office. In addition, as required by State regulations, PURMS provides quarterly financial reports to the State Risk Manager reflecting the claims and administrative expenses of the Risk Pools. Bi-annually, the State Risk Manager performs its own audit of PURMS' risk pools.

There has been no reduction in insurance coverage from the previous year and there have been no settlements in excess of the District's insurance coverage in any of the three preceding years.

Short-term Disability

The District self-insures for short-term disability for all employees who are medically removed from duty for reasons not associated with employment. The District compensates the employee for 70% of their wages after a qualifying period of 40 hours' missed work. There were no short-term disability payments to employees in 2020.

8. ASSET RETIREMENT OBLIGATION (ARO)

As of December 31, 2020 the District owns, operates, and maintains seven wells having an average estimated useful life remaining of 67 years that it does not foresee decommissioning in the future; however, in the event that the District were to decommission these wells there are specific decommissioning requirements within the Washington Administrative code (WAC) 173-160-381.

The District obtained an engineering estimate of potential decommissioning costs which supports the Districts reported ARO liability at December 31, 2020, of $880,404 and a deferred outflow of $580,882. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

9. OTHER DISCLOSURES

Accounting and Reporting Changes

The District implemented GASB statement Number 83, Certain Asset Retirement Obligations on January 1, 2020. The objective of this standard is to improve note disclosure related to asset retirement obligations. The statement defines an asset retirement obligation as a legally enforceable liability associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. These asset retirement obligations are measured based on the best estimate of the current value of outlays expected to be incurred. Disclosures must be made under this statement covering the methods and assumptions used to measure the liabilities, the estimated remaining useful life of the assets, a general description of the asset retirement obligations, the source of the obligations, how legally required funding and assurances are being met, and the amount of assets restricted for payment of the liabilities – if not separately displayed in the financial statements. This statement required the District to recognize a liability on the Statement of Net Position, called an Asset Retirement Obligation (ARO) when the liability is incurred and reasonably estimable. Additionally, the District presents a Deferred Outflow of resources on the statement of net position that will be expensed over the remaining life of the asset. Upon implementation, a change in accounting principles of $(290,441) was also recognized.

COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The financial impact to the District during 2020 was minimal. Administration expense saw an increase related to IT costs for remote working and meeting capability and sanitation. Revenues were not impacted. The length of time these measures will continue to be in place, and the full extent of the financial impact on the District is unknown at this time.

Prior period adjustment

A prior period adjustment was recorded for $1,098,097 for corrections to capital assets.

ASOTIN COUNTY PUD

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last Seven Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.008689%	$ 306,769	$ 1,317,723	23.28%	68.48%
2019	0.008362%	321,549	1,279,216	25.14%	67.12%
2018	0.010011%	447,095	1,234,911	36.20%	63.22%
2017	0.009248%	438,825	1,165,547	37.65%	61.24%
2016	0.009169%	492,418	1,116,898	44.09%	57.03%
2015	0.008853%	463,094	1,014,362	45.65%	59.10%
2014	0.008660%	436,252	962,773	45.31%	61.19%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last Seven Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.011257%	$ 143,971	$ 1,317,723	10.93%	97.22%
2019	0.010793%	104,837	1,279,216	8.20%	97.77%
2018	0.012800%	218,549	1,234,911	17.70%	95.77%
2017	0.011896%	413,329	1,165,547	35.46%	90.97%
2016	0.011734%	590,798	1,116,898	52.90%	85.82%
2015	0.011428%	408,329	1,014,362	40.25%	89.20%
2014	0.011149%	225,362	962,773	23.41%	93.29%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PERS 1
As of December 31
Last Seven Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2020	$ 62,569	$ (62,569)	$ -	$ 1,304,447	4.80%
2019	64,067	(64,067)	-	1,296,863	4.94%
2018	65,018	(65,018)	-	1,284,040	5.06%
2017	58,505	(58,505)	-	1,193,878	4.90%
2016	54,691	(54,691)	-	1,146,569	4.77%
2015	43,205	(43,205)	-	974,637	4.43%
2014	44,007	(44,007)	-	1,069,473	4.11%

ASOTIN COUNTY PUD

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last Seven Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2020	$ 103,314	$ (103,314)	$ -	$ 1,304,447	7.92%
2019	100,186	(100,186)	-	1,296,863	7.73%
2018	96,304	(96,304)	-	1,284,040	7.50%
2017	81,923	(81,923)	-	1,193,878	6.86%
2016	71,431	(71,431)	-	1,146,569	6.23%
2015	55,388	(55,388)	-	974,637	5.68%
2014	54,491	(54,491)	-	1,069,473	5.10%

ASOTIN COUNTY PUD

Notes to Required Supplemental Information - Pension

As of December 31
Last Seven Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.
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.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues.* Covered payroll includes all payroll on which a contribution is based.

Note 4: Contribution rates
Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	8/31/2020	12.86%	
9/1/2020	current	12.97%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	8/31/2020	12.86%	
9/1/2020	current	12.97%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - Other Post Employment Benefits (OPEB)
Schedule of Changes in Total Liability and Related Ratios
Last Three Calendar Years

Total OPEB liability	2020	2019	2018
Service cost	$ 20,729	2,195	7,441
Interest	8,353	6,721	5,436
Changes of benefit terms	-	191,798	-
Differences between expected and actual experience	(29,417)	(112,565)	1,700
Changes of assumptions or other inputs	25,413	2,213	(3,808)
Benefit payments	(19,246)	-	-
Net change in total OPEB liability	5,832	90,362	10,769
Total OPEB liability beginning	265,850	175,488	164,719
Total OPEB liability ending	$ 271,682	265,850	175,488
Covered employee payroll	1,406,441	1,341,718	1,289,112
Total OPEB liability as a percentage of covered employee payroll	19.3%	19.8%	13.6%

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:

2018	3.83%
2019	3.26%
2020	1.93%

2. The District implemented GASB 75 in 2018, 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.

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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